

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
SERIES 2019

Closing: May 7, 2019



\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2019
(the “2019 Certificates”)

CLOSING: May 7, 2019

CLOSING LIST

I. BASIC FINANCING DOCUMENTS

1. Ground Lease, dated as of June 1, 2008, from Pima County, Arizona (the “County”), as lessor, to U.S. Bank National Association, as Trustee (the “Trustee”), and evidence of recording of same
2. Ground Lease, dated as of January 1, 2014, from the County, as lessor, to the Trustee, and evidence of recording of same
3. Ground Lease, dated as of May 1, 2019, from the County, as lessor, to the Trustee, and evidence of recording of same
4. Lease-Purchase Agreement, dated as of June 1, 2008, between the Trustee, as lessor, and the County, as lessee, and evidence of recording of same
5. Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019, between the Trustee, as lessor, and the County, as lessee, and evidence of recording of same
6. Trust Agreement, dated as of June 1, 2008, between the County and the Trustee, relating to the execution and delivery of the Certificates of Participation, Series 2008 and evidence of recording of same
7. Eighth Supplement to Trust Agreement, dated as of May 1, 2019, between the County and the Trustee, relating to the execution and delivery of the 2019 Certificates and evidence of recording of same
8. Specimen 2019 Certificates

II. DOCUMENTS RELATING TO THE SALE OF THE 2019 CERTIFICATES

9. Preliminary Official Statement, dated April 3, 2019
10. Certificate Purchase Contract, dated April 17, 2019, between the County and Citigroup Global Markets Inc., as underwriter of the 2019 Certificates (the “Underwriter”)
11. Official Statement, dated April 17, 2019
12. Continuing Disclosure Undertaking of the County
13. Blue Sky Survey

III. DOCUMENTS OF THE COUNTY

14. Copy of Resolution No. 2018-28 adopted and approved on May 15, 2018, authorizing all actions relating to the issuance of the 2019 Certificates
15. General Certificate of the County
16. Tax Compliance Certificate for the 2019 Certificates
 - Attachment A: Definitions for Tax Compliance Certificate
 - Attachment B: Underwriter’s Certificate
 - Attachment C-1: Compliance Policy
 - Attachment C-2: Rebate Instructions
17. Blanket Issuer Letter of Representations executed by the County and acknowledged and accepted by The Depository Trust Company
18. Certificate of Finance and Risk Management Director of the County, together with the following Exhibits:
 - A. Request for Sealed Bids for the Leased Property
 - B. Notice of Publication of the Request for Sealed Bids
 - C. Notice of Postponement of Auction
 - D. Copies of Sealed Bids Received at the Auction
 - E. Notice of Award to Winning Bidder at the Auction

IV. DOCUMENTS OF THE TRUSTEE

19. Certificate and Receipt of Trustee

V. DOCUMENTS OF THE UNDERWRITER

20. Underwriter's Receipt for the 2019 Certificates

VI. LEGAL OPINIONS

21. Opinion of Squire Patton Boggs (US) LLP ("Special Counsel") and Reliance Letter to Trustee
22. Supplemental Opinion of Special Counsel, responsive to Section 7(i)(4) of Certificate Purchase Contract
23. Opinion of Special Counsel, responsive to Section 2.11 of the Trust Agreement
24. Opinion of the Pima County Attorney's Office
25. Opinion of Counsel to the Underwriter

VII. MISCELLANEOUS DOCUMENTS

26. ALTA Owners Title Insurance Policy, issued on June 26, 2008, by Lawyers Title Insurance Corporation, insuring the Trustee's interest in the Leased Property
27. LTAA Owners Title Insurance Policy, issued on May 22, 2013, by First American Title Insurance Company, insuring the Trustee's interest in a portion of the Leased Property
28. LTAA Owners Title Insurance Policy, issued on February 7, 2014, by First American Title Insurance Company, insuring the Trustee's interest in a portion of the Leased Property
29. Evidence of Ratings on the 2019 Certificates
30. Information Return for Tax-Exempt Governmental Obligations (IRS Form 8038-G) for the 2019 Certificates, together with evidence of mailing
31. Report of Bond and Security Issuance Pursuant to A.R.S. § 35-501B
32. Settlement, Delivery and Closing Procedures, and Debt Retirement Schedule

Transcript Distribution:

Pima County, Arizona – Issuer
Squire Patton Boggs (US) LLP – Special Counsel
U.S. Bank National Association – Trustee
RBC Capital Markets, LLC – Financial Advisor
Citigroup Global Markets Inc. – Underwriter
Greenberg Traurig, LLP – Underwriter’s Counsel
Dorsey & Whitney LLP – Trustee’s Counsel

E
A
S
T
S
I
D
E

F. ANN RODRIGUEZ, RECORDER
RECORDED BY: C_V
DEPUTY RECORDER
1016 PE1

TLATI
TIMOTHY PICKRELL
40 N CENTRAL AVE STE 2700
PHOENIX AZ 85004



DOCKET: 13336
PAGE: 21
NO. OF PAGES: 15
SEQUENCE: 20081240004
06/26/2008
LEASE 08:35
MAIL
AMOUNT PAID \$ 20.00

When recorded return to:
Timothy E. Pickrell, Esq.
Squire, Sanders & Dempsey L.L.P.
Two Renaissance Square
40 North Central Avenue
Suite 2700
Phoenix, Arizona 85004-4498

Affidavit and Fee Exemption Claimed:
A.R.S. Section 11-1134(A)2

Property Tax Exemption:
A.R.S. Section 42-11102(A)2

GROUND LEASE

by and between

PIMA COUNTY, ARIZONA,
as Lessor

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of June 1, 2008

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

GROUND LEASE

THIS GROUND LEASE (this "Ground Lease"), dated as of June 1, 2008, by and between PIMA COUNTY, ARIZONA (the "County"), as lessor, and U.S. BANK NATIONAL ASSOCIATION, as trustee for the benefit of the registered owners of the Certificates (as defined herein) (the "Trustee"), as lessee;

WITNESSETH:

WHEREAS, the County owns the parcel of real property situated in Pima County, Arizona and described in Exhibit A and all improvements thereon existing at the time of execution of this Ground Lease (collectively, the "Public Works Parking Garage") and will lease the Public Works Parking Garage to the Trustee, pursuant to the authority in Section 11-256 of the Arizona Revised Statutes (the "Act"); and

WHEREAS, the Trustee will lease the Public Works Parking Garage from the County for the term specified herein; and

WHEREAS, as a means of financing certain improvements for the County, the Trustee will execute and deliver the Certificates of Participation, to be known as the "Certificates" evidencing proportionate ownership interests in the lease payments to be made by the County pursuant to a Lease-Purchase Agreement (as defined below); and

WHEREAS, simultaneously with the execution and delivery of this Ground Lease, the Trustee will execute the Trust Agreement, dated as of June 1, 2008 (the "Trust Agreement") with the County; and

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

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

Section 1. Term. The County hereby leases the Public Works Parking Garage to the Trustee and the Trustee hereby leases the Public Works Parking Garage from the County for the period commencing as of the date hereof and terminating on June 1, 2023, or such later date as the term of the Lease-Purchase Agreement identified in Section 2 below shall terminate. This Ground Lease shall be subject to earlier termination in accordance with Section 5 hereof.

Section 2. Simultaneous Lease-Back; No Merger. The County and the Trustee agree that simultaneously with and upon the execution of this Ground Lease, the parties shall enter into a Lease-Purchase Agreement, dated as of June 1, 2008 (the "Lease-Purchase Agreement"), pursuant to which the Trustee, as lessor, has agreed to lease the Public Works Parking Garage to the County, as lessee. The County acknowledges that, as provided in the Lease-Purchase Agreement, if an event of default or termination occurs under the Lease-Purchase Agreement without a concurrent

NUMBER 01111111

prepayment or termination of this Ground Lease as provided in Section 5 hereof, the Trustee shall have the right to enter upon and have the right to occupy the Public Works Parking Garage and to relet or otherwise dispose of its interest in the Public Works Parking Garage without affecting or terminating this Ground Lease.

It is intended by the parties hereto that no merger of the leasehold estates of the County shall occur by operation of law by reason of this Ground Lease and the Lease-Purchase Agreement, and more particularly that (1) the leasehold interest granted by the County to the Trustee under this Ground Lease is and shall be independent of the Lease-Purchase Agreement, (2) the Lease-Purchase Agreement shall not be an assignment or surrender of the leasehold interest granted to the Trustee under this Ground Lease, and (3) the Lease-Purchase Agreement shall not operate as a merger or extinguishment of the leasehold interest granted to the Trustee under this Ground Lease.

Section 3. Title to Property. Title to the Public Works Parking Garage shall at all times remain with the County, subject to the Lease-Purchase Agreement.

Section 4. Rent. The Trustee agrees to prepay its rental obligations hereunder to the County, from the proceeds of the Certificates, upon delivery of the Certificates, which consideration is agreed to represent fair market rental value for the Public Works Parking Garage, and is being paid to the County. The Trustee shall not be responsible for any additional payments hereunder, including any lease or real estate taxes levied with respect to this Ground Lease or the transactions contemplated hereby.

Section 5. Early Rights of Termination by County.

(a) The County shall have the right to terminate this Ground Lease upon written notice to the Trustee after prepayment of the Lease-Purchase Agreement in accordance with Section 10.3 thereof, or the exercise by the County of its option to purchase in accordance with Section 10.2 thereof, and, in either case, defeasance of the Trust Agreement in accordance with Article XIV thereof.

(b) If there is no Event of Default under the Lease-Purchase Agreement in existence at such time, this Ground Lease shall terminate, without any necessity of written notice or further action on the part of the County or the Trustee, on the same date occurring on or after June 1, 2011 that the Public Works Parking Garage is deemed to have been purchased by the County and is released and removed from the Lease-Purchase Agreement, in accordance with Section 10.2 thereof.

Section 6. Surrender. The Trustee agrees that upon the expiration or termination of this Ground Lease it will surrender to the County the Public Works Parking Garage. At the time of such surrender, the Public Works Parking Garage shall be free and clear of all liens and encumbrances resulting from any act or omission of the Trustee.

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

If to the County: Pima County, Arizona
Finance Department
130 West Congress, 6th Floor
Tucson, Arizona 85701

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

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

Section 9. Cancellation of County Contracts; Conflicts of Interest. The County and the Trustee acknowledge that this Ground Lease is subject to cancellation by the County pursuant to Section 38-511 of the Arizona Revised Statutes, the provisions of which are incorporated herein. The County and the Trustee represent that, to the best of their knowledge, as of the date hereof no basis exists for the County to cancel this Ground Lease pursuant to Section 38-511 of the Arizona Revised Statutes.

Section 10. Governing Law; Arbitration. This Ground Lease shall be construed in accordance with and governed by the laws of the County. The venue for any proceedings on any and all controversies arising under this Ground Lease shall be Pima County, Arizona. In the event of a dispute, the parties agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, and the prevailing party shall be entitled to attorneys' fees and costs.

Section 11. Entire Agreement; Amendment; Severability.

(a) This Ground Lease, together with attachments, exhibits and other documents or instruments executed by the County and the Trustee in connection with this Ground Lease, constitutes the entire agreement between the parties with respect to the lease of the Public Works Parking Garage.

(b) This Ground Lease may not be modified, amended, altered or changed except with the prior written consent of the County and the Trustee.

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

Section 12. Inspection, Audit and Production of Records. The Trustee agrees that all books, accounts, reports, files and other records relating to this Ground Lease shall be subject at all

reasonable times to inspection and audits by the County for five years after completion of this Ground Lease, and that upon request by the County such records shall be produced at any of the County offices designated herein as the place at which notices to the County are to be given.

Section 13. Limited Obligation of Trustee. The County acknowledges that any and all obligations of the Trustee hereunder are nonrecourse and are limited to moneys received by the Trustee under the Lease-Purchase Agreement or through funds made available pursuant to the Trust Agreement.

Section 14. Execution in Counterparts. This Ground Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Recording. The parties agree that this Ground Lease or a memorandum thereof is to be recorded in the records of Pima County, Arizona, and that this Ground Lease or a memorandum thereof may be re-recorded as necessary to correct the legal description of the Public Works Parking Garage due to replatting or otherwise.

[Remainder of page intentionally left blank]

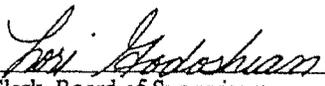
UNRECORDED

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

PIMA COUNTY, ARIZONA, as Lessor

By 
Chairman, Board of Supervisors

ATTEST:

By: 
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: 
Timothy E. Pickrell

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

By _____
Vice President

11/11/11 10:11:11

[Signature page to Ground Lease]

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

PIMA COUNTY, ARIZONA, as Lessor

By _____
Chairman, Board of Supervisors

ATTEST:

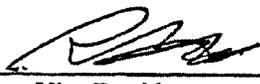
By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: _____
Timothy E. Pickrell

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

By  _____
Vice President

[Signature page to Ground Lease]

APPROVED BY _____

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

On this, the 17 day of June, 2008, before me, the undersigned Notary Public, personally appeared Richard Elias, who acknowledged himself to be the Chairman of the Pima County Board of Supervisors and that he, such officer, being authorized so to do, executed the foregoing Ground Lease for the purposes therein contained by signing the name of the County by himself as such officer.

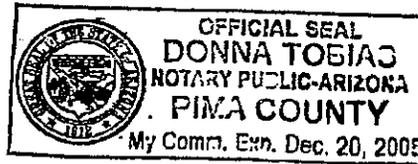
IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Notary Public

My Commission Expires:

12-20-08



~~STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)~~

~~On this, the ___ day of June, 2008, before me, the undersigned Notary Public, personally appeared Brenda D. Black, who acknowledged herself to be a Vice President of U.S. Bank National Association, and that she, as such officer, being authorized so to do, executed the foregoing Ground Lease for the purposes therein contained by signing the name of the corporation by herself as such officer.~~

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

~~_____
Notary Public~~

~~My Commission Expires: _____
_____~~

[Notarization page of Ground Lease]

EXHIBIT A

PUBLIC WORKS PARKING GARAGE LEGAL DESCRIPTION

(The Public Works Parking Garage, as described in Exhibit A-3
of the Lease-Purchase Agreement, dated as of June 1, 2008)

PUBLIC WORKS PARKING STRUCTURE:

The Public Works Parking Structure as shown on the architectural plans titled "Parking Structure Pima County Public Works Center Tucson, Arizona", by William I. Podolsky * Associates, Architects & Planners, Project No. 8909, and dated March 27, 1991, on file in the Department of Facilities Management, Pima County, Arizona, being located within Block 180 of the City of Tucson, and described as follows:

Parcel 1

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the North line of said Lot 1, 150 feet Easterly of the Northwest corner of said lot;

THENCE Easterly along the North line of said lot, a distance of 59 feet to a point, said point also being the Northwest corner of that certain parcel of land described in Docket 58 at page 123, records of Pima County, Arizona;

THENCE Southerly along the Westerly line of the last above described parcel, a distance of 79 feet, more or less, to a point on the South line of Lot 1, which point is distant 171.7 feet Westerly from the Southeast corner of said lot;

THENCE Westerly along the Southerly line of said lot, a distance of 38.66 feet to a point distant 150 feet East from the Southwest corner of said lot, said point also being the Southeast corner of that certain parcel described in Deed recorded in Book 267 of Deeds at page 407, records of Pima County, Arizona;

THENCE Northerly along the Easterly line of last above described parcel, a distance of 84 feet, more or less, to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 12)

434346

in Deed recorded in the office of the County Recorder of Pima County, Arizona, in Docket 1608 at page 381, and in Docket 1608 at page 380, said point being the TRUE POINT OF BEGINNING;

THENCE North 83 degrees 46 minutes 35 seconds East along said last described line, a distance of 91.08 feet, more or less, to a point on the East line of said Lot 3;

THENCE South 11 ½ degrees East along the Easterly line of said Lot 3, a distance of 74.58 feet, more or less, to the Northeast corner of that certain parcel of land described in Deed recorded in Docket 112 at page 305, records of Pima County, Arizona;

THENCE Westerly along the Northerly line of the last above described parcel to a point on the Westerly line of said Lot 3 and the Easterly line of Church Street;

THENCE North 13 degrees 06 minutes 30 seconds West along the Easterly line of said Church Street, a distance of 74.58 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 32)

Parcel 5

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at a point on the South side of Council Street and the North line of said Block 180, distant 150 feet East from the Northwest corner of said Lot 1;

THENCE South 14 degrees East, a distance of 89 feet to the South line of said Lot;

THENCE South 84 degrees West, a distance of 75 feet;

THENCE North 12 ¼ degrees West, a distance of 100 feet, more or less, to the South line of Council Street;

THENCE East along the South line of Council Street, a distance of 75 feet to the POINT OF BEGINNING.

(JV Arb 14)

Parcel 6

Lot 4 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof,

AND

That portion of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southeast corner of Lot 4 in said Block;

THENCE Northerly along the Easterly line of Lot 4, to the point of intersection of the said Easterly line of Lot 4 with the Southerly line of Lot 3 in said block;

THENCE Easterly along the Southerly line of the said Lot 3, a distance of 1.3 feet to a point;

THENCE Southerly to the POINT OF BEGINNING.
(JV Arb Lot 2=21, Lot 4=34)

Parcel 7

All that part of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the City Survey Monument at the intersection of Church and Council Streets;

THENCE North 89 degrees 39 minutes 15 seconds East, a distance of 42.07 feet along the Council Street monument line;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Northwest corner of said Block 180 and the TRUE POINT OF BEGINNING;

THENCE South 13 degrees 06 minutes 30 seconds East, a distance of 104.96 feet;

4-11-11 11:11:11

THENCE North 83 degrees 46 minutes 35 seconds East, a distance of 75.5 feet, more or less, to a point in the Westerly line of that property described in Deed to Harman Ray and Pauline Ray, husband and wife, recorded in the office of the County Recorder of Pima County, Arizona, in Book 267 of Deeds at page 407;

THENCE Northerly along the West line of said Ray property to a point in the South line of Council Street, distant 89 degrees 39 minutes 15 seconds East, 75 feet from the TRUE POINT OF BEGINNING;

THENCE South 89 degrees 39 minutes 15 seconds West, a distance of 75 feet to the TRUE POINT OF BEGINNING.

(JV Arb Lot 1= 813)

EXCEPTING FROM SAID Parcels 1 through 7, all that portion thereof described in the Lease dated December 5, 1989, to the YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, an Arizona non-profit corporation, as disclosed in Memorandum of Ground Lease Agreement recorded in Docket 8834 at page 1387 and corrected in Docket 9348 at page 1417.

434346

E
A
S
T
S
I
D
E

F. ANN RODRIGUEZ, RECORDER
Recorded By: JAF
DEPUTY RECORDER
4920

LANTI
SQUIRE SANDERS LLP
1 E WASHINGTON ST 2700
PHOENIX AZ 85004



SEQUENCE: 20140430100
NO. PAGES: 12
LEASE 02/12/2014
8:15
MAIL
AMOUNT PAID: \$17.00

Title Security Agency

Order # 6175860/7001431

When recorded return to:
Timothy E. Pickrell, Esq.
Squire Sanders (US) LLP
1 E. Washington Street, Suite 2700
Phoenix, Arizona 85004

Affidavit and Fee Exemption Claimed:
A.R.S. Section 11-1134(A)2
Property Tax Exemption:
A.R.S. Section 42-11102(A)2

2014 GROUND LEASE

by and between

PIMA COUNTY, ARIZONA,
as Lessor

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of January 1, 2014

Squire Sanders (US) LLP
Special Counsel

2014 GROUND LEASE

THIS 2014 GROUND LEASE (this "2014 Ground Lease"), dated as of January 1, 2014, by and between PIMA COUNTY, ARIZONA (the "County"), as lessor, and U.S. BANK NATIONAL ASSOCIATION, as trustee for the benefit of the registered owners of the Certificates (as defined herein) (the "Trustee"), as lessee;

WITNESSETH:

WHEREAS, the County owns the parcel of real property situated in Pima County, Arizona and described in Exhibit A and all improvements thereon existing at the time of execution of this 2014 Ground Lease (collectively, the "2014 Leased Property"); and

WHEREAS, the County, pursuant to the authority in Section 11-256 of the Arizona Revised Statutes (the "Act"), appraised, advertised and then accepted public bids for a leasehold interest in the 2014 Leased Property, subject to specified terms and conditions; and

WHEREAS, the Trustee was the highest bidder at the auction and has agreed to lease the 2014 Leased Property from the County for the term specified herein; and

WHEREAS, as a means of financing its payment of rent under this 2014 Ground Lease, which will be used by the County to make certain improvements to the 2014 Leased Property and pay the expenses incurred by the County, the Trustee will execute and deliver the Certificates of Participation evidencing proportionate ownership interests in the lease payments to be made by the County pursuant to a Lease-Purchase Agreement (as defined below) (the "Certificates"); and

WHEREAS, simultaneously with the execution and delivery of this 2014 Ground Lease, the Trustee will execute the Fourth Supplement to Trust Agreement, dated as of January 1, 2014, supplementing and amending the Trust Agreement, dated as of June 1, 2008, as previously supplemented (collectively, the "Trust Agreement") with the County;

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

Section 1. Term. The County hereby leases the 2014 Leased Property to the Trustee and the Trustee hereby leases the 2014 Leased Property from the County for the period commencing as of the date hereof and terminating on February 1, 2039, or such later date as the term of the Lease-Purchase Agreement identified in Section 2 below shall terminate. This 2014 Ground Lease shall be subject to earlier termination in accordance with Section 5 hereof.

Section 2. Simultaneous Lease-Back; No Merger. The County and the Trustee agree that simultaneously with and upon the execution of this 2014 Ground Lease, the parties shall enter into a Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014, amending the Lease-Purchase Agreement, dated as of June 1, 2008, as previously amended (collectively, the "Lease-Purchase Agreement"), pursuant to which the Trustee, as lessor, will lease the 2014 Leased

Property to the County, as lessee. The County acknowledges that, as provided in the Lease-Purchase Agreement, if an event of default or termination occurs under the Lease-Purchase Agreement without a concurrent prepayment or termination of this 2014 Ground Lease as provided in Section 5 hereof, this 2014 Ground Lease will remain in effect and the Trustee shall have the right to enter upon and occupy the 2014 Leased Property and to relet or otherwise dispose of its leasehold interest in the 2014 Leased Property under this 2014 Ground Lease.

It is intended by the parties hereto that no merger of the leasehold estates of the County shall occur by operation of law by reason of this 2014 Ground Lease and the Lease-Purchase Agreement, and more particularly that (1) the leasehold interest granted by the County to the Trustee under this 2014 Ground Lease is and shall be independent of the Lease-Purchase Agreement, (2) the Lease-Purchase Agreement shall not be an assignment or surrender of the leasehold interest granted to the Trustee under this 2014 Ground Lease, and (3) the Lease-Purchase Agreement shall not operate as a merger or extinguishment of the leasehold interest granted to the Trustee under this 2014 Ground Lease.

Section 3. Title to Property. Title to the 2014 Leased Property shall at all times remain with the County, subject to this 2014 Ground Lease and the Lease-Purchase Agreement.

Section 4. Rent. The Trustee agrees to prepay its rental obligations hereunder to the County, from the proceeds of the Certificates, upon delivery of the Certificates, which consideration is agreed to represent fair market rental value for the 2014 Leased Property, and is being paid to the County. The Trustee shall not be responsible for any additional payments hereunder, including any lease or real estate taxes levied with respect to this 2014 Ground Lease or the transactions contemplated hereby.

Section 5. Early Rights of Termination by the County.

(a) (a) The County shall have the right to terminate this 2014 Ground Lease upon written notice to the Trustee if the County prepays the Lease-Purchase Agreement in accordance with Section 10.3 thereof, or exercises its option to purchase in accordance with Section 10.2 thereof, and, in either case, defeases the Trust Agreement in accordance with Article XIV thereof.

(b) If there is no Event of Default under the Lease-Purchase Agreement in existence at such time, this 2014 Ground Lease shall terminate, without any necessity of written notice or further action on the part of the County or the Trustee, on the same date occurring on or after February 1, 2039 that the 2014 Leased Property is deemed to have been purchased by the County and is released and/or removed from the Lease-Purchase Agreement, in accordance with Section 10.2 thereof.

Section 6. Surrender. The Trustee agrees that upon the expiration or termination of this 2014 Ground Lease, it will surrender to the County the 2014 Leased Property. At the time of such surrender, the 2014 Leased Property shall be free and clear of all liens and encumbrances resulting from any act or omission of the Trustee.

Section 7. Notices. All notices to be given under this 2014 Ground Lease shall be made in writing and mailed by first class mail, postage prepaid, to the party at its address stated below or at such other address as the party may provide in writing from time to time.

If to the County: Pima County, Arizona
Finance Department
130 West Congress, 6th Floor
Tucson, Arizona 85701

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

Section 8. Headings. All section headings contained in this 2014 Ground Lease are for the convenience of reference only and are not intended to define or limit the scope of any provision of this 2014 Ground Lease.

Section 9. Cancellation of County Contracts; Conflicts of Interest. The County and the Trustee acknowledge that this 2014 Ground Lease is subject to cancellation by the County pursuant to Section 38-511 of the Arizona Revised Statutes, the provisions of which are incorporated herein. The County and the Trustee represent that, to the best of their knowledge, as of the date hereof, no basis exists for the County to cancel this 2014 Ground Lease pursuant to Section 38-511 of the Arizona Revised Statutes.

Section 10. Governing Law; Arbitration. This 2014 Ground Lease shall be construed in accordance with and governed by the laws of the County. The venue for any proceedings on any and all controversies arising under this 2014 Ground Lease shall be Pima County, Arizona. In the event of a dispute, the parties agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, and the prevailing party shall be entitled to attorneys' fees and costs.

Section 11. Entire Agreement; Amendment; Severability.

(a) This 2014 Ground Lease, together with attachments, exhibits and other documents or instruments executed by the County and the Trustee in connection with this 2014 Ground Lease, or specifically referenced in this 2014 Ground Lease, constitutes the entire agreement between the parties with respect to the lease of the 2014 Leased Property.

(b) This 2014 Ground Lease may not be modified, amended, altered or changed except in a writing approved and executed by both the County and the Trustee.

(c) If any provision of, or any covenants, obligation or agreement contained in, this 2014 Ground Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this 2014 Ground Lease. That invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 12. Inspection, Audit and Production of Records. The Trustee agrees that all books, accounts, reports, files and other records relating to this 2014 Ground Lease shall be subject at all reasonable times to inspection and audits by the County for five years after completion of this 2014 Ground Lease, and that upon request by the County such records shall be produced at any of the County offices designated herein as the place at which notices to the County are to be given.

Section 13. Limited Obligation of Trustee. The County acknowledges that any and all obligations of the Trustee hereunder are nonrecourse and are limited to moneys received by the Trustee under the Lease-Purchase Agreement or through funds made available pursuant to the Trust Agreement.

Section 14. Execution in Counterparts. This 2014 Ground Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Recording. The parties agree that this 2014 Ground Lease or a memorandum thereof is to be recorded in the records of Pima County, Arizona, and that this 2014 Ground Lease or a memorandum thereof may be re-recorded as necessary to correct the legal description of the 2014 Leased Property due to replatting or otherwise.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the County has caused this 2014 Ground Lease to be executed in its name by its duly authorized officer, and the Trustee has caused this 2014 Ground Lease to be executed in its corporate name by its duly authorized officer, as of the date first above written.

PIMA COUNTY, ARIZONA, as Lessor

By: Sharon Brinson
Chair, Board of Supervisors

ATTEST:

By: Rubin Brigode
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE SANDERS (US) LLP,
Special Counsel

By: Timothy E. Pickrell
Timothy E. Pickrell

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

By: _____
Vice President

[Signature page to 2014 Ground Lease]

IN WITNESS WHEREOF, the County has caused this 2014 Ground Lease to be executed in its name by its duly authorized officer, and the Trustee has caused this 2014 Ground Lease to be executed in its corporate name by its duly authorized officer, as of the date first above written.

PIMA COUNTY, ARIZONA, as Lessor

By _____
Chair, Board of Supervisors

ATTEST:

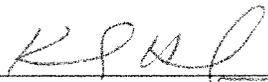
By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE SANDERS (US) LLP,
Special Counsel

By: _____
Timothy E. Pickrell

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

By  _____
Vice President

[Signature page to 2014 Ground Lease]

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

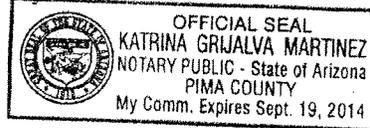
On this, the 3rd day of February, 2014, before me, the undersigned Notary Public, personally appeared Sharon Bronson, who acknowledged herself to be the Chair of the Pima County Board of Supervisors and that she, such officer, being authorized so to do, executed the foregoing 2014 Ground Lease for the purposes therein contained by signing the name of the County by herself as such officer.

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

Katrina Grijalva Martinez
Notary Public

My Commission Expires:

9-19-14



STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this, the ____ day of February, 2014, before me, the undersigned Notary Public, personally appeared Keith Henselen, who acknowledged himself to be a Vice President of U.S. Bank National Association, and that he, as such officer, being authorized so to do, executed the foregoing 2014 Ground Lease for the purposes therein contained by signing the name of the corporation by himself as such officer.

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

Notary Public

My Commission Expires:

[Notarization page of 2014 Ground Lease]

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

On this, the ____ day of February, 2014, before me, the undersigned Notary Public, personally appeared Sharon Bronson, who acknowledged herself to be the Chair of the Pima County Board of Supervisors and that she, such officer, being authorized so to do, executed the foregoing 2014 Ground Lease for the purposes therein contained by signing the name of the County by herself as such officer.

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

Notary Public

My Commission Expires:

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this, the 6th day of February, 2014, before me, the undersigned Notary Public, personally appeared Keith Henselen, who acknowledged himself to be a Vice President of U.S. Bank National Association, and that he, as such officer, being authorized so to do, executed the foregoing 2014 Ground Lease for the purposes therein contained by signing the name of the corporation by himself as such officer.

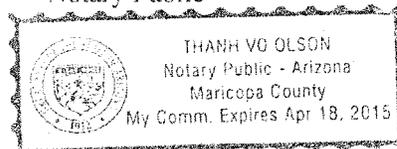
IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Thanh Vo Olson

Notary Public

My Commission Expires:

April 18, 2015



[Notarization page of 2014 Ground Lease]

EXHIBIT A

LEASED PROPERTY LEGAL DESCRIPTION

Parcel 1

Blocks 252 and 253 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 2

Lot 1 and the North 69.00 feet of Lot 2, and Lots 4, 5, 6 and 7 in Block 254 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 3

All of Lot 1 and that portion of Lot 6 in Block 255 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the Northeast corner of said Lot 6;

Thence Southerly 50 feet;

Thence Westerly 50 feet;

Thence Northerly 50 feet;

Thence Easterly 50 feet to the Northeast corner of said Lot 6, the Place of Beginning.

Parcel 4

Portions of public rights of way as shown in Book 4 of Maps and Plats at page 81A and 81B therein, Records of Pima County, Arizona, and on file at the Pima County Recorder's Office, Tucson, Arizona, said portions lying in the southwest one-quarter of Section 12, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

All of Grossetta Avenue as shown in said Block 4 of Maps and Plats at page 81A therein, lying southerly of the southerly right of way line of Toole Avenue, more particularly described as follows:

Beginning at the northeast corner of Block 252 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence southeasterly in a straight line to the northern corner of Block 253 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Block 254 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence easterly in a straight line to the southwest corner of Block 255 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH

All of the alley lying within Block 254 as shown in Book 3 of Maps and Plats at page 81B therein, lying southerly of the southerly right of way line of Council Street more particularly described as follows:

Beginning at the northeast corner of Lot 1 of said Block 254;

Thence easterly in a straight line to the northwest corner of Lot 4 of said Block 254 and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Lot 3 of said Block 254;

Thence easterly in a straight line to the southwest corner of Lot 6 of said Block 254 and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

A portion of Council Street, shown as Miltenburg Street in said Book 4 of Maps and Plats at page 81A and 81B therein, more particularly described as follows:

Beginning at the northeast corner of said Block 254;

Thence upon the south right of way line of said Council Street, said south line coincident with the north line of said Block 254, S 89 degrees 19 minutes 31 seconds W, a distance of 132.77 feet to the northwest corner of Lot 4 thereof;

Thence continue upon said coincident line, S 89 degrees 18 minutes 58 seconds W, a distance of 17.23 feet to the northeast corner of Lot 1 thereof;

Thence continue upon said coincident line, S 89 degrees 19 minutes 23 seconds W, a distance of 145.56 feet to the northwest corner of said Block 254;

Thence leaving said south right of way line, N 03 degrees 46 minutes 35 seconds W, a distance of 50.05 feet to a point on the north right of way line of said Council Street, said point being the southwest corner of Block 252 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 252, N 89 degrees 19 minutes 22 seconds E, a distance of 298.33 feet to the southeast corner of said Block 252;

Thence N 89 degrees 15 minutes 35 seconds E, a distance of 49.99 feet to the southwest corner of Block 253 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 253, N 89 degrees 19 minutes 10 seconds East a distance of 49.70 feet;

Thence leaving said north right of way line, S 00 degrees 40 minutes 50 seconds E a distance of 50.06 feet to a point on the south right of way line of said Council Street;

Thence upon said south right of way line of Council Street, said line coincident with the north line of Block 255 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein, S 89 degrees 18 minutes 23 seconds W, a distance of 49.75 feet to the northwest corner of said Block 255;

Thence S 89 degrees 21 minutes 30 seconds W, a distance of 50.01 feet to the POINT OF BEGINNING;

EXCEPT any portion lying within the aforesaid Grossetta Avenue.



SEQUENCE: 20191270369

No. Pages: 11

5/7/2019 2:38 PM

F. ANN RODRIGUEZ, RECORDER
Recorded By: GMS (e-recording)



When recorded return to:
Timothy E. Pickrell, Esq.
Squire Patton Boggs (US) LLP
1 E. Washington Street, Suite 2700
Phoenix, Arizona 85004

Affidavit and Fee Exemption Claimed:
A.R.S. Section 11-1134(A)2

Property Tax Exemption:
A.R.S. Section 42-11102(A)2

2019 GROUND LEASE

by and between

PIMA COUNTY, ARIZONA,
as Lessor

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of May 1, 2019

Squire Patton Boggs (US) LLP
Special Counsel

2019 GROUND LEASE

THIS 2019 GROUND LEASE (this "2019 Ground Lease"), dated as of May 1, 2019, by and between PIMA COUNTY, ARIZONA (the "County"), as lessor, and U.S. BANK NATIONAL ASSOCIATION, as trustee for the benefit of the registered owners of the Certificates (as defined herein) (the "Trustee"), as lessee;

W I T N E S S E T H:

WHEREAS, the County owns the parcel of real property situated in Pima County, Arizona and described in Exhibit A and all improvements thereon existing at the time of execution of this 2019 Ground Lease (collectively, the "2019 Leased Property"); and

WHEREAS, the County, pursuant to the authority in Section 11-256 of the Arizona Revised Statutes (the "Act"), appraised, advertised and then accepted public bids for a leasehold interest in the 2019 Leased Property, subject to specified terms and conditions; and

WHEREAS, the Trustee was the highest bidder at the auction and has agreed to lease the 2019 Leased Property from the County for the term specified herein; and

WHEREAS, as a means of financing its payment of rent under this 2019 Ground Lease, which will be used by the County to make certain improvements to the 2019 Leased Property and pay the expenses incurred by the County, the Trustee will execute and deliver the Certificates of Participation evidencing proportionate ownership interests in the lease payments to be made by the County pursuant to a Lease-Purchase Agreement (as defined below) (the "Certificates"); and

WHEREAS, simultaneously with the execution and delivery of this 2019 Ground Lease, the Trustee will execute the Eighth Supplement to Trust Agreement, dated as of May 1, 2019, supplementing and amending the Trust Agreement, dated as of June 1, 2008, as previously supplemented (collectively, the "Trust Agreement") with the County;

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

Section 1. Term. The County hereby leases the 2019 Leased Property to the Trustee and the Trustee hereby leases the 2019 Leased Property from the County for the period commencing as of the date hereof and terminating on May 1, 2044, or such later date as the term of the Lease-Purchase Agreement identified in Section 2 below shall terminate. This 2019 Ground Lease shall be subject to earlier termination in accordance with Section 5 hereof.

Section 2. Simultaneous Lease-Back; No Merger. The County and the Trustee agree that simultaneously with and upon the execution of this 2019 Ground Lease, the parties shall enter into an Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019, amending the Lease-Purchase Agreement, dated as of June 1, 2008, as previously amended (collectively, the "Lease-Purchase Agreement"), pursuant to which the Trustee, as lessor, will lease the 2019 Leased

Property to the County, as lessee. The County acknowledges that, as provided in the Lease-Purchase Agreement, if an event of default or termination occurs under the Lease-Purchase Agreement without a concurrent prepayment or termination of this 2019 Ground Lease as provided in Section 5 hereof, this 2019 Ground Lease will remain in effect and the Trustee shall have the right to enter upon and occupy the 2019 Leased Property and to relet or otherwise dispose of its leasehold interest in the 2019 Leased Property under this 2019 Ground Lease.

It is intended by the parties hereto that no merger of the leasehold estates of the County shall occur by operation of law by reason of this 2019 Ground Lease and the Lease-Purchase Agreement, and more particularly that (1) the leasehold interest granted by the County to the Trustee under this 2019 Ground Lease is and shall be independent of the Lease-Purchase Agreement, (2) the Lease-Purchase Agreement shall not be an assignment or surrender of the leasehold interest granted to the Trustee under this 2019 Ground Lease, and (3) the Lease-Purchase Agreement shall not operate as a merger or extinguishment of the leasehold interest granted to the Trustee under this 2019 Ground Lease.

Section 3. Title to Property. Title to the 2019 Leased Property shall at all times remain with the County, subject to this 2019 Ground Lease and the Lease-Purchase Agreement.

Section 4. Rent. The Trustee agrees to prepay its rental obligations hereunder to the County, from the proceeds of the Certificates, upon delivery of the Certificates, which consideration is agreed to represent fair market rental value for the 2019 Leased Property, and is being paid to the County. The Trustee shall not be responsible for any additional payments hereunder, including any lease or real estate taxes levied with respect to this 2019 Ground Lease or the transactions contemplated hereby.

Section 5. Early Rights of Termination by the County.

(a) (a) The County shall have the right to terminate this 2019 Ground Lease upon written notice to the Trustee if the County prepays the Lease-Purchase Agreement in accordance with Section 10.3 thereof, or exercises its option to purchase in accordance with Section 10.2 thereof, and, in either case, defeases the Trust Agreement in accordance with Article XIV thereof.

(b) If there is no Event of Default under the Lease-Purchase Agreement in existence at such time, this 2019 Ground Lease shall terminate, without any necessity of written notice or further action on the part of the County or the Trustee, on the same date occurring on or after May 1, 2044 that the 2019 Leased Property is deemed to have been purchased by the County and is released and/or removed from the Lease-Purchase Agreement, in accordance with Section 10.2 thereof.

Section 6. Surrender. The Trustee agrees that upon the expiration or termination of this 2019 Ground Lease, it will surrender to the County the 2019 Leased Property. At the time of such surrender, the 2019 Leased Property shall be free and clear of all liens and encumbrances resulting from any act or omission of the Trustee.

Section 7. Notices. All notices to be given under this 2019 Ground Lease shall be made in writing and mailed by first class mail, postage prepaid, to the party at its address stated below or at such other address as the party may provide in writing from time to time.

If to the County: Pima County, Arizona
Finance Department
130 West Congress, 6th Floor
Tucson, Arizona 85701

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

Section 8. Headings. All section headings contained in this 2019 Ground Lease are for the convenience of reference only and are not intended to define or limit the scope of any provision of this 2019 Ground Lease.

Section 9. Cancellation of County Contracts; Conflicts of Interest. The County and the Trustee acknowledge that this 2019 Ground Lease is subject to cancellation by the County pursuant to Section 38-511 of the Arizona Revised Statutes, the provisions of which are incorporated herein. The County and the Trustee represent that, to the best of their knowledge, as of the date hereof, no basis exists for the County to cancel this 2019 Ground Lease pursuant to Section 38-511 of the Arizona Revised Statutes.

Section 10. Governing Law; Arbitration. This 2019 Ground Lease shall be construed in accordance with and governed by the laws of the County. The venue for any proceedings on any and all controversies arising under this 2019 Ground Lease shall be Pima County, Arizona. In the event of a dispute, the parties agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes, and the prevailing party shall be entitled to attorneys' fees and costs.

Section 11. Entire Agreement; Amendment; Severability.

(a) This 2019 Ground Lease, together with attachments, exhibits and other documents or instruments executed by the County and the Trustee in connection with this 2019 Ground Lease, or specifically referenced in this 2019 Ground Lease, constitutes the entire agreement between the parties with respect to the lease of the 2019 Leased Property.

(b) This 2019 Ground Lease may not be modified, amended, altered or changed except in a writing approved and executed by both the County and the Trustee.

(c) If any provision of, or any covenants, obligation or agreement contained in, this 2019 Ground Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this 2019 Ground Lease. That invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 12. Inspection, Audit and Production of Records. The Trustee agrees that all books, accounts, reports, files and other records relating to this 2019 Ground Lease shall be subject at all reasonable times to inspection and audits by the County for five years after completion of this 2019 Ground Lease, and that upon request by the County such records shall be produced at any of the County offices designated herein as the place at which notices to the County are to be given.

Section 13. Limited Obligation of Trustee. The County acknowledges that any and all obligations of the Trustee hereunder are nonrecourse and are limited to moneys received by the Trustee under the Lease-Purchase Agreement or through funds made available pursuant to the Trust Agreement.

Section 14. Execution in Counterparts. This 2019 Ground Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Recording. The parties agree that this 2019 Ground Lease or a memorandum thereof is to be recorded in the records of Pima County, Arizona, and that this 2019 Ground Lease or a memorandum thereof may be re-recorded as necessary to correct the legal description of the 2019 Leased Property due to replatting or otherwise.

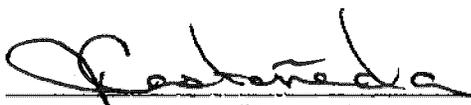
[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the County has caused this 2019 Ground Lease to be executed in its name by its duly authorized officer, and the Trustee has caused this 2019 Ground Lease to be executed in its corporate name by its duly authorized officer, as of the date first above written.

PIMA COUNTY, ARIZONA, as Lessor

By  _____
Chairman, Board of Supervisors

ATTEST:

By:  _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US) LLP,
Special Counsel

By:  _____
Timothy E. Pickrell

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

By _____
Vice President

[Signature page to 2019 Ground Lease]

IN WITNESS WHEREOF, the County has caused this 2019 Ground Lease to be executed in its name by its duly authorized officer, and the Trustee has caused this 2019 Ground Lease to be executed in its corporate name by its duly authorized officer, as of the date first above written.

PIMA COUNTY, ARIZONA, as Lessor

By _____
Chairman, Board of Supervisors

ATTEST:

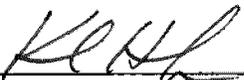
By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US) LLP,
Special Counsel

By: _____
Timothy E. Pickrell

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

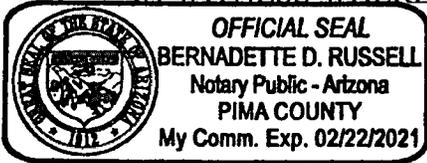
By  _____
Vice President

[Signature page to 2019 Ground Lease]

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

On this, the 25th day of April, 2019, before me, the undersigned Notary Public, personally appeared Richard Elías, who acknowledged himself to be the Chairman of the Pima County Board of Supervisors and that she, such officer, being authorized so to do, executed the foregoing 2019 Ground Lease for the purposes therein contained by signing the name of the County by herself as such officer.

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





Notary Public

My Commission Expires:
2-22-21

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this, the ____ day of _____, 2019, before me, the undersigned Notary Public, personally appeared Keith Henselen, who acknowledged himself to be a Vice President of U.S. Bank National Association, and that he, as such officer, being authorized so to do, executed the foregoing 2019 Ground Lease for the purposes therein contained by signing the name of the corporation by himself as such officer.

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

Notary Public

My Commission Expires:

[Notarization page of 2019 Ground Lease]

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

On this, the ____ day of _____, 2019, before me, the undersigned Notary Public, personally appeared Richard Elías, who acknowledged himself to be the Chairman of the Pima County Board of Supervisors and that she, such officer, being authorized so to do, executed the foregoing 2019 Ground Lease for the purposes therein contained by signing the name of the County by herself as such officer.

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

Notary Public

My Commission Expires:

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this, the 1st day of May, 2019, before me, the undersigned Notary Public, personally appeared Keith Henselen, who acknowledged himself to be a Vice President of U.S. Bank National Association, and that he, as such officer, being authorized so to do, executed the foregoing 2019 Ground Lease for the purposes therein contained by signing the name of the corporation by himself as such officer.

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

Wendy Anderson
Notary Public

My Commission Expires:

9/15/2022



WENDY ANDERSON
Notary Public - Arizona
Maricopa Co. / #549450 [Notarization page of 2019 Ground Lease]
Expires 09/15/2022

EXHIBIT A

LEASED PROPERTY LEGAL DESCRIPTION

Parcel 1:

A Leasehold Estate in and to the following:

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

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

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

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

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

A three-sided parcel bounded on the:

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

PARCEL NO. 2:

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

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

Beginning at the Northeast corner of said Lot 4;

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

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

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

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

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

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

E
A
S
T
T
I
D
E

F. ANN RODRIGUEZ, RECORDER
RECORDED BY: C V
DEPUTY RECORDER
1016 PE1
TLATT
TIMOTHY PICKRELL
40 N CENTRAL AVE STE 2700
PHOENIX AZ 85004



DOCKET: 13336
PAGE: 36
NO. OF PAGES: 50
SEQUENCE: 20081240005
06/26/2008
LEASE 08:35
MAIL
AMOUNT PAID \$ 55.00

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

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

LEASE-PURCHASE AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION, as trustee

as Lessor

and

PIMA COUNTY, ARIZONA,

as Lessee

Dated as of June 1, 2008

relating to

\$50,000,000

**Pima County, Arizona
Certificates of Participation, Series 2008**

434241

TABLE OF CONTENTS

		Page
ARTICLE I		
DEFINITIONS; EXHIBITS		
Section 1.1	Definitions.....	2
Section 1.2	Exhibits	7
Section 1.3	Execution and Delivery of 2008 Certificates.....	7
ARTICLE II		
REPRESENTATIONS, COVENANTS AND WARRANTIES		
Section 2.1	Representations, Covenants and Warranties of the Lessee.....	8
Section 2.2	Representations, Covenants and Warranties of the Lessor.....	11
Section 2.3	Tax Covenants	11
ARTICLE III		
DEPOSIT OF MONEYS; APPLICATION OF FUNDS		
Section 3.1	Deposit of Moneys.....	12
Section 3.2	Acquisition of Leased Property	12
Section 3.3	Payment of Delivery Costs	13
Section 3.4	Unexpended Proceeds and Other Moneys	13
ARTICLE IV		
AGREEMENT TO LEASE-PURCHASE; TERMINATION OF THIS AGREEMENT; LEASE PAYMENTS; TITLE TO THE LEASED PROPERTY		
Section 4.1	Lease-Purchase	13
Section 4.2	Term of Agreement; Termination.....	13
Section 4.3	Possession	14
Section 4.4	Lease Payments; Additional Rent; Other Payments	14
Section 4.5	Quiet Enjoyment	16
Section 4.6	Title.....	16
Section 4.7	Additional Rent.....	16
Section 4.8	Nonsubstitution.....	17
ARTICLE V		
MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS		
Section 5.1	Maintenance, Utilities, Taxes and Assessments	17
Section 5.2	Modification of Leased Property	17
Section 5.3	General Liability Insurance.....	18
Section 5.4	Fire and Extended Coverage Insurance	18
Section 5.5	Title Insurance	19

-FORMER BINDER-

TABLE OF CONTENTS
(continued)

		Page
Section 5.6	Insurance Net Proceeds; Form of Policies	19
Section 5.7	Advances	19
Section 5.8	Installation of Lessee's Equipment	20
Section 5.9	Liens	20
Section 5.10	Delivery of Leased Property Upon Termination	20
ARTICLE VI		
DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS		
Section 6.1	Eminent Domain	20
Section 6.2	Application of Net Proceeds	21
Section 6.3	Reduction of Rental in the Event of Prepayment of Lease Payments	22
ARTICLE VII		
ACCESS TO LEASED PROPERTY, INDEMNIFICATION		
Section 7.1	Access to the Leased Property	22
Section 7.2	Release and Indemnification Covenants	22
ARTICLE VIII		
ASSIGNMENT, SUBLEASING AND AMENDMENT		
Section 8.1	Assignment and Subleasing by the Lessee	23
Section 8.2	Amendment of this Lease-Purchase Agreement	23
ARTICLE IX		
EVENTS OF DEFAULT AND REMEDIES		
Section 9.1	Events of Default Defined	23
Section 9.2	Remedies on Default	24
Section 9.3	No Remedy Exclusive	26
Section 9.4	Agreement to Pay Attorneys' Fees and Expenses	26
Section 9.5	No Additional Waiver Implied by One Waiver	26
Section 9.6	Application of Proceeds	26
Section 9.7	Trustee and Certificate Owners to Exercise Rights	26
ARTICLE X		
PREPAYMENT OF LEASE PAYMENTS		
Section 10.1	Security Deposit	26
Section 10.2	Purchase Option	27
Section 10.3	Optional Prepayment	27
Section 10.4	Mandatory Prepayment From Net Proceeds of Insurance, Eminent Domain	27

LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT (the "Lease-Purchase Agreement"), dated as of June 1, 2008, by and between U.S. BANK NATIONAL ASSOCIATION, as trustee under the below-described Trust Agreement, as lessor (the "Lessor"), and PIMA COUNTY, ARIZONA, as lessee (the "Lessee" or the "County");

WITNESSETH:

WHEREAS, pursuant to the Deed (as defined herein), the Lessee has conveyed to the Lessor certain interests in the County-utilized portion of the public works building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit A-1 hereto (the "Public Works Building"); and

WHEREAS, pursuant to the Deed, the Lessee has conveyed to the Lessor certain interests in the legal services building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit A-2 hereto (the "Legal Services Building"); and

WHEREAS, pursuant to a Ground Lease (as defined herein), the Lessee has leased to the Lessor a certain parking garage located next to the Public Works Building in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit A-3 hereto (the "Public Works Parking Garage"); and

WHEREAS, pursuant to this Lease-Purchase Agreement, the Lessor will lease its interest in the Public Works Building, the Legal Services Building and the Public Works Parking Garage (collectively, the "Leased Property"), to the Lessee for use for County purposes, and the Lessee is authorized pursuant to the laws of the State of Arizona to enter into this Lease-Purchase Agreement for such purposes; and

WHEREAS, in order to (i) finance the acquisition of the Leased Property, and (ii) pay certain Delivery Costs (as defined herein) associated with the execution and delivery of the 2008 Certificates (as defined herein), the Lessor, as trustee, has executed and delivered simultaneously herewith \$50,000,000 aggregate original amount of Pima County, Arizona, Certificates of Participation, Series 2008 (the "2008 Certificates"), representing the undivided proportionate interests of the owners thereof in this Lease-Purchase Agreement and the lease payments to be made by the Lessee pursuant hereto (the "Lease Payments"), pursuant to the Trust Agreement, dated as of June 1, 2008 (the "Trust Agreement"), between the Lessor, as Trustee, and the County and has caused payment of the proceeds of the sale of such certificates of participation to be deposited into various funds established pursuant to the Trust Agreement; and

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

**ARTICLE I
DEFINITIONS; EXHIBITS**

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

"2008 Certificates" shall mean the \$50,000,000 aggregate principal amount of Certificates of Participation, Series 2008, to be executed and delivered pursuant to the Trust Agreement.

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

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

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

"Certificates" shall mean, collectively, the 2008 Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement.

"Closing Date" shall mean (a) with respect to the 2008 Certificates, the day when the 2008 Certificates, duly executed by the Trustee, are delivered to the Original Purchaser, and (b) with respect to any other series of Certificates, the day when the Certificates of such series, duly executed by the Trustee, are delivered to the initial purchasers thereof.

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

"Deed" shall mean the Special Warranty Deed, dated as of June 1, 2008, between the County, as grantor, and the Trustee, as grantee, conveying the Public Works Building and the Legal Services Building to the Trustee.

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

(excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

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

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

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

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

"Ground Lease" shall mean the Ground Lease, dated as of June 1, 2008, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the Public Works Parking Garage to the Trustee.

"Independent Counsel" shall mean an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Lessor or the Lessee.

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

"Lease-Purchase Agreement" or "Lease" shall mean this Lease-Purchase Agreement, dated as of June 1, 2008, by and between the Lessee and the Lessor, together with any duly authorized and executed amendment thereto.

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

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

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

"Leased Property" shall mean, collectively, the Public Works Building, the Legal Services Building and the Public Works Parking Garage, as more fully described in Exhibit A hereto.

"Legal Services Building" shall mean the legal services building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit A-2 hereto.

"Lessee" shall mean Pima County, Arizona.

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

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

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

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

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

"Original Purchaser" shall mean RBC Capital Markets Corporation, as original purchaser of the 2008 Certificates.

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

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

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

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

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

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

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

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

(a) Defeasance Obligations.

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

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

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

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

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

consultant that adequate reserves for such program are either maintained with an independent corporate trustee or otherwise held with appropriate safeguards to insure their availability. Notwithstanding the foregoing, any self-insurance program maintained by the Lessee in accordance with Arizona Revised Statutes Sections 11-981, 11-952.01 and 11-952.02 or their successors, shall be deemed to be Qualified Self-Insurance hereunder.

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

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

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

"State" shall mean the State of Arizona.

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

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

"Trust Agreement" shall mean the Trust Agreement, dated as of June 1, 2008, by and between the Trustee and the County, together with any duly authorized and executed amendments or supplements thereto.

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

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

Exhibit A: The description of the real property constituting the Leased Property

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

Section 1.3 Execution and Delivery of 2008 Certificates. To accomplish the acquisition of the Leased Property, as set forth in Section 3.2 hereof, the parties agree that the 2008 Certificates shall be executed and delivered in an amount sufficient to pay all the costs of the acquisition of the Leased Property and Delivery Costs as set forth in the Trust Agreement.

owner of any of the Leased Property or to any party who may be potentially responsible for the presence of Hazardous Substances thereon nor has it made promises of indemnification regarding Hazardous Substances on or associated with any of the Leased Property to any person other than the Trustee.

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

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

Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901, et seq.

Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq.

Federal Emergency Planning and Community Right-to-Know Act of 1986 42 U.S.C. Sections 11001, et seq.

Federal Clean Air Act, 42 U.S.C. Sections 7401-7642.

Federal Water Pollution Control Act, Federal Clean Water Act of 1977, 33 U.S.C. Sections 1251, et seq.

Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. Sections 136, et seq.

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

(n) Continuing Disclosure. With respect to the execution and delivery of the 2008 Certificates, the Lessee covenants to comply with the reporting requirements applicable to obligated persons set forth in Rule 15c2-12 adopted pursuant to the Securities Exchange Act of 1934, as amended, or any successor provision thereto, and to enter into one or more continuing disclosure undertakings or agreements in form and substance satisfactory to the Original Purchaser.

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

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

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

(c) No Violations. Neither the execution and delivery of this Lease-Purchase Agreement, the Ground Lease or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lessor is now a party or by which the Lessor is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Lessor, or upon the Leased Property, except Permitted Encumbrances.

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

Section 2.3 Tax Covenants. The Lessee covenants (a) that it will take or cause to be taken all actions that may be required of it for the interest on the 2008 Certificates to remain excluded from gross income for federal income tax purposes, (b) that it will not take or authorize to be taken any actions which would adversely affect such exclusion and (c) that it, or other persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the 2008 Certificates in compliance with Arizona law and the Trust Agreement, (ii) restrict the yield on investment property, (iii) make or cause to be made timely and adequate payments to the federal government as provided in Section 8.8 of the Trust Agreement, (iv) maintain books and records, and (v) refrain from certain uses of proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of the interest on the 2008 Certificates under the Code. An officer of the Lessee shall take any and all such

434241

actions, make such rebate payments or potential payments and make or give such reports and certifications as may be appropriate to assure such exclusion of the interest.

The Lessee covenants that it will use, and will restrict the use and investment of the proceeds of the 2008 Certificates in such manner and to such extent, if any, as may be necessary, so that (a) the 2008 Certificates will not (i) constitute an arbitrage bond, a private activity bond or a hedge bond under Sections 141, 148 or 149 of the Code, or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest on the 2008 Certificates will not be treated as a preference item under Section 57 of the Code.

Any officer of the Lessee having responsibility with respect to the execution and delivery of this Lease-Purchase Agreement shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessee, be authorized (a) to make or affect any election, selection, designation, choice, consent, approval, or waiver on behalf of the Lessee with respect to this Lease-Purchase Agreement or the Certificates as the Lessee is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the interest on the 2008 Certificates or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action which be in writing and signed by the officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Lessee, as may be appropriate to assure the exclusion of the interest on the 2008 Certificates from gross income for federal income tax purposes, and (c) to give one or more appropriate certificates of the Lessee, for inclusion in the transcript of proceedings for setting forth the reasonable expectations of the Lessee regarding the amount and use of all the proceeds relating to the 2008 Certificates and the property financed with such proceeds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the 2008 Certificates.

ARTICLE III DEPOSIT OF MONEYS; APPLICATION OF FUNDS

Section 3.1 Deposit of Moneys.

(a) On the Closing Date, there shall be deposited with the Trustee the net proceeds of sale of the 2008 Certificates, which proceeds shall be deposited as provided in Sections 2.6 and 3.1 of the Trust Agreement for disbursement pursuant to the Trust Agreement.

Section 3.2 Acquisition of Leased Property. The Lessor hereby agrees to acquire the Leased Property through the deposit and disbursement of funds in accordance with Section 2.6 of the Trust Agreement.

Section 3.3 Payment of Delivery Costs. Payment of the Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund as provided in

-UNCLASSIFIED-

Section 3.2 hereof, which shall be disbursed for this purpose in accordance and upon compliance with Article III of the Trust Agreement.

Section 3.4 Unexpended Proceeds and Other Moneys. All excess moneys remaining in the Delivery Costs Fund and not required for payment of Delivery Costs, shall be transferred by the Trustee to the Lease Payment Fund pursuant to Section 3.2 of the Trust Agreement and applied as a Prepayment of the Lease Payments pursuant to Article X hereof, and shall be applied to pay the next-succeeding Lease Payments as the same become due and payable.

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

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

Section 4.2 Term of Agreement; Termination.

(a) The Term of this Lease-Purchase Agreement shall commence on the date hereof, and continue until the end of the Lessee's current fiscal period, and thereafter shall be deemed to automatically be extended by the Lessee for such additional fiscal periods as are necessary to complete the anticipated total Lease Term through and including June 1, 2011, unless terminated prior thereto as provided herein. If on June 1, 2011, the Trust Agreement shall not be discharged by its terms, then the Term of this Lease-Purchase Agreement shall be extended until the Trust Agreement shall be discharged by its terms. If prior to June 1, 2011, the Trust Agreement shall, to the extent permitted by law, be discharged by its terms, the Term of this Lease-Purchase Agreement shall thereupon end. Reference to the Term of this Lease-Purchase Agreement shall include the initial and any extended term hereunder.

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

REC'D
MAY 10 2011

(c) If this Lease-Purchase Agreement terminates pursuant to subsection (b) and if within forty-five (45) days after such date of termination amounts described in subsection (b) are determined to be available which would have permitted this Lease-Purchase Agreement to have continued in effect with respect to the Leased Property if such amounts had been determined to be available prior to the termination date, then this Lease-Purchase Agreement shall be reinstated with respect thereto and deemed renewed as of the day following the date of such termination.

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

Section 4.4 Lease Payments; Additional Rent; Other Payments.

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

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

1302020 030303

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

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

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

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

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

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

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

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

Section 4.6 Title. Pursuant to the Ground Lease, the Lessee shall hold title to the Public Works Parking Garage, but subject to this Lease-Purchase Agreement and the Lessor's interest in the Ground Lease. Pursuant to the Deed, the Lessor shall hold title to the Public Works Building and the Legal Services Building.

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

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

Section 4.8 Nonsubstitution. If an event of default, as defined in Section 9.1 hereof, shall occur or the Lessee shall terminate this Lease-Purchase Agreement pursuant to Section 4.2(b) hereof, the Lessee agrees, to the extent permitted by law, for sixty (60) days from the date of such termination, not to purchase, lease or rent any other property or services to perform the

11/10/02 01:11:04

same functions as, or functions taking the place of, those performed by the Leased Property; provided, however, that these restrictions shall not be applicable if or to the extent that the application of these restrictions would affect the validity of this Lease-Purchase Agreement.

ARTICLE V MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

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

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

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

Section 5.2 Modification of Leased Property. The Lessee and any sublessee shall, at their own expense, have the right to remodel any portion of the Leased Property or to make additions, modifications and improvements to any portion of the Leased Property. All such additions, modifications and improvements shall thereafter comprise part of the Leased Property and be subject to the provisions of this Lease-Purchase Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section, shall be of a value which is not substantially less than the value of such Leased Property immediately prior to the making of such additions, modifications

such loss or damage; provided, however, to the extent the Lessor or the Trustee are not named as loss payees under any insurance or Qualified Self-Insurance, the Lessee hereby assigns to the Lessor and the Trustee its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective interests or rights under this Lease-Purchase Agreement may appear on the date of payment thereof. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a) hereof.

Section 5.5 Title Insurance. The Lessee shall provide, at its own expense, on or before the Closing Date, a title insurance policy in form satisfactory to the Lessor in the amount of not less than the aggregate principal amount of the 2008 Certificates insuring the Trustee's interest in the Leased Property under the Ground Lease, the Deed and this Lease-Purchase Agreement, subject only to Permitted Encumbrances. All Net Proceeds received under said policy shall be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the Prepayment of the remaining Lease Payments pursuant to Section 10.4 hereof.

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

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

Section 5.8 Installation of Lessee's Equipment. The Lessee and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Leased Property. All such items shall remain the sole property of such party, in which neither the Lessor nor the Trustee shall have any interest, and may be modified or removed by such party at any time provided that such party shall repair and restore any and all damage to the Leased Property

resulting from the installation, modification or removal of any such items. Nothing in this Lease-Purchase Agreement shall prevent the Lessee and any sublessee from purchasing or leasing items to be installed pursuant to this Section under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

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

Section 5.10 Delivery of Leased Property Upon Termination.

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

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

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

Section 6.2 Application of Net Proceeds.

(a) **From Insurance Award.** The Net Proceeds of any insurance award resulting from any damage to or destruction of any Leased Property by fire or other casualty shall be deposited in the Insurance and Condemnation Fund created pursuant to Article VII of

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

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

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

Section 6.3 Reduction of Rental in the Event of Prepayment of Lease Payments. In the event the Net Proceeds of any insurance or condemnation awards are deposited in the Lease Payment Fund and credited towards Prepayments pursuant to Section 10.4 hereof, the amount of remaining Lease Payments shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments will correspond to the remaining payments of principal of and interest on the Outstanding Certificates (after any

redemption of Certificates pursuant to Section 4.2 of the Trust Agreement resulting from such Prepayments), which resulting Lease Payments are hereby deemed to represent fair consideration for the use and occupancy of the portions of the Leased Property not taken, damaged or destroyed. In the event of any such reduction, this Lease-Purchase Agreement shall continue in full force and effect and the Lessee waives any right to terminate this Lease-Purchase Agreement by virtue of any damage or destruction of the Leased Property causing such reduction of Lease Payments.

ARTICLE VII ACCESS TO LEASED PROPERTY, INDEMNIFICATION

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

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

ARTICLE VIII ASSIGNMENT, SUBLEASING AND AMENDMENT

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

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

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

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

(iv) The Lessee shall furnish the Lessor with a written opinion of Special Counsel, with respect to any such sublease, stating that such sublease shall not adversely affect the exclusion of the interest components of the Lease Payments from gross income for federal income tax purposes when paid to the Owners of the 2008 Certificates.

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

ARTICLE IX EVENTS OF DEFAULT AND REMEDIES

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

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

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

take possession of the Leased Property, to the exclusion of the Lessee, and relet the Lessee's interests in the Leased Property in the event of default by the Lessee in the performance of any covenants herein contained to be performed by the Lessee and to remove all personal property not constituting Leased Property and to place such property in storage or other suitable place in the County of Pima, State of Arizona, for the account of and at the expense of the Lessee, and, to the extent permitted by law, the Lessee hereby exempts and agrees to save harmless the Lessor for, from and against any costs, loss or damage whatsoever arising or occasioned by any such entry upon and reletting of the Leased Property and the removal and storage of personal property by the Lessor or its duly authorized agents in accordance with the provisions herein contained. The Lessee hereby waives any and all claims for damages caused or which may be caused by the Lessor in reentering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the Lessee that may be in or upon the Leased Property.

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

(b) In an event of default hereunder, the Lessor at its option may terminate this Lease-Purchase Agreement and sell, convey, re-rent, or re-lease all or any portion of its interests in the Leased Property any may exclude the Lessee therefrom. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Lessor shall of itself operate to terminate this Lease-Purchase Agreement and no termination of this Lease-Purchase Agreement on account of default by the Lessee shall be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the Lessee of the election on the part of the Lessor to terminate this Lease-Purchase Agreement. The Lessee covenants and agrees that no surrender of the Leased Property or of the remainder of the term hereof or any termination of this Lease-Purchase Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. Additionally, to the extent permitted by law, the Lessee hereby exempts and agrees to save harmless the Lessor for, from and against any costs, loss or damage whatsoever arising or occasioned by any removal of the Leased Property by the Lessor or its duly authorized agents in accordance with the provisions contained in this Lease-Purchase Agreement.

Section 9.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease-Purchase Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but

any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

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

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

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

Section 9.7 Trustee and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Lessor under this Article IX shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement.

ARTICLE X PREPAYMENT OF LEASE PAYMENTS

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

or cause to be made, Lease Payments and Additional Rent from the deposit made by the Lessee pursuant to this Section, and if the Trust Agreement has been discharged, title to the Leased Property shall vest in the Lessee on the date of said deposit automatically and without further action by the Lessee or the Lessor. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments and Additional Rent in accordance with the provisions of this Lease-Purchase Agreement.

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

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

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

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

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

U.S. BANK NATIONAL ASSOCIATION, as
Lessor

By:



Vice President

PIMA COUNTY, ARIZONA, as Lessee

By:

Chairman, Board of Supervisors

ATTEST:

By:

Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By:

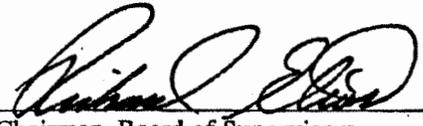
Timothy E. Pickrell

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

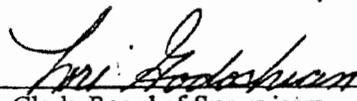
U.S. BANK NATIONAL ASSOCIATION, as
Lessor

By: _____
Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: 
Chairman, Board of Supervisors

ATTEST:

By: 
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

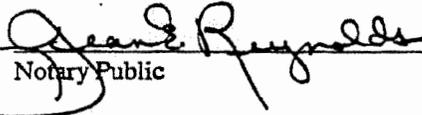
By: 
Timothy E. Pirkrell

434241.5

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this, the 26th day of June, 2008, before me, the undersigned Notary Public, personally appeared Robert Von Hess, who acknowledged himself to be a Vice President of U.S. Bank National Association, a national association, and that he, as such officer, being authorized so to do, executed the foregoing Lease-Purchase Agreement for the purposes therein contained by signing the name of the association by himself as such officer.

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


Notary Public

My Commission Expires:

August 15, 2008



434241.6

STATE OF ARIZONA)
) ss.
County of Pima)

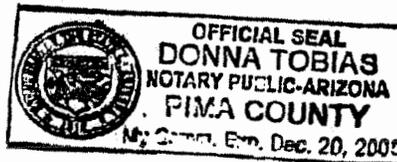
On this, the 17 day of June, 2008, before me, the undersigned Notary Public, personally appeared Richard Elías, who acknowledged himself to be Chairman of the Pima County, Arizona Board of Supervisors, and that he, as such officer, being authorized so to do, executed the foregoing Lease-Purchase Agreement for the purposes therein contained by signing the name of said county by himself as such officer.

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

Donna Tobias
Notary Public

My Commission Expires:

12-20-08



434241.5

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

A-1: Public Works Building

A-2: Legal Services Building

A-3: Public Works Parking Garage

(See attached pages)

434241

EXHIBIT A-1

PUBLIC WORKS BUILDING

Parcel 8

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, lying Easterly of the following described line:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111 and the Southeasterly corner of property described in instrument recorded in Docket 8506 at page 2723;

THENCE continuing along the Southerly line of said property described in Docket 8506 at page 2723, South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1, being the Southwest corner of said parcel described in Docket 8506 at page 2723;

THENCE North 1 degree 18 minutes 45 seconds West along the Westerly line of said parcel, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1, being the Northwest corner of property described in Docket 8506 at page 2723 and the POINT OF BEGINNING of line description;

THENCE South 1 degree 18 minutes 45 seconds East along the West line of said parcel a distance of 84.11 feet to the Southwest corner of said parcel;

434241

THENCE North 84 degrees 09 minutes 00 seconds East along the Southerly line of said property described in Docket 8506 at page 2723 a distance of 24.10 feet to the Northwest corner of property described in instrument recorded in Docket 6165 at page 1031;

THENCE South 0 degrees 11 minutes 37 seconds West, along the Westerly line of said property, a distance of 88.73 feet to the Southwest corner of said property, said point also being the Northwesterly corner of property described in instrument recorded in Docket 7629 at page 1863;

THENCE South 0 degrees 07 minutes 25 seconds West along the Westerly line of said property, a distance of 19.92 feet to the Northwesterly corner of property described in instrument recorded in Docket 8166 at page 160;

THENCE South 0 degrees 11 minutes 55 seconds West along the Westerly line of said property, a distance of 52.56 feet to an angle point on said Westerly line;

THENCE continuing along said Westerly line, South 22 degrees 40 minutes 04 seconds East a distance of 44.39 feet to a point on the Northerly right-of-way line of Alameda Street, said point being the terminus point of said line description.

EXCEPT that portion described as follows:

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, described as follows:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111, which is the TRUE POINT OF BEGINNING;

FROM said POINT OF BEGINNING, thence continue South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of said Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1;

THENCE North 1 degree 18 minutes 45 seconds West, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1;

THENCE North 89 degrees 39 minutes 15 seconds East along said South line of Council Street, which South line is parallel with and 34.90 feet Southerly from the Council Street monument line, a distance of 169.69 feet to the point of intersection of said South line of Council Street with the West line of Stone Avenue, as now established, which point is South 89 degrees 39 minutes 15 seconds West, a distance of 50.37 feet from the intersection of the Easterly extension of said South line of Council Street with the Stone Avenue city monument line;

THENCE South 4 degrees 04 minutes 48 seconds East, along said West line of Stone Avenue, as now established, a distance of 66.34 feet to the TRUE POINT OF BEGINNING.

FURTHER EXCEPT the following:

That portion of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, together with a strip of ground lying between the East boundary of original Lot 2 in said Block 180 and the West property line of Stone Avenue as now established, described as follows:

BEGINNING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 0 minutes East, a distance of 95.91 feet to a point on the Stone Avenue city monument line;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet, more or less, to a point on the West property line of Stone Avenue as now established, distant 67.67 feet South 4 degrees 4 minutes 48 seconds East from the Northeast corner of said Block 180, which last mentioned point is the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE South 4 degrees 4 minutes 48 seconds East, a distance of 78.85 feet along the West line of Stone Avenue to a point;

THENCE South 80 degrees 11 minutes 57 seconds West along the Northerly wall of a brick building, a distance of 156.09 feet;

THENCE North 0 degrees 11 minutes 37 seconds West, a distance of 88.73 feet;

THENCE North 84 degrees 41 minutes 39 seconds East, a distance of 20.98 feet;

THENCE North 83 degrees 29 minutes 43 seconds East, a distance of 128.44 feet to the TRUE POINT OF BEGINNING.

(JV Arbs 23 and 25)

434241

EXHIBIT A-2

LEGAL SERVICES BUILDING

Parcel 9

All that part of Lot 8 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, lying West of a line drawn from the Southwest corner of Lot 6 of said Block 195, to the Northwest corner of Lot 16 of said Block 195.

(JV Arb 84)

Parcel 9a

An easement for ingress, egress and light and air over, upon and across the North 1 foot of the West 59.1 feet of Lot 18 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, as set forth in Indenture recorded in Book 52 of Deeds at page 179.

0-1000 010000-1

EXHIBIT A-3

PUBLIC WORKS PARKING GARAGE

The Public Works Parking Structure as shown on the architectural plans titled "Parking Structure Pima County Public Works Center Tucson, Arizona", by William I. Podolsky * Associates, Architects & Planners, Project No. 8909, and dated March 27, 1991, on file in the Department of Facilities Management, Pima County, Arizona, being located within Block 180 of the City of Tucson, and described as follows:

Parcel 1

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the North line of said Lot 1, 150 feet Easterly of the Northwest corner of said lot;

THENCE Easterly along the North line of said lot, a distance of 59 feet to a point, said point also being the Northwest corner of that certain parcel of land described in Docket 58 at page 123, records of Pima County, Arizona;

THENCE Southerly along the Westerly line of the last above described parcel, a distance of 79 feet, more or less, to a point on the South line of Lot 1, which point is distant 171.7 feet Westerly from the Southeast corner of said lot;

THENCE Westerly along the Southerly line of said lot, a distance of 38.66 feet to a point distant 150 feet East from the Southwest corner of said lot, said point also being the Southeast corner of that certain parcel described in Deed recorded in Book 267 of Deeds at page 407, records of Pima County, Arizona;

THENCE Northerly along the Easterly line of last above described parcel, a distance of 84 feet, more or less, to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 12)

Parcel 2

That portion of Lot 2 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June

RECORDS SECTION

26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the South line of said Lot 2, distant 100 feet, more or less, Westerly from the Southeast corner of said lot, which point is the Southwest corner of the property described in Deed recorded in Book 10 of Deeds at page 47, records of Pima County, Arizona;

THENCE Northerly along the Westerly line of said last mentioned property, a distance of 80 feet to a point;

THENCE South 84 degrees 30 minutes West, a distance of 50 feet, more or less, to a point on the East line of that certain property described in Deed recorded in Book 14 of Deeds at page 476, records of Pima County, Arizona, said point being the TRUE POINT OF BEGINNING;

THENCE Northerly along the Easterly line of said last mentioned parcel to a point on the North line of said Lot 2;

THENCE Westerly along the North line of said Lot 2, to the Northwest corner thereof;

THENCE Southerly along the Westerly line of said Lot 2, to the Southeast corner of Lot 3 in said Block 180;

THENCE Westerly along the Southerly line of said Lot 3, to a point which is distant 1.3 feet from the Northeast corner of Lot 4 in said Block 180;

THENCE Southerly to the Southwest corner of said Lot 2;

THENCE North 67 degrees 18 minutes 42 seconds East along the South line of said Lot 2, a distance of 115 feet to a point;

THENCE North 22 degrees 58 minutes 45 seconds West, a distance of 44.58 feet to a point;

THENCE in a Northerly direction to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 22 and 24)

Parcel 3

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southwest corner of said Lot 3 on the East side of Church Street;

THENCE North 12 ¼ degrees West along the West line of said Lot 3, a distance of 78.54 feet, more or less, to a point on the West line of said lot, distant 74.58 feet Southerly from the Northwest corner thereof;

THENCE Easterly to a point on the East line of said lot, which point is South 11 ½ degrees East and distant 74.58 feet from the Northeast corner thereof;

THENCE South 11 ½ degrees East along the East line of said lot to the Southeast corner thereof;

THENCE South 75 ½ degrees West along the South line of said Lot 3, a distance of 90.42 feet to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 33)

Parcel 4

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at the City Survey Monument at the intersection of Church and Council Street as now established;

THENCE North 89 degrees 39 minutes 15 seconds East along the Council Street Monument line, a distance of 42.07 feet to a point;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Southerly right-of-way line of Council Street as now established;

THENCE South 13 degrees 06 minutes 30 seconds East along the Easterly right-of-way line of Church Street as now established, a distance of 104.96 feet to a point on that certain line described in Deed recorded in the office of the County Recorder of Pima County, Arizona, in Docket 1608 at page 381, and in Docket 1608 at page 380, said point being the TRUE POINT OF BEGINNING;

THENCE North 83 degrees 46 minutes 35 seconds East along said last described line, a distance of 91.08 feet, more or less, to a point on the East line of said Lot 3;

THENCE South 11 ½ degrees East along the Easterly line of said Lot 3, a distance of 74.58 feet, more or less, to the Northeast corner of that certain parcel of land described in Deed recorded in Docket 112 at page 305, records of Pima County, Arizona;

THENCE Westerly along the Northerly line of the last above described parcel to a point on the Westerly line of said Lot 3 and the Easterly line of Church Street;

THENCE North 13 degrees 06 minutes 30 seconds West along the Easterly line of said Church Street, a distance of 74.58 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 32)

Parcel 5

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at a point on the South side of Council Street and the North line of said Block 180, distant 150 feet East from the Northwest corner of said Lot 1;

THENCE South 14 degrees East, a distance of 89 feet to the South line of said Lot;

THENCE South 84 degrees West, a distance of 75 feet;

THENCE North 12 ¼ degrees West, a distance of 100 feet, more or less, to the South line of Council Street;

THENCE East along the South line of Council Street, a distance of 75 feet to the POINT OF BEGINNING.

(JV Arb 14)

Parcel 6

Lot 4 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof,

AND

That portion of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southeast corner of Lot 4 in said Block;

THENCE Northerly along the Easterly line of Lot 4, to the point of intersection of the said Easterly line of Lot 4 with the Southerly line of Lot 3 in said block;

THENCE Easterly along the Southerly line of the said Lot 3, a distance of 1.3 feet to a point;

THENCE Southerly to the POINT OF BEGINNING.
(JV Arb Lot 2=21, Lot 4=34)

Parcel 7

All that part of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the City Survey Monument at the intersection of Church and Council Streets;

THENCE North 89 degrees 39 minutes 15 seconds East, a distance of 42.07 feet along the Council Street monument line;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Northwest corner of said Block 180 and the TRUE POINT OF BEGINNING;

THENCE South 13 degrees 06 minutes 30 seconds East, a distance of 104.96 feet;

THENCE North 83 degrees 46 minutes 35 seconds East, a distance of 75.5 feet, more or less, to a point in the Westerly line of that property described in Deed to Harman Ray and Pauline Ray, husband and wife, recorded in the office of the County Recorder of Pima County, Arizona, in Book 267 of Deeds at page 407;

THENCE Northerly along the West line of said Ray property to a point in the South line of Council Street, distant 89 degrees 39 minutes 15 seconds East, 75 feet from the TRUE POINT OF BEGINNING;

THENCE South 89 degrees 39 minutes 15 seconds West, a distance of 75 feet to the TRUE POINT OF BEGINNING.

(JV Arb Lot 1= 813)

EXCEPTING FROM SAID Parcels 1 through 7, all that portion thereof described in the Lease dated December 5, 1989, to the YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, an Arizona non-profit corporation, as disclosed in Memorandum of Ground Lease Agreement recorded in Docket 8834 at page 1387 and corrected in Docket 9348 at page 1417.

434241

EXHIBIT B

SCHEDULE OF LEASE PAYMENTS

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

**Pima County, Arizona
Certificates of Participation, Series 2008**

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
November 15, 2008		\$ 1,076,388.89	\$ 1,076,388.89
May 15, 2009	\$ 20,000,000.00	1,250,000.00	21,250,000.00
November 15, 2009		750,000.00	750,000.00
May 15, 2010	20,000,000.00	750,000.00	20,750,000.00
November 15, 2010		250,000.00	250,000.00
May 15, 2011	<u>10,000,000.00</u>	<u>250,000.00</u>	<u>10,250,000.00</u>
Total	\$ 50,000,000.00	\$ 4,326,388.89	\$54,326,388.89

434241



SEQUENCE: 20191270381
No. Pages: 38
5/7/2019 2:44 PM

F. ANN RODRIGUEZ, RECORDER
Recorded By: GMS (e-recording)



When recorded return to:

Timothy E. Pickrell, Esq.
Squire Patton Boggs (US) LLP
1 E. Washington Street, 27th Floor
Phoenix, Arizona 85004
(602) 528-4000

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

**EIGHTH AMENDMENT
TO LEASE-PURCHASE AGREEMENT**

by and between

U.S. BANK NATIONAL ASSOCIATION, as trustee

as Lessor

and

PIMA COUNTY, ARIZONA,

as Lessee

Dated as of May 1, 2019

relating to

\$20,940,000

**Pima County, Arizona
Certificates of Participation
Series 2019**

**EIGHTH AMENDMENT
TO LEASE-PURCHASE AGREEMENT**

THIS EIGHTH AMENDMENT TO LEASE-PURCHASE AGREEMENT (this “Eighth Amendment”), dated as of May 1, 2019, by and between U.S. BANK NATIONAL ASSOCIATION, as lessor (the “Lessor” or “Trustee”) and PIMA COUNTY, ARIZONA, as lessee (the “Lessee” or the “County”);

WITNESSETH:

WHEREAS, the Lessor and the Lessee have previously entered into a Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”), as amended by a First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), a Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), a Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013 (the “Third Amendment”), a Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), a Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), a Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), a Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and by this Eighth Amendment (collectively, the “Lease” or “Lease-Purchase Agreement”) with respect to the property described in Exhibit A to the Original Lease-Purchase Agreement; and

WHEREAS, in connection with the execution of the Original Lease-Purchase Agreement, the County and the Trustee entered into a Trust Agreement, dated as of June 1, 2008 (the “Original Trust Agreement” and, as subsequently supplemented and amended, the “Trust Agreement”), pursuant to which the Trustee executed and delivered \$50,000,000 principal amount of Certificates of Participation, Series 2008 (the “2008 Certificates”), representing proportionate interests in the lease payments to be made by the County pursuant to the Original Lease-Purchase Agreement, which the parties subsequently supplemented with a First Supplement to Trust Agreement, dated as of June 1, 2009, pursuant to which the Trustee executed and delivered \$34,400,000 principal amount of Certificates of Participation, Series 2009 (the “2009 Certificates”), a Second Supplement to Trust Agreement, dated as of February 1, 2010, pursuant to which the Trustee executed and delivered \$20,000,000 principal amount of Certificates of Participation, Series 2010 (the “2010 Certificates”), a Third Supplement to Trust Agreement, dated as of May 1, 2013, pursuant to which the Trustee executed and delivered \$80,175,000 principal amount of Certificates of Participation, Series 2013A (the “2013A Certificates”) and \$12,705,000 principal amount of Refunding Certificates of Participation, Series 2013B (the “2013B Certificates” and, together with the 2013A Certificates, the “2013 Certificates”), a Fourth Supplement to Trust Agreement, dated as of January 1, 2014, pursuant to which the Trustee executed and delivered \$52,160,000 principal amount of Certificates of Participation, Series 2014 (the “2014 Certificates”), a Fifth Supplement to Trust Agreement, dated as of April 1, 2015, pursuant to which the Trustee executed and delivered \$57,025,000 principal amount of Certificates of Participation, Series 2015 (the “2015 Certificates”), a Sixth Supplement to Trust Agreement, dated as of April 1, 2016, pursuant to which the Trustee executed and delivered \$28,750,000 principal amount of Certificates of Participation, Series 2016A (the “2016A Certificates”) and \$15,185,000 principal amount of Certificates of

Participation, Taxable Series 2016B (the “Taxable 2016B Certificates” and, together with the 2016A Certificates, the “2016 Certificates”), and a Seventh Supplement to Trust Agreement, dated as of April 1, 2018, pursuant to which the Trustee executed and delivered \$23,265,000 principal amount of Certificates of Participation, Series 2018A (the “2018A Certificates) and \$39,395,000 principal amount of Certificates of Participation, Taxable Series 2018B (the “Taxable 2018B Certificates”); and

WHEREAS, there are no 2008 Certificates, 2009 Certificates, 2013B Certificates or 2015 Certificates currently outstanding and there are currently outstanding 2010 Certificates, 2013A Certificates, 2014 Certificates, 2016A Certificates, Taxable 2016B Certificates, 2018A Certificates and Taxable 2018B Certificates; and

WHEREAS, the Trust Agreement permits the execution and delivery of “Additional Certificates,” on a parity with the Certificates then outstanding under the Trust Agreement, and permits the further supplementation and amendment of the Trust Agreement and the Lease-Purchase Agreement to facilitate such an execution and delivery of such Additional Certificates; and

WHEREAS, in consideration of the County’s agreement to amend and restructure the term of its obligations under the Lease-Purchase Agreement, the Trustee is willing to execute and deliver Additional Certificates in a principal amount of \$20,940,000 to be denominated “Certificates of Participation, Series 2019” (the “2019 Certificates”) to pay a portion of the net proceeds of the 2019 Certificates to the County in order to acquire a leasehold interest in the hereinafter-described 33 North Stone Avenue pursuant to a 2019 Ground Lease, dated as of May 1, 2019 (the “2019 Ground Lease”), and use the remainder of the net proceeds of the 2019 Certificates to pay costs of executing and delivering the 2019 Certificates; and

WHEREAS, the County will apply the amounts received from the Trustee to pay or to reimburse costs of the acquisition, construction, improvement and equipping of various County facilities and for other capital purposes (the “Projects”); and

WHEREAS, the Trustee has agreed, in the 2019 Ground Lease, to lease the 33 North Stone Avenue back to the County as part of the Leased Property under this Lease-Purchase Agreement, concurrently with the execution and delivery of the 2019 Certificates, the Trustee’s ground leasehold interest in the 33 North Stone Avenue will become a portion of the Leased Property hereunder; and

WHEREAS, in connection with the execution and delivery of the 2019 Certificates, it is therefore necessary for the Lessor and the County to enter into this Eighth Amendment; and

WHEREAS, upon execution and delivery of the 2019 Certificates, all the conditions for execution and delivery of Additional Certificates under the Trust Agreement will have been met; and

WHEREAS, the County and the Trustee have, simultaneously with the execution and delivery of this Eighth Amendment, entered into an Eighth Supplement to Trust Agreement (the “Eighth Supplement to Trust Agreement”);

NOW, THEREFORE, THE PARTIES HERETO AGREE TO AMEND THE LEASE-PURCHASE AGREEMENT AS FOLLOWS:

SECTION 1.1 Defined Terms. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Original Lease-Purchase Agreement as previously amended or, if not defined therein, in the Trust Agreement. In addition, the terms defined in this Section shall, for all purposes of the Lease-Purchase Agreement, have the following meanings:

“33 North Stone Avenue” shall mean the land located in the City of Tucson, Pima County, Arizona, described on Exhibit A hereto, starting at page A-17, and all improvements thereon.

“2019 Ground Lease” shall mean the 2019 Ground Lease, dated as of May 1, 2019, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the 33 North Stone Avenue to the Trustee.

SECTION 1.2 Execution and Delivery of 2019 Certificates. In consideration of the County’s agreement to convey to the Trustee a leasehold interest in the 33 North Stone Avenue pursuant to the 2019 Ground Lease and to pay or to reimburse the costs of the Projects, the parties agree that the 2019 Certificates shall be executed and delivered in a principal amount of \$20,940,000.

SECTION 1.3 Deposit of Monies. On the Closing Date for the 2019 Certificates, there shall be deposited with the Trustee the net proceeds of sale of the 2019 Certificates, which proceeds shall be applied as provided in Sections 2.6, 3.1 and 3.2 of the Eighth Supplement to Trust Agreement for disbursement pursuant thereto.

SECTION 1.4 Acquisition of Leasehold Interest in 33 North Stone Avenue. The Lessor agrees to acquire a leasehold interest in 33 North Stone Avenue pursuant to the 2019 Ground Lease through the deposit and disbursement of funds in accordance with Section 3.1 of the Eighth Supplement to Trust Agreement.

SECTION 1.5 Term. The Term of the Lease-Purchase Agreement extends to December 1, 2033, subject to extension and earlier termination as provided in Section 4.2 thereof and as otherwise provided in the Lease-Purchase Agreement.

SECTION 1.6 Lease Payments and Lease Payment Dates. Exhibit B of the Lease-Purchase Agreement is hereby amended by substituting therefor Exhibit B attached to this Eighth Amendment, setting forth the Lease Payments and Lease Payment Dates under the Lease, and representing the total of payments shown on Exhibit B-1, Exhibit B-2, Exhibit B-3, Exhibit B-4, Exhibit B-5 and Exhibit B-6, attached to this Eighth Amendment.

SECTION 1.7 Leased Property. Exhibit A of the Lease-Purchase Agreement is hereby amended by substituting therefor Exhibit A attached to this Eighth Amendment, reflecting the addition of the 33 North Stone Avenue.

SECTION 1.8 Certain References. The provisions in Sections 10.1 through 10.5 of the Original Lease-Purchase Agreement, which refer to certain sections in the Original Trust

Agreement, regarding prepayment of the 2008 Certificates, shall hereafter be deemed to refer also to the analogous prepayment provisions in the Trust Agreement regarding the 2019 Certificates.

SECTION 1.9 Tax Covenants. The Lessee covenants (a) that it will take or cause to be taken all actions that may be required of it for the interest on the 2019 Certificates to remain excluded from gross income for federal income tax purposes, (b) that it will not take or authorize to be taken any actions which would adversely affect such exclusion and (c) that it, or other persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the 2019 Certificates in compliance with Arizona law and the Trust Agreement, (ii) restrict the yield on investment property, (iii) make or cause to be made timely and adequate payments to the federal government as provided in Section 8.8 of the Trust Agreement, (iv) maintain books and records, and (v) refrain from certain uses of proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of the interest on the 2019 Certificates under the Code. An officer of the Lessee shall take any and all such actions, make such rebate payments or potential payments and make or give such reports and certifications as may be appropriate to assure such exclusion of the interest.

The Lessee covenants that it will use, and will restrict the use and investment of the proceeds of the 2019 Certificates in such manner and to such extent, if any, as may be necessary, so that (a) the 2019 Certificates will not (i) constitute an arbitrage bond, a private activity bond or a hedge bond under Sections 141, 148 or 149 of the Code, or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest on the 2019 Certificates will not be treated as a preference item under Section 57 of the Code.

Any officer of the Lessee having responsibility with respect to the execution and delivery of this Eighth Amendment shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessee, be authorized (a) to make or affect any election, selection, designation, choice, consent, approval, or waiver on behalf of the Lessee with respect to the Lease-Purchase Agreement or the Certificates as the Lessee is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the interest on the 2019 Certificates or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action will be in writing and signed by the officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Lessee, as may be appropriate to assure the exclusion of the interest on the 2019 Certificates from gross income for federal income tax purposes, and (c) to give one or more appropriate certificates of the Lessee, for inclusion in the transcript of proceedings for setting forth the reasonable expectations of the Lessee regarding the amount and use of all the proceeds relating to the 2019 Certificates and the property financed with such proceeds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the 2019 Certificates.

SECTION 1.10 Ratification of Original Lease-Purchase Agreement, as Amended.

The Original Lease-Purchase Agreement, as amended by the First Amendment, by the Second Amendment, by the Third Amendment, by the Fourth Amendment, by the Fifth Amendment, by the Sixth Amendment, by the Seventh Amendment and by this Eighth Amendment, is hereby ratified and confirmed in all respects.

SECTION 1.11 Binding Effect. This Eighth Amendment shall inure to the benefit of and shall be binding upon the Lessor and the Lessee and their respective successors and assigns.

SECTION 1.12 Severability. In the event any provision of this Eighth Amendment shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 1.13 Execution in Counterparts. This Eighth Amendment 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 1.14 Applicable Law. This Eighth Amendment shall be governed by and construed in accordance with the laws of the State.

SECTION 1.15 Captions. The captions or headings in this Eighth Amendment are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Eighth Amendment.

SECTION 1.16 Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes (“A.R.S.”) Section 38-511, as amended, notice is hereby given that the Lessee may cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Lessee’s Board of Supervisors is received by all other parties to the contract unless the notice specifies a later time. All parties represent that to the best of their knowledge, no basis exists for the Lessee to cancel this Eighth Amendment pursuant to A.R.S. Section 38-511 as of the date hereof. The Lessor covenants not to employ as an employee, an agent or, with respect to the subject matter of this Eighth Amendment, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Eighth Amendment on behalf of the Lessee within 3 years from execution of this Eighth Amendment, unless a waiver of A.R.S. Section 38-511 is provided by the Lessee’s Board of Supervisors.

SECTION 1.17 Certain Warranties and Certifications from the Lessor.

(a) To the extent applicable under A.R.S. § 41-4401, the Lessor, in its capacity as Lessor under the Lease-Purchase Agreement and as Trustee under the Trust Agreement, including its subcontractors who work on the Lease-Purchase Agreement or the Trust Agreement, warrants compliance with all federal immigration laws and regulations that relate to its employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). The breach by the Lessor of the foregoing shall be deemed a material breach by the Lessor of the Lease-Purchase Agreement

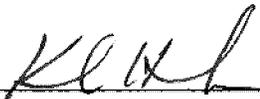
and the Trust Agreement and may result in the termination of its role as Trustee under the Trust Agreement and as Lessor under the Lease-Purchase Agreement and its replacement with a successor in such capacities, to the extent permitted by the Trust Agreement. The Lessee retains the legal right to randomly inspect the papers and records of the Lessor to ensure that the Lessor is complying with the above-mentioned warranty. The Lessor shall keep such papers and records open for random inspection by the Lessee during normal business hours. The Lessor shall cooperate with the random inspections by the Lessee, including granting the Lessee entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(b) Pursuant to A.R.S. § 35-393 et seq., the Lessor, in its capacity as Lessor under the Lease-Purchase Agreement and as Trustee under the Trust Agreement, hereby certifies that it is not currently engaged in, and for the duration of this Eighth Amendment shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in A.R.S. § 35-393.

[Remainder of page left blank intentionally]

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

U.S. BANK NATIONAL ASSOCIATION,
as Lessor

By: 
Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US) LLP,
Bond Counsel

By: _____
Timothy E. Pickrell

[Signature page of Eighth Amendment to Lease-Purchase Agreement]

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

U.S. BANK NATIONAL ASSOCIATION,
as Lessor

By: _____
Vice President

PIMA COUNTY, ARIZONA, as Lessee

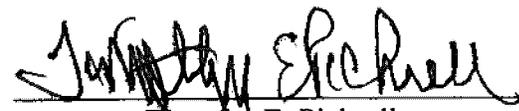
By:  _____
Chairman, Board of Supervisors

ATTEST:

By:  _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US) LLP,
Bond Counsel

By:  _____
Timothy E. Pickrell

[Signature page of Eighth Amendment to Lease-Purchase Agreement]

EXHIBIT A
DESCRIPTION OF LEASED PROPERTY
PUBLIC WORKS BUILDING

Parcel 8

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, lying Easterly of the following described line:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111 and the Southeasterly corner of property described in instrument recorded in Docket 8506 at page 2723;

THENCE continuing along the Southerly line of said property described in Docket 8506 at page 2723, South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1, being the Southwest corner of said parcel described in Docket 8506 at page 2723;

THENCE North 1 degree 18 minutes 45 seconds West along the Westerly line of said parcel, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1, being the Northwest corner of property described in Docket 8506 at page 2723 and the POINT OF BEGINNING of line description;

THENCE South 1 degree 18 minutes 45 seconds East along the West line of said parcel a distance of 84.11 feet to the Southwest corner of said parcel;

THENCE North 84 degrees 09 minutes 00 seconds East along the Southerly line of said property described in Docket 8506 at page 2723 a distance of 24.10 feet to the Northwest corner of property described in instrument recorded in Docket 6165 at page 1031;

THENCE South 0 degrees 11 minutes 37 seconds West, along the Westerly line of said property, a distance of 88.73 feet to the Southwest corner of said property, said point also being the Northwesterly corner of property described in instrument recorded in Docket 7629 at page 1863;

THENCE South 0 degrees 07 minutes 25 seconds West along the Westerly line of said property, a distance of 19.92 feet to the Northwesterly corner of property described in instrument recorded in Docket 8166 at page 160;

THENCE South 0 degrees 11 minutes 55 seconds West along the Westerly line of said property, a distance of 52.56 feet to an angle point on said Westerly line;

THENCE continuing along said Westerly line, South 22 degrees 40 minutes 04 seconds East a distance of 44.39 feet to a point on the Northerly right-of-way line of Alameda Street, said point being the terminus point of said line description.

EXCEPT that portion described as follows:

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, described as follows:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111, which is the TRUE POINT OF BEGINNING;

FROM said POINT OF BEGINNING, thence continue South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of said Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1;

THENCE North 1 degree 18 minutes 45 seconds West, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1;

THENCE North 89 degrees 39 minutes 15 seconds East along said South line of Council Street, which South line is parallel with and 34.90 feet Southerly from the Council Street monument line, a distance of 169.69 feet to the point of intersection of said South line of Council Street with the West line of Stone Avenue, as now established, which point is South 89 degrees 39 minutes 15 seconds West, a distance of 50.37 feet from the intersection of the Easterly extension of said South line of Council Street with the Stone Avenue city monument line;

THENCE South 4 degrees 04 minutes 48 seconds East, along said West line of Stone Avenue, as now established, a distance of 66.34 feet to the TRUE POINT OF BEGINNING.

FURTHER EXCEPT the following:

That portion of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, together with a strip of ground lying between the East boundary of original Lot 2 in said Block 180 and the West property line of Stone Avenue as now established, described as follows:

BEGINNING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 0 minutes East, a distance of 95.91 feet to a point on the Stone Avenue city monument line;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet, more or less, to a point on the West property line of Stone Avenue as now established, distant 67.67 feet South 4 degrees 4 minutes 48 seconds East from the Northeast corner of said Block 180, which last mentioned point is the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE South 4 degrees 4 minutes 48 seconds East, a distance of 78.85 feet along the West line of Stone Avenue to a point;

THENCE South 80 degrees 11 minutes 57 seconds West along the Northerly wall of a brick building, a distance of 156.09 feet;

THENCE North 0 degrees 11 minutes 37 seconds West, a distance of 88.73 feet;

THENCE North 84 degrees 41 minutes 39 seconds East, a distance of 20.98 feet;

THENCE North 83 degrees 29 minutes 43 seconds East, a distance of 128.44 feet to the TRUE POINT OF BEGINNING.

(JV Arbs 23 and 25)

LEGAL SERVICES BUILDING

Parcel 9

All that part of Lot 8 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, lying West of a line drawn from the Southwest corner of Lot 6 of said Block 195, to the Northwest corner of Lot 16 of said Block 195.

(JV Arb 84)

Parcel 9a

An easement for ingress, egress and light and air over, upon and across the North 1 foot of the West 59.1 feet of Lot 18 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, as set forth in Indenture recorded in Book 52 of Deeds at page 179.

PUBLIC WORKS PARKING GARAGE

The Public Works Parking Structure as shown on the architectural plans titled "Parking Structure Pima County Public Works Center Tucson, Arizona", by William I. Podolsky * Associates, Architects & Planners, Project No. 8909, and dated March 27, 1991, on file in the Department of Facilities Management, Pima County, Arizona, being located within Block 180 of the City of Tucson, and described as follows:

Parcel 1

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the North line of said Lot 1, 150 feet Easterly of the Northwest corner of said lot;

THENCE Easterly along the North line of said lot, a distance of 59 feet to a point, said point also being the Northwest corner of that certain parcel of land described in Docket 58 at page 123, records of Pima County, Arizona;

THENCE Southerly along the Westerly line of the last above described parcel, a distance of 79 feet, more or less, to a point on the South line of Lot 1, which point is distant 171.7 feet Westerly from the Southeast corner of said lot;

THENCE Westerly along the Southerly line of said lot, a distance of 38.66 feet to a point distant 150 feet East from the Southwest corner of said lot, said point also being the Southeast corner of that certain parcel described in Deed recorded in Book 267 of Deeds at page 407, records of Pima County, Arizona;

THENCE Northerly along the Easterly line of last above described parcel, a distance of 84 feet, more or less, to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 12)

Parcel 2

That portion of Lot 2 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the South line of said Lot 2, distant 100 feet, more or less, Westerly from the Southeast corner of said lot, which point is the Southwest corner of the property described in Deed recorded in Book 10 of Deeds at page 47, records of Pima County, Arizona;

THENCE Northerly along the Westerly line of said last mentioned property, a distance of 80 feet to a point;

THENCE South 84 degrees 30 minutes West, a distance of 50 feet, more or less, to a point on the East line of that certain property described in Deed recorded in Book 14 of Deeds at page 476, records of Pima County, Arizona, said point being the TRUE POINT OF BEGINNING;

THENCE Northerly along the Easterly line of said last mentioned parcel to a point on the North line of said Lot 2;

THENCE Westerly along the North line of said Lot 2, to the Northwest corner thereof;

THENCE Southerly along the Westerly line of said Lot 2, to the Southeast corner of Lot 3 in said Block 180;

THENCE Westerly along the Southerly line of said Lot 3, to a point which is distant 1.3 feet from the Northeast corner of Lot 4 in said Block 180;

THENCE Southerly to the Southwest corner of said Lot 2;

THENCE North 67 degrees 18 minutes 42 seconds East along the South line of said Lot 2, a distance of 115 feet to a point;

THENCE North 22 degrees 58 minutes 45 seconds West, a distance of 44.58 feet to a point;

THENCE in a Northerly direction to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 22 and 24)

Parcel 3

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southwest corner of said Lot 3 on the East side of Church Street;

THENCE North 12 ¼ degrees West along the West line of said Lot 3, a distance of 78.54 feet, more or less, to a point on the West line of said lot, distant 74.58 feet Southerly from the Northwest corner thereof;

THENCE Easterly to a point on the East line of said lot, which point is South 11 ½ degrees East and distant 74.58 feet from the Northeast corner thereof;

THENCE South 11 ½ degrees East along the East line of said lot to the Southeast corner thereof;

THENCE South 75 ½ degrees West along the South line of said Lot 3, a distance of 90.42 feet to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 33)

Parcel 4

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at the City Survey Monument at the intersection of Church and Council Street as now established;

THENCE North 89 degrees 39 minutes 15 seconds East along the Council Street Monument line, a distance of 42.07 feet to a point;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Southerly right-of-way line of Council Street as now established;

THENCE South 13 degrees 06 minutes 30 seconds East along the Easterly right-of-way line of Church Street as now established, a distance of 104.96 feet to a point on that certain line described in Deed recorded in the office of the County Recorder of Pima County, Arizona, in Docket 1608 at page 381, and in Docket 1608 at page 380, said point being the TRUE POINT OF BEGINNING;

THENCE North 83 degrees 46 minutes 35 seconds East along said last described line, a distance of 91.08 feet, more or less, to a point on the East line of said Lot 3;

THENCE South 11 ½ degrees East along the Easterly line of said Lot 3, a distance of 74.58 feet, more or less, to the Northeast corner of that certain parcel of land described in Deed recorded in Docket 112 at page 305, records of Pima County, Arizona;

THENCE Westerly along the Northerly line of the last above described parcel to a point on the Westerly line of said Lot 3 and the Easterly line of Church Street;

THENCE North 13 degrees 06 minutes 30 seconds West along the Easterly line of said Church Street, a distance of 74.58 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 32)

Parcel 5

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at a point on the South side of Council Street and the North line of said Block 180, distant 150 feet East from the Northwest corner of said Lot 1;

THENCE South 14 degrees East, a distance of 89 feet to the South line of said Lot;

THENCE South 84 degrees West, a distance of 75 feet;

THENCE North 12 ¼ degrees West, a distance of 100 feet, more or less, to the South line of Council Street;

THENCE East along the South line of Council Street, a distance of 75 feet to the POINT OF BEGINNING.

(JV Arb 14)

Parcel 6

Lot 4 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof,

AND

That portion of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southeast corner of Lot 4 in said Block;

THENCE Northerly along the Easterly line of Lot 4, to the point of intersection of the said Easterly line of Lot 4 with the Southerly line of Lot 3 in said block;

THENCE Easterly along the Southerly line of the said Lot 3, a distance of 1.3 feet to a point;

THENCE Southerly to the POINT OF BEGINNING.

(JV Arb Lot 2=21, Lot 4=34)

Parcel 7

All that part of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the City Survey Monument at the intersection of Church and Council Streets;

THENCE North 89 degrees 39 minutes 15 seconds East, a distance of 42.07 feet along the Council Street monument line;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Northwest corner of said Block 180 and the TRUE POINT OF BEGINNING;

THENCE South 13 degrees 06 minutes 30 seconds East, a distance of 104.96 feet;

THENCE North 83 degrees 46 minutes 35 seconds East, a distance of 75.5 feet, more or less, to a point in the Westerly line of that property described in Deed to Harman Ray and Pauline Ray, husband and wife, recorded in the office of the County Recorder of Pima County, Arizona, in Book 267 of Deeds at page 407;

THENCE Northerly along the West line of said Ray property to a point in the South line of Council Street, distant 89 degrees 39 minutes 15 seconds East, 75 feet from the TRUE POINT OF BEGINNING;

THENCE South 89 degrees 39 minutes 15 seconds West, a distance of 75 feet to the TRUE POINT OF BEGINNING.

(JV Arb Lot 1= 813)

EXCEPTING FROM SAID Parcels 1 through 7, all that portion thereof described in the Lease dated December 5, 1989, to the YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, an Arizona non-profit corporation, as disclosed in Memorandum of Ground Lease Agreement recorded in Docket 8834 at page 1387 and corrected in Docket 9348 at page 1417.

ADULT DETENTION FACILITY

LEGAL DESCRIPTION

Parcel 1

All that portion of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, more particularly described as follows:

Commencing at the Southeast corner of said Northwest Quarter of Section 23;

Thence South 89 degrees 12 minutes 13 seconds West, along the South line thereof, 1296.40 feet;

Thence North 00 degrees 27 minutes 51 seconds West, 48.00 feet to a point on the North right-of-way line of Silverlake Road, according to the City of Tucson, Silverlake Road, Mission Road to I-10 Right-of-way Plans R-95-05, dated March, 1995, said point being the POINT OF BEGINNING;

Thence continuing North 00 degrees 27 minutes 51 seconds West, 152.84 feet to a point on an existing chain link fence;

Thence along said chain link fence the following courses and distances:

North 00 degrees 31 minutes 49 seconds East, 294.49 feet;

North 02 degrees 00 minutes 34 seconds East, 290.43 feet;

North 20 degrees 22 minutes 03 seconds East, 60.61 feet;

South 88 degrees 57 minutes 28 seconds East, 228.23 feet to a point on the West line of that parcel described in Docket 6365 at page 1101, records of Pima County, Arizona;

North 17 degrees 39 minutes 43 seconds West, 219.42 feet;

North 47 degrees 58 minutes 23 seconds West, 119.42 feet;

North 64 degrees 55 minutes 15 seconds West, 80.59 feet;

North 33 degrees 40 minutes 00 seconds West, 28.38 feet;

Thence South 33 degrees 47 minutes 24 seconds West, 151.90 feet;

Thence South 43 degrees 00 minutes 27 seconds West, 110.93 feet;

Thence South 45 degrees 14 minutes 44 seconds West, 44.88 feet to a point on the North line of that parcel described in Docket 926 at page 596, Records of Pima County, Arizona;

Thence South 88 degrees 04 minutes 27 seconds West along said North line, 126.64 feet to the Northwest corner thereof;

Thence South 45 degrees 54 minutes 53 seconds West along the Westerly line of said parcel, 1028.50 feet;

Thence continuing along the Westerly line of said parcel, South 30 degrees 47 minutes 53 seconds West, 226.25 feet to a point on the North right-of-way line of said Silverlake Road;

Thence North 89 degrees 12 minutes 13 seconds East, along said North right-of-way line, 1156.35 feet to the POINT OF BEGINNING.

(JV Arb 585)

Parcel 2

A portion of the parcel described in Docket 926 at page 596, as recorded in the County Recorder's Office, Pima County, Arizona, and being within the Southeast Quarter of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, being more particularly described as follows:

Commencing at a found 2" brass cap survey monument with punch mark stamped "C1/4, S23, RLS 23956" at the Southeast corner of said Southeast Quarter of the Northwest quarter to which a found 2" brass cap survey monument with punch mark stamped "W1/16 C-C, S23, RLS 23956" at the Southwest corner of said Southeast Quarter of the Northeast Quarter bears South 89 degrees 12 minutes 11 seconds West a distance of 1309.70 feet, said line being the Basis of Bearing for this description;

Thence along the South line of said Southeast Quarter of the Northwest Quarter South 89 degrees 12 minutes 11 seconds West a distance of 1296.13 feet;

Thence North 00 degrees 47 minutes 49 seconds West a distance of 48.00 feet to the POINT OF BEGINNING at the Southeast corner of the parcel described in Docket 10491 at page 246, as recorded in the County Recorder's Office, Pima County, Arizona, said point also being on the North right-of-way line of Silverlake Road as shown on right-of-way Plan #R-95-05, City of Tucson Department of Transportation;

Thence along the East line of said parcel North 00 degrees 27 minutes 53 seconds West, a distance of 152.84 feet;

Thence continuing along said East line North 00 degrees 31 minutes 17 seconds East a distance of 294.49 feet;

Thence continuing along said East line North 02 degrees 00 minutes 32 seconds East a distance of 57.00 feet;

Thence South 72 degrees 28 minutes 08 seconds East a distance of 187.70 feet;

Thence South 17 degrees 31 minutes 52 seconds West a distance of 468.95 feet to the North right-of-way line of Silverlake Road;

Thence along said North right of way line South 89 degrees 12 minutes 11 seconds West a distance of 42.21 feet to the POINT OF BEGINNING.

(JV Arb 626)

PUBLIC SERVICE CENTER OFFICE TOWER AND PARKING GARAGE

LEGAL DESCRIPTION

Parcel 1

Blocks 252 and 253 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 2

Lot 1 and the North 69.00 feet of Lot 2, and Lots 4, 5, 6 and 7 in Block 254 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 3

All of Lot 1 and that portion of Lot 6 in Block 255 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the Northeast corner of said Lot 6;

Thence Southerly 50 feet;

Thence Westerly 50 feet;

Thence Northerly 50 feet;

Thence Easterly 50 feet to the Northeast corner of said Lot 6, the Place of Beginning.

Parcel 4

Portions of public rights of way as shown in Book 4 of Maps and Plats at page 81A and 81B therein, Records of Pima County, Arizona, and on file at the Pima County Recorder's Office, Tucson, Arizona, said portions lying in the southwest one-quarter of Section 12, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

All of Grossetta Avenue as shown in said Block 4 of Maps and Plats at page 81A therein, lying southerly of the southerly right of way line of Toole Avenue, more particularly described as follows:

Beginning at the northeast corner of Block 252 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence southeasterly in a straight line to the northern corner of Block 253 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Block 254 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence easterly in a straight line to the southwest corner of Block 255 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

All of the alley lying within Block 254 as shown in Book 3 of Maps and Plats at page 81B therein, lying southerly of the southerly right of way line of Council Street more particularly described as follows:

Beginning at the northeast corner of Lot 1 of said Block 254;

Thence easterly in a straight line to the northwest corner of Lot 4 of said Block 254 and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Lot 3 of said Block 254;

Thence easterly in a straight line to the southwest corner of Lot 6 of said Block 254 and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

A portion of Council Street, shown as Miltenburg Street in said Book 4 of Maps and Plats at page 81A and 81B therein, more particularly described as follows:

Beginning at the northeast corner of said Block 254;

Thence upon the south right of way line of said Council Street, said south line coincident with the north line of said Block 254, S 89 degrees 19 minutes 31 seconds W, a distance of 132.77 feet to the northwest corner of Lot 4 thereof;

Thence continue upon said coincident line, S 89 degrees 18 minutes 58 seconds W, a distance of 17.23 feet to the northeast corner of Lot 1 thereof;

Thence continue upon said coincident line, S 89 degrees 19 minutes 23 seconds W, a distance of 145.56 feet to the northwest corner of said Block 254;

Thence leaving said south right of way line, N 03 degrees 46 minutes 35 seconds W, a distance of 50.05 feet to a point on the north right of way line of said Council Street, said point being the southwest corner of Block 252 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 252, N 89 degrees 19 minutes 22 seconds E, a distance of 298.33 feet to the southeast corner of said Block 252;

Thence N 89 degrees 15 minutes 35 seconds E, a distance of 49.99 feet to the southwest corner of Block 253 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 253, N 89 degrees 19 minutes 10 seconds East a distance of 49.70 feet;

Thence leaving said north right of way line, S 00 degrees 40 minutes 50 seconds E a distance of 50.06 feet to a point on the south right of way line of said Council Street;

Thence upon said south right of way line of Council Street, said line coincident with the north line of Block 255 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein, S 89 degrees 18 minutes 23 seconds W, a distance of 49.75 feet to the northwest corner of said Block 255;

Thence S 89 degrees 21 minutes 30 seconds W, a distance of 50.01 feet to the POINT OF BEGINNING;

EXCEPT any portion lying within the aforesaid Grossetta Avenue.

33 NORTH STONE AVENUE

LEGAL DESCRIPTION

Parcel 1:

A Leasehold Estate in and to the following:

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

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

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

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

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

A three-sided parcel bounded on the:

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

PARCEL NO. 2:

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

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

Beginning at the Northeast corner of said Lot 4;

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

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

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

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

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

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

EXHIBIT B**AMENDED SCHEDULE OF AGGREGATE LEASE PAYMENTS
RELATING TO 2010, 2013A, 2014, 2016A, 2016B, 2018A, 2018B AND 2019
CERTIFICATES
FOLLOWING EXECUTION AND DELIVERY
OF 2019 CERTIFICATES**

<u>Date</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Total</u>
05/15/2019	\$ 2,625,000.00	\$ 2,195,346.73	\$ 4,820,346.73
11/15/2019	22,535,000.00	2,734,506.10	25,269,506.10
05/15/2020		2,212,690.08	2,212,690.08
11/15/2020	23,120,000.00	2,212,690.08	25,332,690.08
05/15/2021		1,703,838.35	1,703,838.35
11/15/2021	11,085,000.00	1,703,838.35	12,788,838.35
05/15/2022		1,438,474.18	1,438,474.18
11/15/2022	8,515,000.00	1,438,474.18	9,953,474.18
05/15/2023		1,236,423.28	1,236,423.28
11/15/2023	6,010,000.00	1,236,423.28	7,246,423.28
05/15/2024		1,096,268.50	1,096,268.50
11/15/2024	6,295,000.00	1,096,268.50	7,391,268.50
05/15/2025		948,337.88	948,337.88
11/15/2025	6,595,000.00	948,337.88	7,543,337.88
05/15/2026		792,424.13	792,424.13
11/15/2026	6,915,000.00	792,424.13	7,707,424.13
05/15/2027		627,974.75	627,974.75
11/15/2027	7,245,000.00	627,974.75	7,872,974.75
05/15/2028		454,721.63	454,721.63
11/15/2028	7,595,000.00	454,721.63	8,049,721.63
05/15/2029		272,341.75	272,341.75
11/15/2029	2,840,000.00	272,341.75	3,112,341.75
05/15/2030		208,199.00	208,199.00
11/15/2030	2,975,000.00	208,199.00	3,183,199.00
05/15/2031		140,000.00	140,000.00
11/15/2031	1,775,000.00	140,000.00	1,915,000.00
05/15/2032		95,625.00	95,625.00
11/15/2032	1,865,000.00	95,625.00	1,960,625.00
05/15/2033		49,000.00	49,000.00
11/15/2033	1,960,000.00	49,000.00	2,009,000.00
Total	<u>\$119,950,000.00</u>	<u>\$27,482,489.89</u>	<u>\$147,432,489.89</u>

EXHIBIT B-1

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2010 CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2010

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/2019	<u>\$2,625,000.00</u>	<u>\$54,140.63</u>	<u>\$2,679,140.63</u>
Total	<u>\$2,625,000.00</u>	<u>\$ 54,140.63</u>	<u>\$ 2,679,140.63</u>

EXHIBIT B-2

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2013A CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2013A

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/2019	0	\$261,500.00	\$ 261,500.00
11/15/2019	\$2,880,000.00	261,500.00	3,141,500.00
05/15/2020	0	189,500.00	189,500.00
11/15/2020	2,265,000.00	189,500.00	2,454,500.00
05/15/2021	0	132,875.00	132,875.00
11/15/2021	2,540,000.00	132,875.00	2,672,875.00
05/15/2022	0	69,375.00	69,375.00
11/15/2022	<u>2,775,000.00</u>	<u>69,375.00</u>	<u>2,844,375.00</u>
Total	<u>\$10,460,000.00</u>	<u>\$1,306,500.00</u>	<u>\$11,766,500.00</u>

EXHIBIT B-3

**AMENDED SCHEDULE OF LEASE PAYMENTS RELATING
TO 2014 CERTIFICATES FOLLOWING EXECUTION
AND DELIVERY OF 2019 CERTIFICATES**

The following are the Lease Payments to be paid pursuant to the Lease Purchase Agreement relating to:

Pima County, Arizona
Certificates of Participation
Series 2014

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19	0	\$983,875.00	\$ 983,875.00
11/15/19	\$3,110,000.00	983,875.00	4,093,875.00
05/15/20	0	906,125.00	906,125.00
11/15/20	3,270,000.00	906,125.00	4,176,125.00
05/15/21	0	824,375.00	824,375.00
11/15/21	3,435,000.00	824,375.00	4,259,375.00
05/15/22	0	738,500.00	738,500.00
11/15/22	3,615,000.00	738,500.00	4,353,500.00
05/15/23	0	648,125.00	648,125.00
11/15/23	3,800,000.00	648,125.00	4,448,125.00
05/15/24	0	553,125.00	553,125.00
11/15/24	3,995,000.00	553,125.00	4,548,125.00
05/15/25	0	453,250.00	453,250.00
11/15/25	4,200,000.00	453,250.00	4,653,250.00
05/15/26	0	348,250.00	348,250.00
11/15/26	4,415,000.00	348,250.00	4,763,250.00
05/15/27	0	237,875.00	237,875.00
11/15/27	4,640,000.00	237,875.00	4,877,875.00
05/15/28	0	121,875.00	121,875.00
11/15/28	<u>4,875,000.00</u>	<u>121,875.00</u>	<u>4,996,875.00</u>
Total	<u>\$39,355,000.00</u>	<u>\$11,630,750.00</u>	<u>\$50,985,750.00</u>

EXHIBIT B-4

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2016 CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2016A

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19	0	\$219,125.00	\$ 219,125.00
11/15/19	\$2,780,000.00	219,125.00	2,999,125.00
05/15/20	0	149,625.00	149,625.00
11/15/20	2,920,000.00	149,625.00	3,069,625.00
05/15/21	0	76,625.00	76,625.00
11/15/21	<u>3,065,000.00</u>	<u>76,625.00</u>	<u>3,141,625.00</u>
Total	<u>\$8,765,000.00</u>	<u>\$890,750.00</u>	<u>\$9,655,750.00</u>

Pima County, Arizona
 Certificates of Participation
 Taxable Series 2016B

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19	0	\$206,346.10	\$206,346.10
11/15/19	\$915,000.00	206,346.10	1,121,346.10
05/15/20	0	197,530.08	197,530.08
11/15/20	935,000.00	197,530.08	1,132,530.08
05/15/21	0	186,838.35	186,838.35
11/15/21	955,000.00	186,838.35	1,141,838.35
05/15/22	0	174,724.18	174,724.18
11/15/22	980,000.00	174,724.18	1,154,724.18
05/15/23	0	161,048.28	161,048.28
11/15/23	1,005,000.00	161,048.28	1,166,048.28
05/15/24	0	146,018.50	146,018.50
11/15/24	1,035,000.00	146,018.50	1,181,018.50
05/15/25	0	129,587.88	129,587.88
11/15/25	1,070,000.00	129,587.88	1,199,587.88
05/15/26	0	111,799.13	111,799.13
11/15/26	1,105,000.00	111,799.13	1,216,799.13
05/15/27	0	92,599.75	92,599.75
11/15/27	1,145,000.00	92,599.75	1,237,599.75
05/15/28	0	71,846.63	71,846.63
11/15/28	1,185,000.00	71,846.63	1,256,846.63
05/15/29	0	49,716.75	49,716.75
11/15/29	1,230,000.00	49,716.75	1,279,716.75
05/15/30	0	25,824.00	25,824.00
11/15/30	<u>1,280,000.00</u>	<u>25,824.00</u>	<u>1,305,824.00</u>
Total	<u>\$12,840,000.00</u>	<u>\$3,107,759.26</u>	<u>\$15,947,759.26</u>

EXHIBIT B-5

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2018 CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2018A

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19		\$ 344,200.00	\$ 344,200.00
11/15/19	\$ 7,485,000.00	\$ 344,200.00	7,829,200.00
05/15/20		194,500.00	194,500.00
11/15/20	7,780,000.00	194,500.00	7,974,500.00
Total	<u>\$15,265,000.00</u>	<u>\$1,077,400.00</u>	<u>\$16,342,400.00</u>

Pima County, Arizona
 Certificates of Participation
 Taxable Series 2018B

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19		\$126,160.00	\$ 126,160.00
11/15/19	\$4,790,000.00	126,160.00	4,916,160.00
05/15/20		66,285.00	66,285.00
11/15/20	4,910,000.00	66,285.00	4,976,285.00
Total	<u>\$9,700,000.00</u>	<u>\$384,890.00</u>	<u>\$10,084,890.00</u>

EXHIBIT B-6

**SCHEDULE OF LEASE PAYMENTS
RELATING TO 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2019

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
11/15/2019	\$ 575,000	\$593,300.00	\$1,168,300.00
05/15/2020		509,125.00	509,125.00
11/15/2020	1,040,000	509,125.00	1,549,125.00
05/15/2021		483,125.00	483,125.00
11/15/2021	1,090,000	483,125.00	1,573,125.00
05/15/2022		455,875.00	455,875.00
11/15/2022	1,145,000	455,875.00	1,600,875.00
05/15/2023		427,250.00	427,250.00
11/15/2023	1,205,000	427,250.00	1,632,250.00
05/15/2024		397,125.00	397,125.00
11/15/2024	1,265,000	397,125.00	1,662,125.00
05/15/2025		365,500.00	365,500.00
11/15/2025	1,325,000	365,500.00	1,690,500.00
05/15/2026		332,375.00	332,375.00
11/15/2026	1,395,000	332,375.00	1,727,375.00
05/15/2027		297,500.00	297,500.00
11/15/2027	1,460,000	297,500.00	1,757,500.00
05/15/2028		261,000.00	261,000.00
11/15/2028	1,535,000	261,000.00	1,796,000.00
05/15/2029		222,625.00	222,625.00
11/15/2029	1,610,000	222,625.00	1,832,625.00
05/15/2030		182,375.00	182,375.00
11/15/2030	1,695,000	182,375.00	1,877,375.00
05/15/2031		140,000.00	140,000.00
11/15/2031	1,775,000	140,000.00	1,915,000.00
05/15/2032		95,625.00	95,625.00
11/15/2032	1,865,000	95,625.00	1,960,625.00
05/15/2033		49,000.00	49,000.00
11/15/2033	1,960,000	49,000.00	2,009,000.00
Totals:	<u>\$20,940,000</u>	<u>\$9,030,300.00</u>	<u>\$29,970,300.00</u>

**ARTICLE I
DEFINITIONS**

Section 1.1	Definitions.....	2
Section 1.2	Authorization	8
Section 1.3	Interpretation.....	9

**ARTICLE II
THE 2008 CERTIFICATES; ADDITIONAL CERTIFICATES**

Section 2.1	Authorization	9
Section 2.2	General Terms of 2008 Certificates	9
Section 2.3	Maturity; Interest Rates.....	10
Section 2.4	Form of the 2008 Certificates	11
Section 2.5	Execution	11
Section 2.6	Application of Proceeds and Other Moneys	11
Section 2.7	Registration, Transfer and Exchange of 2008 Certificates	12
Section 2.8	Mutilated, Lost, Destroyed and Stolen Certificates	12
Section 2.9	Execution of Documents and Proof of Ownership	13
Section 2.10	Certificate Register	13
Section 2.11	Execution and Delivery of Additional Certificates.....	13
Section 2.12	Book-Entry-Only System.....	15

**ARTICLE III
ACQUISITION FUND AND DELIVERY COSTS FUND**

Section 3.1	Acquisition Fund.....	16
Section 3.2	Delivery Costs Fund	16

**ARTICLE IV
REDEMPTION OF 2008 CERTIFICATES**

Section 4.1	Right to Redeem	17
Section 4.2	Redemption	17
Section 4.3	Selection of Certificates to be Redeemed	17
Section 4.4	Partial Redemption of Certificates	17
Section 4.5	Effect of Call for Redemption.....	18
Section 4.6	Notice of Redemption.....	18

**ARTICLE V
LEASE PAYMENTS; LEASE PAYMENT FUND**

Section 5.1	Assignment of Rights in Lease-Purchase Agreement.....	19
-------------	---	----

10/20/08 10:00 AM

Section 9.10	Destruction of Certificates	28
Section 9.11	Reports	28
Section 9.12	Separate or Co-Trustee	28
Section 9.13	Recitals and Representations	30

ARTICLE X

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.1	Amendments Permitted.....	31
Section 10.2	Procedure for Amendment with Written Consent of Certificate Owners.....	31
Section 10.3	Disqualified Certificates	32
Section 10.4	Effect of Supplemental Agreement.....	32
Section 10.5	Endorsement or Replacement of Certificates Delivered After Amendments	33
Section 10.6	Amendatory Endorsement of Certificates.....	33

ARTICLE XI

COVENANTS; NOTICES

Section 11.1	Compliance With and Enforcement of Lease-Purchase Agreement.....	33
Section 11.2	Observance of Laws and Regulations.....	34
Section 11.3	Prosecution and Defense of Suits	34
Section 11.4	Recordation and Filing.....	34
Section 11.5	Further Assurances.....	34
Section 11.6	Action Upon Termination of Lease-Purchase Agreement.....	34

ARTICLE XII

LIMITATION OF LIABILITY

Section 12.1	Limited Liability of Lessee.....	34
Section 12.2	No Liability of the Lessee for Trustee Performance.....	35
Section 12.3	Indemnification	35
Section 12.4	Opinion of Counsel.....	35
Section 12.5	Limitation of Rights to Parties and Certificate Owners.....	35
Section 12.6	No Liability of the Trustee for Payment of Lease Payments by Lessee.....	35

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.1	Rights Under the Lease.....	36
Section 13.2	Remedies.....	36
Section 13.3	Application of Funds.....	36

Section 13.4	Institution of Legal Proceedings	37
Section 13.5	Non-waiver	37
Section 13.6	Remedies Not Exclusive	37
Section 13.7	Power of Trustee to Control Proceedings	38
Section 13.8	Limitation on Certificate Owners' Right to Sue	38
Section 13.9	Notice of Default.....	39

**ARTICLE XIV
MISCELLANEOUS**

Section 14.1	Defeasance	39
Section 14.2	Records	40
Section 14.3	Notices	40
Section 14.4	Governing Law	41
Section 14.5	Binding Effect; Successors	41
Section 14.6	Execution in Counterparts.....	41
Section 14.7	Destruction of Cancelled Certificates	41
Section 14.8	Headings	41
Section 14.9	Waiver of Notice.....	41
Section 14.10	Severability of Invalid Provisions.....	42
Section 14.11	Cancellation of Contracts.....	42
EXHIBIT A	FORM OF SERIES 2008 CERTIFICATE OF PARTICIPATION	
EXHIBIT B	DESCRIPTION OF LEASED PROPERTY	

TRUST AGREEMENT

THIS TRUST AGREEMENT (the "Trust Agreement"), dated as of June 1, 2008, by and between U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee" or "Lessor"), and PIMA COUNTY, ARIZONA, (the "Lessee" or the "County");

RECITALS

WHEREAS, the County has determined that it will be beneficial for its citizens to sell and lease certain County property and the Trustee has agreed to acquire the property in accordance with the terms and conditions of this Trust Agreement; and

WHEREAS, pursuant to a Deed (as defined herein), the County has conveyed to the Trustee certain interests in the County-utilized portion of the public works building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit B-1 hereto (the "Public Works Building"); and

WHEREAS, pursuant to a Deed, the County has conveyed to the Trustee certain interests in the legal services building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit B-2 hereto (the "Legal Services Building"); and

WHEREAS, pursuant to a Ground Lease (as defined herein), the County has leased to the Trustee a certain parking garage located next to the Public Works Building in the City of Tucson, Pima County, Arizona, as more fully described on Exhibit B-3 hereto (the "Public Works Parking Garage"); and

WHEREAS, the Trustee, as lessor, and the County, as lessee, have entered into a Lease-Purchase Agreement, dated as of June 1, 2008 (the "Lease-Purchase Agreement"), whereby the Trustee has agreed to lease the Public Works Building, the Legal Services Building and the Public Works Parking Garage (collectively, the "Leased Property") to the County, and the County has agreed to lease the Leased Property from the Trustee, pursuant to the terms thereof; and

WHEREAS, in order to (i) finance the acquisition of the Leased Property, and (ii) pay certain Delivery Costs (as defined herein) associated with the execution and delivery of the 2008 Certificates (as defined herein), the Lessor, as trustee, has executed and delivered simultaneously herewith \$50,000,000 aggregate original amount of Pima County, Arizona, Certificates of Participation, Series 2008 (the "2008 Certificates"), representing the undivided proportionate interests of the owners thereof in the Lease-Purchase Agreement and the lease payments to be made by the Lessee pursuant hereto (the "Lease Payments"), pursuant to this Trust Agreement:

GRANTING CLAUSES

NOW, THEREFORE, in order to secure (i) all Certificates (as such term and all other undefined terms hereafter used are hereinafter defined) executed and delivered and outstanding under this Trust Agreement, (ii) the payment of principal thereof and interest thereon, (iii) the rights of the Owners of the Certificates and the performance and observance of the covenants and conditions contained in the Certificates, the Lease-Purchase Agreement and herein, and (iv)

after payment of Lease Payments and Prepayments, the Trustee and its successors and assigns is hereby directed to acquire, to receive and to hold as security for the Owners of the Certificates, and does hereby declare an irrevocable trust and acknowledge its acceptance of all right, title and interest in and to, the following described property:

GRANTING CLAUSE FIRST

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

GRANTING CLAUSE SECOND

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

GRANTING CLAUSE THIRD

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

GRANTING CLAUSE FOURTH

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

ARTICLE I DEFINITIONS

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

"2008 Certificates" shall mean the \$50,000,000 aggregate principal amount of Certificates of Participation, Series 2008, to be executed and delivered pursuant hereto.

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

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

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

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

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

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

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

"Certificates" shall mean, collectively, the 2008 Certificates and any Additional Certificates executed and delivered pursuant hereto.

"Closing Date" shall mean, with respect to the 2008 Certificates, the day when the 2008 Certificates, duly executed by the Trustee, are delivered to the Original Purchaser, and with respect to any other series of Certificates, the day when the Certificates of such series, duly executed by the Trustee, are delivered to the initial purchasers thereof.

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

"Deed" shall mean the Special Warranty Deed, dated as of June 1, 2008, between the County, as grantor, and the Trustee, as grantee, conveying the Public Works Building and the Legal Services Building to the Trustee.

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

"Delivery Costs" shall mean all items of expense directly or indirectly payable by or reimbursable to the Lessee or the Lessor relating to the execution, sale and delivery of the Lease-

Purchase Agreement, the Ground Lease, the Deed, this Trust Agreement or the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and the Lessor, legal fees and charges, accountants' verification fees, insurance fees and charges, premiums for title insurance, the premiums for the Certificate Insurance Policy, if any, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and any other costs, expenses, fees and charges in connection with the foregoing.

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

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

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

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

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

"Event of Default" shall mean (i) an event of default under the Lease-Purchase Agreement, as defined in Section 9.1 thereof, (ii) if the Lease-Purchase Agreement has terminated pursuant to subsection (b) of Section 4.2 thereof and not been reinstated pursuant to subsection (c) of Section 4.2 thereof, or (iii) the failure of the Trustee to receive from Lessee an amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due.

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

"Ground Lease" shall mean the Ground Lease, dated as of June 1, 2008, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the Public Works Parking Garage to the Trustee.

"Independent Counsel" shall mean an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Lessor, the Trustee or the Lessee.

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

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

"Lease-Purchase Agreement" or "Lease" shall mean the Lease-Purchase Agreement, dated as of June 1, 2008, by and between the Lessee and the Lessor, together with any duly authorized and executed amendment thereto.

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

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

"Leased Property" shall mean, collectively, the Public Works Building, the Legal Services Building and the Public Works Parking Garage, as more fully described in Exhibit B hereto.

"Lessee" shall mean Pima County, Arizona.

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

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

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

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

"Original Purchaser" shall mean RBC Capital Markets Corporation, as original purchaser of the 2008 Certificates.

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

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

(b) Certificates which are deemed paid and no longer Outstanding as provided herein;

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

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

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

"Paying Agent shall mean the Trustee.

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

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

(a) Defeasance Obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Registrar" shall mean the Trustee.

convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Any terms not defined herein, but defined in the Lease-Purchase Agreement shall have the same meaning herein.

(d) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

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

ARTICLE II THE 2008 CERTIFICATES; ADDITIONAL CERTIFICATES

Section 2.1 Authorization.

(a) The Trustee is hereby authorized and directed to prepare, execute and deliver, to the Original Purchaser, 2008 Certificates in an aggregate principal amount of \$50,000,000, evidencing proportionate ownership interests in the Lease Payments and the Prepayments.

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

Section 2.2 General Terms of 2008 Certificates. The 2008 Certificates shall be executed and delivered only in fully registered form, without coupons, and shall be numbered from one upwards, in the order of their execution, with any other designation as the Trustee deems appropriate. The 2008 Certificates shall be subject to redemption prior to their specified principal payment dates as provided in Article IV hereof.

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

the following Special Interest Payment Date, in which event interest with respect thereto shall be payable from the scheduled Interest Payment Date next preceding such date of execution.

Payment of interest on any 2008 Certificate on any Interest Payment Date or any Special Interest Payment Date shall be made to the person appearing on the Register as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date or, if applicable, the Special Record Date immediately preceding such Special Interest Payment Date. Such interest shall be paid by (i) check or draft mailed to such Owner at his address as it appears on the Register or at such other address as he may have filed with the Trustee for that purpose, or (ii) to any Owner of \$1,000,000 or more in aggregate principal amount of 2008 Certificates, as of the close of business of the Trustee on the Regular Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a Special Interest Payment Date, by wire transfer in immediately available funds sent on the Interest Payment Date or Special Interest Payment Date, as the case may be, to any bank or trust company in the continental United States, in accordance with written notice from such Owner containing the wire transfer address, which written notice is received not later than five (5) days before the Regular Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for any Special Interest Payment Date, it being understood that such notice may refer to multiple interest payments.

In the event there are insufficient funds available on any Interest Payment Date to pay the interest then due on the 2008 Certificates, the Regular Record Date shall no longer be applicable with respect to the 2008 Certificates. If sufficient funds for the payment of such interest thereafter become available, the Trustee shall immediately establish a Special Interest Payment Date for the payment of the overdue interest and a Special Record Date for determining the Owners entitled to such payments. Notice of the establishment of any such Special Interest Payment Date and Special Record Date shall be mailed by the Trustee to each Owner not less than ten (10) days prior to the Special Record Date nor more than thirty (30) days prior to the Special Interest Payment Date. Such overdue interest shall be paid on the Special Interest Payment Date to the Owners of the 2008 Certificates as of the Special Record Date.

Section 2.3 Maturity; Interest Rates.

(a) The 2008 Certificates of each series shall be in the denomination of \$5,000 or any integral multiple thereof (except that no 2008 Certificate may have principal maturing in more than one year) and shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

<u>2008 Certificates</u>		
<u>Maturity Date</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2009	20,000,000	5.00%
2010	20,000,000	5.00
2011	10,000,000	5.00

10/10/10 10:10:10

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

Section 2.4 Form of the 2008 Certificates. The 2008 Certificates shall be in fully registered form without coupons. The fully registered form of the 2008 Certificates and the assignment to appear thereon shall be substantially in the forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with such necessary or appropriate variations, omissions and insertions.

Section 2.5 Execution. The 2008 Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If any officer whose signature appears on any 2008 Certificate ceases to be such officer before the date of delivery thereof, such signature shall nevertheless be as effective as if the officer had remained in office until such date of delivery. Any 2008 Certificate may be executed on behalf of the Trustee by such person as at the actual date of the execution of such 2008 Certificate shall be the proper officer of the Trustee although at the nominal date of such 2008 Certificate such person shall not have been such officer of the Trustee.

Section 2.6 Application of Proceeds and Other Moneys. The proceeds received by the Trustee from the sale of the 2008 Certificates shall forthwith be set aside by the Trustee in the following respective funds and accounts and in the following order of priority:

- (a) The Trustee shall deposit into the Delivery Costs Fund, an amount equal to \$176,650.00.
- (b) The Trustee shall deposit into the Acquisition Fund, an amount equal to \$51,042,950.00 of proceeds of the 2008 Certificates.

Section 2.7 Registration, Transfer and Exchange of 2008 Certificates.

(a) All 2008 Certificates issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the 2008 Certificates.

(b) So long as any 2008 Certificates are Outstanding, the Trustee shall maintain at its designated office books for the registration and transfer of 2008 Certificates, and shall provide for the registration and transfer of any 2008 Certificate under such reasonable regulations as the Trustee may prescribe. The Trustee shall act as registrar for purposes of exchanging and registering 2008 Certificates in accordance with the provisions hereof.

(c) Each 2008 Certificate shall be transferable only upon the Register by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner thereof or his duly authorized attorney. Upon surrender for transfer of any 2008 Certificate, the Trustee shall execute and deliver, in the name of the transferee, one or more new 2008 Certificates, of the same aggregate principal amount and maturity as the surrendered 2008 Certificate.

(d) Any 2008 Certificate, upon surrender thereof to the Trustee together with written instructions satisfactory to the Trustee, duly executed by the Owner thereof or his attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of 2008 Certificates with the same maturity of any other authorized denominations.

(e) All 2008 Certificates surrendered in any exchange or transfer of 2008 Certificates shall forthwith be cancelled by the Trustee.

(f) In connection with any such exchange or transfer of 2008 Certificates, the Owner requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(g) The Trustee may but shall not be obligated to exchange or register the transfer of any 2008 Certificate (i) which has been called or selected for call for redemption in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of redemption. If the transfer of any 2008 Certificate which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor shall be binding upon the transferee and a copy of the notice of redemption shall be delivered by the Trustee to the transferee along with the 2008 Certificate or 2008 Certificates.

Section 2.8 Mutilated, Lost, Destroyed and Stolen Certificates. If (i) any mutilated 2008 Certificate is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any 2008 Certificate, and (ii) there is delivered to the Trustee such security or indemnity as may be required by the Trustee to hold it harmless, then, in the absence of written notice to the Trustee that such 2008 Certificate has been acquired by a bona fide purchaser and upon the Owner paying the reasonable expenses of the Trustee, the Trustee shall cause to be executed and shall deliver, in exchange for such mutilated 2008 Certificate or in lieu of such destroyed, lost or stolen 2008 Certificate, a new 2008 Certificate of like principal amount, date and tenor. If the principal of any such mutilated, destroyed, lost or stolen 2008 Certificate has become, or will on or before the next Interest Payment Date become, due and payable, the Trustee may, in its discretion, pay such 2008 Certificate when due instead of delivering a new 2008 Certificate.

Section 2.9 Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by 2008 Certificate Owners may be in any number

of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such 2008 Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of 2008 Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate of an officer of any bank or trust company located within the United States of America, which need not be acknowledged or verified. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of 2008 Certificates by any person and the amount, the maturity and the numbers of such 2008 Certificates and the date of his holding the same shall be proved by the Register maintained pursuant to Section 2.10 hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any 2008 Certificate shall bind every future Owner of the same 2008 Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.10 Certificate Register. The Trustee will keep or cause to be kept, at its designated office, sufficient books for the registration and transfer of the 2008 Certificates which shall at all times be open to inspection by the Lessee and the Lessor during normal business hours with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, 2008 Certificates as hereinbefore provided.

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

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

(a) Original executed counterparts of any amendments or supplements to the Lease-Purchase Agreement and of the Trust Agreement entered into in connection with the execution and delivery of the Additional Certificates, which are necessary or advisable, in the opinion of

Special Counsel, to provide that the Additional Certificates will be executed and delivered in compliance with the provisions of this Trust Agreement.

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

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

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

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

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

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

Section 2.12 Book-Entry-Only System. The 2008 Certificates shall be initially issued in the form of a single fully registered certificate for each scheduled principal payment date for each series of 2008 Certificates. Upon initial execution and delivery, the ownership of such 2008 Certificates shall be registered in the Register in the name of Cede & Co., as nominee of DTC, and, except as hereinafter otherwise provided, all of the Outstanding 2008 Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

1-10-08 10:00 AM

With respect to the 2008 Certificates registered in the Register in the name of Cede & Co., as nominee of DTC, the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the 2008 Certificates (a "Beneficial Owner"), nor any responsibility or obligation to any DTC Participant, any Beneficial Owner or any other person claiming a beneficial ownership interest in the 2008 Certificates under or through DTC or any DTC Participant, or any other person with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the payment by DTC or any DTC Participant of any amount in respect of the 2008 Certificates, (iii) the giving of any notice that is permitted or required to be given to Owners under this Trust Agreement, or (iv) any consent given or other action taken by DTC as an Owner.

Notwithstanding any other provision of this Trust Agreement to the contrary, the Trustee shall be entitled to treat and consider the person in whose name each 2008 Certificate is registered in the Register as an absolute Owner of such 2008 Certificate for the purpose of payment, for the purpose of giving notices of prepayment with respect to any 2008 Certificate, for the purpose of registering transfers with respect to such 2008 Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest evidenced by any 2008 Certificate only to or upon the order of the respective 2008 Certificate Owners, as shown in the Register, as provided in this Trust Agreement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the 2008 Certificates to the extent of the sum or sums so paid. No person other than a 2008 Certificate Owner, as shown in the Register, shall receive a 2008 Certificate evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to this Trust Agreement.

Notwithstanding any other provision of this Trust Agreement or the 2008 Certificates, so long as the 2008 Certificates are held in book-entry form and registered in the name of Cede & Co., as nominee or DTC, or registered in the name of any successor securities depository, or its nominee, the following provisions shall apply:

(a) **Presentation.** Presentation of 2008 Certificates to the Paying Agent at their scheduled payment dates or upon prepayment prior thereto shall be deemed made to the Paying Agent when the right to exercise ownership rights in the 2008 Certificates through DTC or a DTC Participant is transferred by DTC on its books.

(b) **Fractionalized Representation.** DTC may present notices, approvals, waivers, votes or other communications required or permitted to be made by Owners under this Trust Agreement on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the 2008 Certificates through DTC or DTC Participants.

The 2008 Certificate Owners have no right to a depository for the 2008 Certificates. The Lessee or the Trustee may remove DTC or any successor thereto for any reason at any time. In such event, the Trustee shall (i) appoint a successor securities depository qualified to act as such under Section 17(i) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer one or more separate 2008 Certificates to such successor securities depository, or (ii) notify DTC of the availability through

DTC of 2008 Certificates and transfer one or more separate 2008 Certificates to DTC Participants having 2008 Certificates credited to their DTC accounts as directed by DTC. In such event, the 2008 Certificates shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the DTC Participants receiving 2008 Certificates shall designate, in accordance with the provisions of this Trust Agreement.

The Trustee and the Lessee may execute the letter of representation in connection with the execution and delivery of the 2008 Certificates. The letter of representation is for the purpose of effectuating the book-entry-only system only and shall not be deemed to amend, supersede or supplement the terms of this Trust Agreement that are intended to be complete without reference to the letter of representation. In the event of any conflict between the terms of the letter of representation and the terms of this Trust Agreement, the terms of the Trust Agreement shall control. DTC may exercise the rights of a 2008 Certificate Owner hereunder only in accordance with the terms hereof applicable to the exercise of such rights.

ARTICLE III ACQUISITION FUND AND DELIVERY COSTS FUND

Section 3.1 Acquisition Fund. The Trustee shall establish a special fund designated as the "Acquisition Fund". There shall be deposited in the Acquisition Fund the proceeds of the sale of the 2008 Certificates required to be deposited therein pursuant to Section 2.6 hereof. The Trustee shall immediately release and disburse the amounts in the Acquisition Fund to the County as consideration for the County executing and delivering the Ground Lease and the Deed.

Section 3.2 Delivery Costs Fund. The Trustee shall establish a special fund designated as the "Delivery Costs Fund." The Trustee shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided herein and in the Lease-Purchase Agreement. There shall be deposited in the Delivery Costs Fund the proceeds of sale of the 2008 Certificates required to be deposited therein pursuant to Section 2.6(a) hereof.

The Trustee shall disburse moneys in the Delivery Costs Fund only upon a requisition signed by the Lessee Representative setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund. Amounts remaining in the Delivery Costs Fund after January 1, 2009, shall be transferred to the Lease Payment Fund.

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

**ARTICLE IV
REDEMPTION OF 2008 CERTIFICATES**

Section 4.1 Right to Redeem. The 2008 Certificates shall be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein and with respect to any Additional Certificates, as set forth in a supplement to this Trust Agreement.

Section 4.2 Redemption.

(a) **No Prior Optional Redemption.** The 2008 Certificates are not subject to optional redemption prior to their stated maturity dates.

(b) **Redemption from Net Proceeds of Insurance and Condemnation.** The 2008 Certificates are subject to redemption on any Interest Payment Date in whole or in part, from the Net Proceeds of insurance or condemnation, which Net Proceeds are deposited in the Lease Payment Fund and credited towards the Prepayment made by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, in any order of maturity designated by the Lessee (or by the Trustee by lot in the event that no such designation is received by the Trustee at the time such Net Proceeds are deposited with the Trustee), and by lot within a maturity at a redemption price equal to the principal amount of the 2008 Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Section 4.3 Selection of Certificates to be Redeemed. If less than all of the 2008 Certificates of the same maturity are to be redeemed upon redemption of 2008 Certificates hereunder, the Trustee shall select the 2008 Certificates to be redeemed by lot or in such other manner as the Trustee shall deem fair. In making such selection, the Trustee shall treat each 2008 Certificate as representing that number of 2008 Certificates of \$5,000 denomination as is obtained by dividing the principal amount of such 2008 Certificate by \$5,000.

Section 4.4 Partial Redemption of Certificates. Upon the selection and call for redemption of, and the surrender of, any 2008 Certificate for redemption in part only, the Trustee shall cause to be executed and delivered to or upon the written order of the Owner thereof, at the expense of the Lessee, a new 2008 Certificate or 2008 Certificates of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the 2008 Certificate surrendered, in accordance with instructions received from the Owner thereof, with one 2008 Certificate being delivered in the absence of such instructions.

Section 4.5 Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the 2008 Certificates so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2008 Certificates on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Trustee as provided herein, interest on the 2008 Certificates so called for redemption shall cease to accrue, such 2008 Certificates shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Trustee and the amount of such 2008 Certificates so called for redemption shall be deemed paid and no longer Outstanding.

Section 4.6 Notice of Redemption.

(a) Whenever redemption of 2008 Certificates is to be made, the Trustee shall give notice of the redemption of such 2008 Certificates, which notice shall specify the redemption date, the redemption price and the place or places where such redemption price will be payable and, if less than all of the 2008 Certificates are to be redeemed, the numbers or other distinguishing marks of such 2008 Certificates so to be redeemed, and, in the case of 2008 Certificates to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each 2008 Certificate to be redeemed the redemption price of such 2008 Certificate or the specified portion thereof in the case of a 2008 Certificate to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on such 2008 Certificate or portion thereof so to be redeemed.

(b) Such notice shall be given by mailing a copy of such notice, first class United States mail postage prepaid, not less than thirty (30) days nor more than sixty (60) days before the redemption date, to all Owners of any 2008 Certificates or portions of 2008 Certificates which are to be redeemed at their last addresses appearing upon the Register, but failure so to mail any such notice, or a defect in such notice, as to any 2008 Certificate shall not affect the validity of the proceedings for the redemption of any other 2008 Certificate.

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

(i) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all 2008 Certificates being redeemed; (B) the date of issue of the 2008 Certificates as originally issued; (C) the rate of interest borne by each 2008 Certificate being redeemed; (D) the maturity date of each 2008 Certificate being redeemed; and (E) any other descriptive information needed to identify accurately the 2008 Certificates being redeemed.

(ii) Each further notice of redemption shall be sent at least 35 days before the redemption date, return receipt requested, to all registered securities depositories which are registered owners of the 2008 Certificates then in the business of holding substantial amounts of obligations of types such as the 2008 Certificates (such as, at the time of execution and delivery of this Trust Agreement, Depository Trust Company of New York, New York; Midwest Securities Trust Company of Chicago, Illinois; Pacific Securities Depository Trust Company of San Francisco, California; and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the 2008 Certificates (such as, at the time of execution and delivery of this Trust Agreement, the Daily Called Bond Service of Financial Information, Inc., Jersey City, New Jersey;

the Called Bond Service of Kenney Information Services, New York, New York; Moody's Municipal and Government, New York, New York; and S&P's Called Bond Record, New York, New York).

(d) A second notice of redemption shall be given within sixty (60) days after the redemption date in the manner required above to each of the Owners of the 2008 Certificates designated for redemption which have not been presented for payment within thirty (30) days after the redemption date.

ARTICLE V LEASE PAYMENTS; LEASE PAYMENT FUND

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

Section 5.2 Establishment of Lease Payment Fund. The Trustee shall establish a special fund designated as the "Lease Payment Fund." All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the Lessee nor the Lessor shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

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

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

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

Section 5.6 Surplus. Any surplus remaining in the Lease Payment Fund, after redemption and payment of all Certificates, including premiums and accrued interest (if any) and

payment of any Additional Rent, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the Lessee.

**ARTICLE VI
[RESERVED]**

**ARTICLE VII
INSURANCE AND CONDEMNATION FUND;
INSURANCE; EMINENT DOMAIN**

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

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

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

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

(iii) If (A) less than all of the Leased Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent

domain powers, and if the Lessee determines, based upon a report of an independent engineer or other independent professional, that such eminent domain proceedings have materially affected the operation of any of the Leased Property or the ability of the Lessee to meet any of its obligations under the Lease-Purchase Agreement, or (B) all of the Leased Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 10.4 of the Lease-Purchase Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof.

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

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

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

ARTICLE VIII MONEYS IN FUNDS; INVESTMENT

Section 8.1 Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement (other than those held in the Rebate Fund) are irrevocably held in trust for the benefit of the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the Lessor, the Trustee or the Lessee or any Owner of Certificates.

Section 8.2 Investments Authorized. Permitted Investments acquired hereunder, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment.

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

investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Sections 8.2 and 8.6 hereof.

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

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

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

Section 8.6 Deposit and Investment of Moneys in Funds.

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

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

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

434243

(d) The Trustee shall sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

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

Section 8.8 Tax Compliance Certificate; Creation of Rebate Fund.

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

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

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

**ARTICLE IX
THE TRUSTEE**

Section 9.1 Certain Duties and Responsibilities.

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

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

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

434243 03-1-93

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement including those described in (a) above, and use the same degree of care and skill in their exercise, as a prudent corporate indenture trustee would exercise or use under the circumstances.

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

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

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

(iii) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Owners of the Outstanding Certificates as provided herein relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Lessee an instrument in writing, accepting such

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

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

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible as a successor Trustee under Section 9.6 hereof in the case of the Trustee, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

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

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

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

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

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

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

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

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

The Lessee shall execute, acknowledge and deliver all such instruments as may reasonably be required by any such co-trustee or separate trustee for more fully and certainly vesting in such co-trustee or separate trustee the property, rights, powers and duties intended to

be vested in such co-trustee or separate trustee. The Lessee shall be under no obligation to prepare any such instruments.

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE X MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.1 Amendments Permitted. This Trust Agreement, the rights and obligations of the Owners of the Certificates, and the Ground Lease and the Lease-Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of a majority in Aggregate Value of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.3 hereof, shall have been filed with the Trustee, provided, however, that no such modification or amendment shall (i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Certificate, (ii) reduce or have the effect of reducing the percentage of

Certificates required for the affirmative vote or written consent to an amendment or modification of the Ground Lease, the Lease-Purchase Agreement or this Trust Agreement, or (iii) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.2 hereof.

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

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

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of a majority in Aggregate Value of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.3 hereof) and a notice shall have been mailed as hereinafter in this Section provided. The consent of an Owner of a Certificate shall be effective only if ownership of the Certificates for which such consent is given is proved in accordance with Section 2.9 hereof. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental

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

Section 10.3 Disqualified Certificates. Certificates owned or held by or for the account of the Lessee or by any person directly or indirectly controlled by, or under direct or indirect common control with, the Lessee (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement and shall not be entitled to vote upon, consent to or take any other action provided for in this Trust Agreement.

Section 10.4 Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement, the Ground Lease or the Lease-Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement, the Ground Lease or the Lease-Purchase Agreement, as the case may be, for any and all purposes.

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

Section 10.5 Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. No such notation shall be made by the Trustee unless the Trustee shall have received an opinion of Special Counsel to the effect that such modification of the Certificate form will not adversely effect the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments paid with respect to the Certificates. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for such purpose at the principal corporate trust office of the Trustee, a suitable notation shall be made on such Certificate. The Trustee may determine that the delivery of substitute Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, is necessary and such substitute Certificates shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such substitute

Certificate shall be exchanged at the principal corporate trust office of the Trustee, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Outstanding Certificate.

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

ARTICLE XI COVENANTS; NOTICES

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

Subject to Section 4.2(b) of the Lease-Purchase Agreement, the Lessee will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease-Purchase Agreement by the Lessor thereunder. The Lessor and the Lessee, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Leased Property, which may or can in any manner affect such estate of the Lessee, will deliver the same, or a copy thereof, to the Trustee.

Section 11.2 Observance of Laws and Regulations. The Lessee will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract or prescribed by any law of the United States, of the State or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Lessee, including its right to exist as a body corporate under the laws of the State, to the end that such rights, privileges and franchises shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 11.3 Prosecution and Defense of Suits. The Lessee shall promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify and save the Trustee and every Certificate Owner harmless for, from and against all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.4 Recordation and Filing. The Lessee shall record and file the Lease-Purchase Agreement, and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such

manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Certificate Owners.

Section 11.5 Further Assurances. The Lessor and the Lessee will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Lease-Purchase Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

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

ARTICLE XII LIMITATION OF LIABILITY

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

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

Section 12.3 Indemnification. To the extent permitted by law, the Lessee agrees to indemnify and save the Trustee harmless for, from and against (i) all claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages and expenses, including attorneys fees, suffered or incurred by it as a result thereof, where and to the extent such claim, suit or action arises out of the actions of any other party to this Trust Agreement including but not limited to the ownership, operation or use of the Leased Property by the Lessee, and (ii) any taxes required to be paid by the Trustee as a result of the receipt of any amounts under the Lease-Purchase Agreement. Such indemnification shall not extend to claims, suits and actions successfully brought against the Trustee for failure to perform and carry out the duties specifically imposed upon and to be performed by it pursuant to this Trust Agreement. In the event the Lessee is required to indemnify the Trustee as herein provided, the Lessee shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 12.4 Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, Trustee shall be absolutely protected in relying thereon.

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

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

ARTICLE XIII EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

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

Section 13.2 Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee (i) shall take action to exclude the Lessee from the Leased Property, and (ii) may with the prior written consent of the Owners of not less than five percent (5 %) in aggregate principal amount of Certificates then Outstanding, shall exercise any and all other remedies available pursuant to law or granted pursuant to the Lease-Purchase Agreement including the option to re-rent or re-lease all or any portion of the Leased Property pursuant to Article IX thereof. Upon the occurrence and continuance of any Event of Default, the Trustee may with the prior written consent of the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then Outstanding, shall, declare the principal amount of the Certificates then Outstanding to be immediately due and payable, whereupon such principal amount shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Certificates to the contrary notwithstanding; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay

Lease Payments and Additional Rent only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement. The Trustee shall give notice of such declaration of acceleration to the Lessee and shall give notice thereof by first-class mail to Owners of all Certificates then Outstanding.

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

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

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

Third, to the payment of the whole amount then owing and unpaid with respect to the Certificates, whether by acceleration or otherwise, for principal and interest, with interest on the overdue principal and, to the extent lawful, installments of interest at the rate of ten percent (10%) per annum (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 13.4 Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may with the prior written consent of the Owners of a majority in Aggregate Value of the Certificates shall proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, the foreclosure of any lien granted herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties hereunder.

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

Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

Section 13.9 Notice of Default.

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

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

**ARTICLE XIV
MISCELLANEOUS**

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

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

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

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

(d) By making an irrevocable deposit with the Trustee, under an escrow deposit and trust agreement, of security for the payment of Lease Payments and Additional Rent as more particularly described in Section 10.1 of the Lease-Purchase Agreement, said security to be held by the Trustee as agent for the Lessee to be applied by the Trustee to pay the Lease Payments and Additional Rent as the same become due and payable and make a Prepayment in full on any

Prepayment Date, pursuant to Section 10.1 of the Lease-Purchase Agreement; notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Lessor, the Trustee and the Lessee with respect to such Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the Lessee from funds deposited pursuant to paragraphs (b) through (d) of this Section, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d), the Certificates shall continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease-Purchase Agreement.

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

Any Certificate or portion thereof in authorized denominations may be paid and discharged as provided in this Section; provided, however, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions hereof or the Lessee shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; provided further, that if any such Certificate or portion thereof will not mature or be redeemed within sixty (60) days of the deposit referred to in paragraphs (b) through (d) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

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

Section 14.2 Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the Lessee and any Owner, or the agent of any of them, at any time during regular business hours of the corporate trust department of the Trustee.

Section 14.3 Notices. All written notices to be given under this Trust Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below, except that notice to the Trustee shall be effective only upon receipt by an officer of the Trustee responsible for the administration of the trusts created under this Trust Agreement:

1-1011110
012-1-101

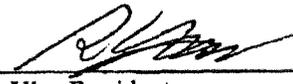
Section 14.10 Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

Section 14.11 Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes Section 38-511, as amended, notice is hereby given that the Lessee may cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Lessee's Board of Supervisors is received by all other parties to the contract unless the notice specifies a later time. All parties represent that to the best of their knowledge, no basis exists for the Lessee to cancel this Trust Agreement pursuant to Arizona Revised Statutes Section 38-511 as of the date hereof. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Trust Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Trust Agreement on behalf of the Lessee within 3 years from execution of this Trust Agreement, unless a waiver of A.R.S. §38-511 is provided by the Lessee's Board of Supervisors.

[Signature page to follow]

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

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: 
Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: _____
Timothy E. Pickrell

[Signature page to Trust Agreement]

434243.5

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

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Vice President

PIMA COUNTY, ARIZONA, as Lessee

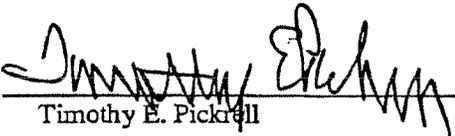
By: 
Chairman, Board of Supervisors

ATTEST:

By: 
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By: 
Timothy E. Pickrell

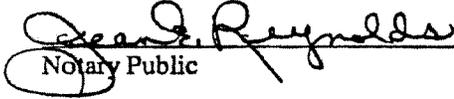
[Signature page to Trust Agreement]

11-11-11 11:11:11

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this, the ~~20th~~^{21st} day of June, 2008, before me, the undersigned Notary Public, personally appeared Robert Von Hess, who acknowledged himself to be a Vice President of U.S. Bank National Association, and that he, as such officer, being authorized so to do, executed the foregoing Trust Agreement for the purposes therein contained by signing the name of the association by himself as such officer.

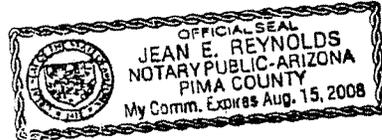
IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Notary Public

My Commission Expires:

August 15, 2008



[Notarization page of Trust Agreement]

4-01-08 08-03

STATE OF ARIZONA)
) ss.
County of Pima)

On this, the 17 day of June, 2008, before me, the undersigned Notary Public, personally appeared Richard Elias, who acknowledged himself to be the Chairman of the Pima County Board of Supervisors and that he, such officer, being authorized so to do, executed the foregoing Trust Agreement for the purposes therein contained by signing the name of the County by himself as such officer.

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

Donna Tobias
Notary Public

My Commission Expires:

12-20-08



[Notarization page of Trust Agreement]

1111-012 01111111

EXHIBIT A

FORM OF FACE OF SERIES 2008 CERTIFICATE OF PARTICIPATION

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

CERTIFICATE OF PARTICIPATION, SERIES 2008

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

Pima County, Arizona

No: R-

Denomination:

Interest
Rate

Maturity
Date

Dated
Date

CUSIP

June 1, 20____

Registered Owner: CEDE & CO.

Principal Amount:

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2008 (the "2008 Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the "Lessee"), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

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

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

Said amounts representing the Registered Owner's share of the Lease Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described below, by check or draft mailed by the Trustee on each Interest payment Date to the Registered Owner at the close of business on the fifteenth (15th) day of the month preceding such Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Lease Payments designated as interest shall be made on Special Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of \$1,000,000 or more in aggregate principal amount of 2008 Certificates as of the close of business of the Trustee on the Record Date for a particular Interest Payment Date or, if applicable, the Special Record Date for a particular Special Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner's expense) on the Interest Payment Date or Special Interest Payment Date to such Registered Owner in accordance with written notice from such Registered Owner containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire transfer directed, which written notice is received not later than five (5) days prior to the Record Date with respect to such Interest Payment Date or, if applicable, the Special Record Date for such Special Interest Payment Date. Said amounts representing the Registered Owner's share of the Lease Payments designated as principal are payable when due upon surrender of this 2008 Certificate at the principal corporate trust office of the Trustee.

This 2008 Certificate has been executed and delivered by the Trustee pursuant to the terms of a Trust Agreement between the Trustee and the Lessee, dated as of June 1, 2008 (the

"Trust Agreement"), and is one of a series of certificates limited in aggregate principal amount to \$50,000,000 (the 2008 Certificates, together with any additional certificates which may hereafter be executed and delivered under the Trust Agreement being herein collectively referred to as the "Certificates"). The Lessee is authorized to enter into the Lease-Purchase Agreement and the Trust Agreement under the laws of the State of Arizona. Reference is hereby made to the Lease-Purchase Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2008 Certificates are delivered, the rights thereunder of the Registered Owners of the 2008 Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee under the Lease-Purchase Agreement, to all of the provisions of which Lease-Purchase Agreement and Trust Agreement the Registered Owner of this 2008 Certificate, by acceptance hereof, assents and agrees.

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

The term of the Lease-Purchase Agreement is from the date thereof until the end of the Lessee's then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including June 1, 2011, unless terminated prior thereto in accordance with the provisions of the Lease-Purchase Agreement. The continuation of the Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments after the end of the Lessee's Fiscal Period during which the Lease-Purchase Agreement commenced is subject to and dependent upon the moneys necessary to make such payments being lawfully budgeted by the Lessee. If the Lessee fails to obtain prior to the last date on which the Lessee is required or permitted to adopt its budget for the next Fiscal Period a proper budgeting and final appropriation of the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the next occurring Fiscal Period for which such budgeting and appropriation are made, the Lease-Purchase Agreement shall terminate effective on the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which such funds were determined to be lawfully available and allocated, subject to reinstatement at the option of the Lessee within forty-five (45) days thereafter.

Upon the occurrence and continuance of any event of default under the Trust Agreement, the Trustee may, and at the written direction of the Owners of not less than five percent (5 %) in Aggregate Value (as defined in the Trust Agreement) of Certificates then outstanding shall, declare the principal amount of the Certificates then outstanding to be immediately due and payable; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay Lease Payments only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement.

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

This 2008 Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this 2008 Certificate. Upon such transfer a new 2008 Certificate or 2008 Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange herefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes, whether or not this 2008 Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

The 2008 Certificates are not subject to optional redemption prior to maturity.

The 2008 Certificates are subject to redemption on any Interest Payment Date, in whole, or in part, in any order of maturity designated by the Lessee, or, under certain circumstances, by lot by the Trustee, and by lot within a maturity from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest, without premium.

Notice of redemption shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date set for redemption to each Registered Owner of a 2008 Certificate to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any 2008 Certificate shall not affect the validity of the proceedings for the redemption of any other 2008 Certificate. On the specified redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Trust Agreement provided funds for redemption are on deposit at the place of payment at that time.

IN WITNESS WHEREOF, this 2008 Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: _____

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Its: Authorized Representative

ABBREVIATIONS

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

TEN COM	-- as tenants in common	UNIF GIFT/TRANS MIN ACT --
TEN ENT	-- as tenants by the entireties	_____ Custodian _____
JT TEN	-- as joint tenants with right of survivorship and not as tenants in common	(Cust) _____ (Minor)
		Under Uniform Gifts/Transfers to Minors Act _____
		(State)

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

ASSIGNMENT

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

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

Dated _____

Signature Guaranteed:

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

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

10-10-10 11:11:11

EXHIBIT B

DESCRIPTION OF LEASED PROPERTY

B-1: Public Works Building

B-2: Legal Services Building

B-3: Public Works Parking Garage

(See attached pages)

434243

EXHIBIT B-1

PUBLIC WORKS BUILDING

Parcel 8

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, lying Easterly of the following described line:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111 and the Southeasterly corner of property described in instrument recorded in Docket 8506 at page 2723;

THENCE continuing along the Southerly line of said property described in Docket 8506 at page 2723, South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1, being the Southwest corner of said parcel described in Docket 8506 at page 2723;

THENCE North 1 degree 18 minutes 45 seconds West along the Westerly line of said parcel, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1, being the Northwest corner of property described in Docket 8506 at page 2723 and the POINT OF BEGINNING of line description;

THENCE South 1 degree 18 minutes 45 seconds East along the West line of said parcel a distance of 84.11 feet to the Southwest corner of said parcel;

RECEIVED

THENCE North 84 degrees 09 minutes 00 seconds East along the Southerly line of said property described in Docket 8506 at page 2723 a distance of 24.10 feet to the Northwest corner of property described in instrument recorded in Docket 6165 at page 1031;

THENCE South 0 degrees 11 minutes 37 seconds West, along the Westerly line of said property, a distance of 88.73 feet to the Southwest corner of said property, said point also being the Northwesterly corner of property described in instrument recorded in Docket 7629 at page 1863;

THENCE South 0 degrees 07 minutes 25 seconds West along the Westerly line of said property, a distance of 19.92 feet to the Northwesterly corner of property described in instrument recorded in Docket 8166 at page 160;

THENCE South 0 degrees 11 minutes 55 seconds West along the Westerly line of said property, a distance of 52.56 feet to an angle point on said Westerly line;

THENCE continuing along said Westerly line, South 22 degrees 40 minutes 04 seconds East a distance of 44.39 feet to a point on the Northerly right-of-way line of Alameda Street, said point being the terminus point of said line description.

EXCEPT that portion described as follows:

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, described as follows:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111, which is the TRUE POINT OF BEGINNING;

FROM said POINT OF BEGINNING, thence continue South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of said Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1;

THENCE North 1 degree 18 minutes 45 seconds West, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1;

THENCE North 89 degrees 39 minutes 15 seconds East along said South line of Council Street, which South line is parallel with and 34.90 feet Southerly from the Council Street monument line, a distance of 169.69 feet to the point of intersection of said South line of Council Street with the West line of Stone Avenue, as now established, which point is South 89 degrees 39 minutes 15 seconds West, a distance of 50.37 feet from the intersection of the Easterly extension of said South line of Council Street with the Stone Avenue city monument line;

THENCE South 4 degrees 04 minutes 48 seconds East, along said West line of Stone Avenue, as now established, a distance of 66.34 feet to the TRUE POINT OF BEGINNING.

FURTHER EXCEPT the following:

That portion of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, together with a strip of ground lying between the East boundary of original Lot 2 in said Block 180 and the West property line of Stone Avenue as now established, described as follows:

BEGINNING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 0 minutes East, a distance of 95.91 feet to a point on the Stone Avenue city monument line;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet, more or less, to a point on the West property line of Stone Avenue as now established, distant 67.67 feet South 4 degrees 4 minutes 48 seconds East from the Northeast corner of said Block 180, which last mentioned point is the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE South 4 degrees 4 minutes 48 seconds East, a distance of 78.85 feet along the West line of Stone Avenue to a point;

THENCE South 80 degrees 11 minutes 57 seconds West along the Northerly wall of a brick building, a distance of 156.09 feet;

THENCE North 0 degrees 11 minutes 37 seconds West, a distance of 88.73 feet;

434241.6

THENCE North 84 degrees 41 minutes 39 seconds East, a distance of 20.98 feet;

THENCE North 83 degrees 29 minutes 43 seconds East, a distance of 128.44 feet to the TRUE POINT OF BEGINNING.

(JV Arbs 23 and 25)

434241.6

EXHIBIT B-2

LEGAL SERVICES BUILDING

Parcel 9

All that part of Lot 8 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, lying West of a line drawn from the Southwest corner of Lot 6 of said Block 195, to the Northwest corner of Lot 16 of said Block 195.

(JV Arb 84)

Parcel 9a

An easement for ingress, egress and light and air over, upon and across the North 1 foot of the West 59.1 feet of Lot 18 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, as set forth in Indenture recorded in Book 52 of Deeds at page 179.

EXHIBIT B-3

PUBLIC WORKS PARKING GARAGE

The Public Works Parking Structure as shown on the architectural plans titled "Parking Structure Pima County Public Works Center Tucson, Arizona", by William L. Podolsky * Associates, Architects & Planners, Project No. 8909, and dated March 27, 1991, on file in the Department of Facilities Management, Pima County, Arizona, being located within Block 180 of the City of Tucson, and described as follows:

Parcel 1

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the North line of said Lot 1, 150 feet Easterly of the Northwest corner of said lot;

THENCE Easterly along the North line of said lot, a distance of 59 feet to a point, said point also being the Northwest corner of that certain parcel of land described in Docket 58 at page 123, records of Pima County, Arizona;

THENCE Southerly along the Westerly line of the last above described parcel, a distance of 79 feet, more or less, to a point on the South line of Lot 1, which point is distant 171.7 feet Westerly from the Southeast corner of said lot;

THENCE Westerly along the Southerly line of said lot, a distance of 38.66 feet to a point distant 150 feet East from the Southwest corner of said lot, said point also being the Southeast corner of that certain parcel described in Deed recorded in Book 267 of Deeds at page 407, records of Pima County, Arizona;

THENCE Northerly along the Easterly line of last above described parcel, a distance of 84 feet, more or less, to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 12)

Parcel 2

That portion of Lot 2 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June

11-11-91 08:11:11

26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the South line of said Lot 2, distant 100 feet, more or less, Westerly from the Southeast corner of said lot, which point is the Southwest corner of the property described in Deed recorded in Book 10 of Deeds at page 47, records of Pima County, Arizona;

THENCE Northerly along the Westerly line of said last mentioned property, a distance of 80 feet to a point;

THENCE South 84 degrees 30 minutes West, a distance of 50 feet, more or less, to a point on the East line of that certain property described in Deed recorded in Book 14 of Deeds at page 476, records of Pima County, Arizona, said point being the TRUE POINT OF BEGINNING;

THENCE Northerly along the Easterly line of said last mentioned parcel to a point on the North line of said Lot 2;

THENCE Westerly along the North line of said Lot 2, to the Northwest corner thereof;

THENCE Southerly along the Westerly line of said Lot 2, to the Southeast corner of Lot 3 in said Block 180;

THENCE Westerly along the Southerly line of said Lot 3, to a point which is distant 1.3 feet from the Northeast corner of Lot 4 in said Block 180;

THENCE Southerly to the Southwest corner of said Lot 2;

THENCE North 67 degrees 18 minutes 42 seconds East along the South line of said Lot 2, a distance of 115 feet to a point;

THENCE North 22 degrees 58 minutes 45 seconds West, a distance of 44.58 feet to a point;

THENCE in a Northerly direction to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 22 and 24)

Parcel 3

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

001-23 011111-1

BEGINNING at the Southwest corner of said Lot 3 on the East side of Church Street;

THENCE North $12 \frac{1}{4}$ degrees West along the West line of said Lot 3, a distance of 78.54 feet, more or less, to a point on the West line of said lot, distant 74.58 feet Southerly from the Northwest corner thereof;

THENCE Easterly to a point on the East line of said lot, which point is South $11 \frac{1}{2}$ degrees East and distant 74.58 feet from the Northeast corner thereof;

THENCE South $11 \frac{1}{2}$ degrees East along the East line of said lot to the Southeast corner thereof;

THENCE South $75 \frac{1}{2}$ degrees West along the South line of said Lot 3, a distance of 90.42 feet to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 33)

Parcel 4

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at the City Survey Monument at the intersection of Church and Council Street as now established;

THENCE North 89 degrees 39 minutes 15 seconds East along the Council Street Monument line, a distance of 42.07 feet to a point;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Southerly right-of-way line of Council Street as now established;

THENCE South 13 degrees 06 minutes 30 seconds East along the Easterly right-of-way line of Church Street as now established, a distance of 104.96 feet to a point on that certain line described in Deed recorded in the office of the County Recorder of Pima County, Arizona, in Docket 1608 at page 381, and in Docket 1608 at page 380, said point being the TRUE POINT OF BEGINNING;

THENCE North 83 degrees 46 minutes 35 seconds East along said last described line, a distance of 91.08 feet, more or less, to a point on the East line of said Lot 3;

RECORDED
2011-10-10

THENCE South 11 ½ degrees East along the Easterly line of said Lot 3, a distance of 74.58 feet, more or less, to the Northeast corner of that certain parcel of land described in Deed recorded in Docket 112 at page 305, records of Pima County, Arizona;

THENCE Westerly along the Northerly line of the last above described parcel to a point on the Westerly line of said Lot 3 and the Easterly line of Church Street;

THENCE North 13 degrees 06 minutes 30 seconds West along the Easterly line of said Church Street, a distance of 74.58 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 32)

Parcel 5

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at a point on the South side of Council Street and the North line of said Block 180, distant 150 feet East from the Northwest corner of said Lot 1;

THENCE South 14 degrees East, a distance of 89 feet to the South line of said Lot;

THENCE South 84 degrees West, a distance of 75 feet;

THENCE North 12 ¼ degrees West, a distance of 100 feet, more or less, to the South line of Council Street;

THENCE East along the South line of Council Street, a distance of 75 feet to the POINT OF BEGINNING.

(JV Arb 14)

Parcel 6

Lot 4 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof,

4-11-11 10:23 AM

AND

That portion of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southeast corner of Lot 4 in said Block;

THENCE Northerly along the Easterly line of Lot 4, to the point of intersection of the said Easterly line of Lot 4 with the Southerly line of Lot 3 in said block;

THENCE Easterly along the Southerly line of the said Lot 3, a distance of 1.3 feet to a point;

THENCE Southerly to the POINT OF BEGINNING.
(JV Arb Lot 2=21, Lot 4=34)

Parcel 7

All that part of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the City Survey Monument at the intersection of Church and Council Streets;

THENCE North 89 degrees 39 minutes 15 seconds East, a distance of 42.07 feet along the Council Street monument line;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Northwest corner of said Block 180 and the TRUE POINT OF BEGINNING;

THENCE South 13 degrees 06 minutes 30 seconds East, a distance of 104.96 feet;

THENCE North 83 degrees 46 minutes 35 seconds East, a distance of 75.5 feet, more or less, to a point in the Westerly line of that property described in Deed to Harman Ray and Pauline Ray, husband and wife, recorded in the office of the County Recorder of Pima County, Arizona, in Book 267 of Deeds at page 407;

THENCE Northerly along the West line of said Ray property to a point in the South line of Council Street, distant 89 degrees 39 minutes 15 seconds East, 75 feet from the TRUE POINT OF BEGINNING;

THENCE South 89 degrees 39 minutes 15 seconds West, a distance of 75 feet to the TRUE POINT OF BEGINNING.

(JV Arb Lot 1= 813)

EXCEPTING FROM SAID Parcels 1 through 7, all that portion thereof described in the Lease dated December 5, 1989, to the YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, an Arizona non-profit corporation, as disclosed in Memorandum of Ground Lease Agreement recorded in Docket 8834 at page 1387 and corrected in Docket 9348 at page 1417.

434241.6



SEQUENCE: 20191270388

No. Pages: 46

5/7/2019 2:45 PM

F. ANN RODRIGUEZ, RECORDER
Recorded By: ACA(e-recording)



When recorded return to:

Timothy E. Pickrell, Esq.
Squire Patton Boggs (US) LLP
1 E. Washington Street, 27th Floor
Phoenix, Arizona 85004
(602) 528-4000

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

EIGHTH SUPPLEMENT TO TRUST AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

and

PIMA COUNTY, ARIZONA

as Lessee

Dated as of May 1, 2019

relating to

\$20,940,000

Pima County, Arizona

Certificates of Participation

Series 2019

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	
Section 1.1	Definitions..... 3
Section 1.2	Authorization 4
Section 1.3	Interpretation..... 4
ARTICLE II THE 2019 CERTIFICATES	
Section 2.1	Authorization. 4
Section 2.2	General Terms of 2019 Certificates..... 4
Section 2.3	Maturity; Interest Rates..... 6
Section 2.4	Form of the 2019 Certificates 6
Section 2.5	Execution 6
Section 2.6	Application of Proceeds and Other Moneys 7
Section 2.7	Registration, Transfer and Exchange of 2019 Certificates. 7
Section 2.8	Mutilated, Lost, Destroyed and Stolen Certificates 8
Section 2.9	Execution of Documents and Proof of Ownership 8
Section 2.10	Certificate Register 9
Section 2.11	Book-Entry-Only System..... 9
ARTICLE III ACQUISITION FUND AND DELIVERY COSTS FUND	
Section 3.1	2019 Project Fund 10
Section 3.2	Delivery Costs Fund 10
ARTICLE IV REDEMPTION OF 2019 CERTIFICATES	
Section 4.1	Right to Redeem 11
Section 4.2	Redemption. 11
Section 4.3	Selection of Certificates to be Redeemed 11
Section 4.4	Partial Redemption of Certificates..... 12
Section 4.5	Effect of Call for Redemption..... 12
Section 4.6	Notice of Redemption. 12

TABLE OF CONTENTS
(continued)

Page

ARTICLE V
MISCELLANEOUS

Section 5.1	Binding Effect; Successors	13
Section 5.2	Execution in Counterparts.....	13
Section 5.3	Headings	13
Section 5.4	Waiver of Notice.....	14
Section 5.5	Severability of Invalid Provisions.....	14
Section 5.6	Cancellation of Contracts.....	14
Section 5.7	Certain Warranties and Certifications from the Lessor	14
Section 5.8	Description of Leased Property; Release.....	15
EXHIBIT A-1	Form of 2019 Certificate of Participation	
EXHIBIT B	Amended Description of Leased Property	

EIGHTH SUPPLEMENT TO TRUST AGREEMENT

THIS EIGHTH SUPPLEMENT TO TRUST AGREEMENT (this “Eighth Supplement”), dated as of May 1, 2019, by and between U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Trustee” or “Lessor”), and PIMA COUNTY, ARIZONA (the “Lessee” or the “County”);

RECITALS

WHEREAS, the Trustee and the County previously entered into a Trust Agreement dated as of June 1, 2008 (the “Original Trust Agreement”), which was subsequently supplemented by a First Supplement to Trust Agreement, dated as of June 1, 2009 (the “First Supplement”), a Second Supplement to Trust Agreement, dated as of February 1, 2010 (the “Second Supplement”), a Third Supplement to Trust Agreement, dated as of May 1, 2013 (the “Third Supplement”), a Fourth Supplement to Trust Agreement, dated as of January 1, 2014 (the “Fourth Supplement”), a Fifth Supplement to Trust Agreement, dated as of April 1, 2015 (the “Fifth Supplement”), a Sixth Supplement to Trust Agreement, dated as of April 1, 2016 (the “Sixth Supplement”), a Seventh Supplement to Trust Agreement, dated as of April 1, 2018 (the “Seventh Supplement”) and this Eighth Supplement and, together with the Original Trust Agreement, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the “Trust Agreement;” and

WHEREAS, the County, as lessee, previously entered into a Lease-Purchase Agreement dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) with U.S. Bank National Association, as lessor, as amended by a First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), by a Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), by a Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013 (the “Third Amendment”), by a Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), by a Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), by a Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), a Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and by an Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and Seventh Amendment, the “Lease” or the “Lease-Purchase Agreement”), pursuant to which the Lessor leases to the County certain Leased Property (as defined in the Trust Agreement) described in Exhibit B attached hereto; and

WHEREAS, pursuant to that Original Trust Agreement, as supplemented by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the Trustee executed and delivered \$50,000,000 principal amount of Certificates of Participation, Series 2008 (the “2008 Certificates”), \$34,400,000 principal amount of Certificates of Participation, Series 2009 (the “2009 Certificates”), \$20,000,000 principal amount of Certificates of Participation, Series 2010 (the “2010 Certificates”), \$80,175,000 principal amount of Certificates of Participation, Series 2013A (the “2013A Certificates”), \$12,705,000 principal amount of Refunding Certificates of Participation, Series 2013B (the “2013B Certificates”), \$52,160,000 principal amount of

Certificates of Participation, Series 2014 (the “2014 Certificates”), \$57,025,000 principal amount of Certificates of Participation, Series 2015 (the “2015 Certificates”), \$28,750,000 principal amount of Certificates of Participation, Series 2016A (the “2016A Certificates”), \$15,185,000 principal amount of Certificates of Participation, Taxable Series 2016B (the “Taxable 2016B Certificates”), \$23,265,000 principal amount of Certificates of Participation, Series 2018A (the “2018A Certificates) and \$39,395,000 principal amount of Certificates of Participation, Taxable Series 2018B (the “Taxable 2018B Certificates”), representing proportionate interests in the lease payments to be made by the County pursuant to the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment; and

WHEREAS, there are no 2008 Certificates, 2009 Certificates, 2013B Certificates or 2015 Certificates currently outstanding and there are currently outstanding 2010 Certificates, 2013A Certificates, 2014 Certificates, 2016A Certificates, Taxable 2016B Certificates, 2018A Certificates and Taxable 2018B Certificates; and

WHEREAS, the Original Trust Agreement, as supplemented, permits the execution and delivery of “Additional Certificates,” on a parity with the 2010 Certificates, the 2013A Certificates, the 2014 Certificates, the 2015 Certificates, the 2016A Certificates, the Taxable 2016B Certificates, the 2018A Certificates and the Taxable 2018B Certificates and permits the supplementation and amendment of the Original Trust Agreement, as supplemented, and the Lease-Purchase Agreement, to facilitate such an execution and delivery of Additional Certificates; and

WHEREAS, in consideration of the County’s agreement to amend and restructure the term of its obligations under the Original Lease-Purchase Agreement, as previously amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, Sixth Amendment and the Seventh Amendment, the Trustee is willing to execute and deliver Additional Certificates in a principal amount of \$20,940,000 to be denominated Certificates of Participation, Series 2019 (the “2019 Certificates”) with a portion of the net proceeds of the 2019 Certificates to be paid over to the County in order to acquire a leasehold interest in the hereinafter-described 33 North Stone Avenue pursuant to a 2019 Ground Lease, dated as of May 1, 2019 (the “2019 Ground Lease”), with the remainder of the net proceeds of the 2019 Certificates to pay costs of executing and delivering the 2019 Certificates; and

WHEREAS, the County will apply the amounts received from the Trustee to pay or to reimburse costs of the acquisition, construction, improvement and equipping of various County facilities and for other capital purposes (the “Projects”); and

WHEREAS, concurrently with the execution and delivery of the 2019 Certificates, the Trustee’s ground leasehold interest in the 33 North Stone Avenue will become a portion of the Leased Property under the Lease-Purchase Agreement; and

WHEREAS, the County deems it prudent and advisable to authorize the execution and delivery of the 2019 Certificates in a principal amount of \$20,940,000; and

WHEREAS, in connection with the execution and delivery of the 2019 Certificates, it will be necessary for the Trustee and the County to enter into this Eighth Supplement; and

WHEREAS, upon execution and delivery of the 2019 Certificates, all the conditions for execution and delivery of Additional Certificates under the Trust Agreement will have been met; and

WHEREAS, the County and the Trustee have, simultaneously with the execution of this Eighth Supplement, entered into the Eighth Amendment,

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. Unless the context otherwise requires, capitalized terms used herein shall, for all purposes of this Eighth Supplement have the meaning specified below or in the recitals hereto or the meaning given in Section 1.1 of the Original Trust Agreement:

“33 North Stone Avenue” shall mean the land located in the City of Tucson, Pima County, Arizona, described on Exhibit B hereto and all improvements thereon.

“2019 Certificates” shall mean the \$20,940,000 aggregate principal amount of Certificates of Participation, Series 2019, to be executed and delivered pursuant to the Original Trust Agreement, as supplemented by this Eighth Supplement.

“2019 Delivery Costs Fund” shall mean the fund by that name established and held by the Trustee pursuant to Section 3.2 hereof, which fund shall be a subfund of the Delivery Costs Fund.

“2019 Ground Lease” shall mean the 2019 Ground Lease, dated as of May 1, 2019, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the 33 North Stone Avenue to the Trustee.

“2019 Interest Payment Date” shall mean the dates specified in Section 2.3 hereof instead of as provided in Section 2.3 of the Original Trust Agreement, but for all other purposes shall have the meaning provided in the Original Trust Agreement.

“2019 Project Fund” shall mean the fund by that name established and held by the Trustee pursuant to Section 3.1 hereof, which fund shall be a subaccount of the Acquisition Fund.

“Certificates” shall mean the 2010 Certificates, the 2013A Certificates, the 2014 Certificates, the 2015 Certificates, the 2016A Certificates, the Taxable 2016B Certificates, the 2018A Certificates, the Taxable 2018B Certificates, the 2019 Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement.

“Original Purchaser” shall mean Citigroup Global Markets Inc., as original purchaser of the 2019 Certificates.

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

Section 1.3 Interpretation.

(a) Any reference herein to the Lessor, Trustee or Lessee or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

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

(c) Any terms not defined herein or in the Original Trust Agreement, but defined in the Lease-Purchase Agreement shall have the same meaning herein.

(d) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

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

**ARTICLE II
THE 2019 Certificates**

Section 2.1 Authorization.

(a) The Trustee is hereby authorized and directed to prepare, execute and deliver, to the Original Purchaser, 2019 Certificates in an aggregate principal amount of \$20,940,000, evidencing proportionate ownership interests in the Lease Payments and the Prepayments.

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

Section 2.2 General Terms of 2019 Certificates. The 2019 Certificates shall be executed and delivered only in fully registered form, without coupons, and shall be numbered from one upwards, in the order of their execution, with any other designation as the Trustee deems appropriate. The 2019 Certificates shall be subject to redemption prior to their specified principal payment dates as provided in Article IV hereof.

Each 2019 Certificate shall bear the dated date of the date of the initial delivery thereof, and shall also bear the date of its execution and interest with respect thereto shall be payable from the 2019 Interest Payment Date next preceding the date of execution thereof, unless (i) it is executed prior to December 1, 2019, in which event interest with respect thereto shall be payable from the date of delivery of the 2019 Certificates, (ii) it is executed as of a 2019 Interest Payment Date, in which event interest with respect thereto shall be payable from such date of execution, or (iii) it is executed after a Regular Record Date and before the following 2019 Interest Payment Date, in which event interest with respect thereto shall be payable from such 2019 Interest Payment Date; provided, however, that if, as of the date of execution of any 2019 Certificate, interest is in default with respect to any Outstanding 2019 Certificates, interest with respect to such 2019 Certificate shall be payable from the 2019 Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding 2019 Certificates, or, if prior to December 1, 2019, interest shall be payable from the dated date thereof, unless it is executed after a Special Record Date and before the following Special 2019 Interest Payment Date, in which event interest with respect thereto shall be payable from the scheduled 2019 Interest Payment Date next preceding such date of execution.

Payment of interest on any 2019 Certificate on any 2019 Interest Payment Date or any Special 2019 Interest Payment Date shall be made to the person appearing on the Register as the Owner thereof as of the Regular Record Date immediately preceding such 2019 Interest Payment Date or, if applicable, the Special Record Date immediately preceding such Special 2019 Interest Payment Date. Such interest shall be paid (i) by check or draft mailed to such Owner at his address as it appears on the Register or at such other address as he may have filed with the Trustee for that purpose, or (ii) to any Owner of \$1,000,000 or more in aggregate principal amount of 2019 Certificates, as of the close of business of the Trustee on the Regular Record Date for a particular 2019 Interest Payment Date or, if applicable, the Special Record Date for a Special 2019 Interest Payment Date, by wire transfer in immediately available funds sent on the 2019 Interest Payment Date or Special 2019 Interest Payment Date, as the case may be, to any bank or trust company in the continental United States, in accordance with written notice from such Owner containing the wire transfer address, which written notice is received not later than five (5) days before the Regular Record Date with respect to such 2019 Interest Payment Date or, if applicable, the Special Record Date for any Special 2019 Interest Payment Date, it being understood that such notice may refer to multiple interest payments.

In the event there are insufficient funds available on any 2019 Interest Payment Date to pay the interest then due on the 2019 Certificates, the Regular Record Date shall no longer be applicable with respect to the 2019 Certificates. If sufficient funds for the payment of such interest thereafter become available, the Trustee shall immediately establish a "Special 2019 Interest Payment Date" for the payment of the overdue interest and a Special Record Date for determining the Owners entitled to such payments. Notice of the establishment of any such Special 2019 Interest Payment Date and Special Record Date shall be mailed by the Trustee to each Owner not less than ten (10) days prior to the Special Record Date nor more than thirty (30) days prior to the Special 2019 Interest Payment Date. Such overdue interest shall be paid on the Special 2019 Interest Payment Date to the Owners of the 2019 Certificates as of the Special Record Date.

Section 2.3 Maturity; Interest Rates.

(a) The 2019 Certificates shall be in the denomination of \$5,000 or any integral multiple thereof (except that no 2019 Certificate may have principal maturing in more than one year) and shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

2019 Certificates

<u>Maturity Date</u> <u>(December 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2019	\$ 575,000	5.00%
2020	1,040,000	5.00
2021	1,090,000	5.00
2022	1,145,000	5.00
2023	1,205,000	5.00
2024	1,265,000	5.00
2025	1,325,000	5.00
2026	1,395,000	5.00
2027	1,460,000	5.00
2028	1,535,000	5.00
2029	1,610,000	5.00
2030	1,695,000	5.00
2031	1,775,000	5.00
2032	1,865,000	5.00
2033	1,960,000	5.00

(b) Interest with respect to the 2019 Certificates shall be payable on December 1, 2019 and thereafter semiannually on June 1 and December 1 of each year to and including the date of maturity or redemption, whichever is earlier. Said interest shall represent the portion of Lease Payments designated as interest and coming due during the six (6) month period preceding each 2019 Interest Payment Date with respect to the 2019 Certificates or in the case of the first Lease Payment, the period since the dated date of the 2019 Certificates. The proportionate share of the portion of Lease Payments designated as interest with respect to any 2019 Certificate shall be computed by multiplying the portion of Lease Payments designated as principal with respect to such 2019 Certificate by the rate of interest applicable to such 2019 Certificate (on the basis of a 360-day year of twelve 30-day months).

Section 2.4 Form of the 2019 Certificates. The 2019 Certificates shall be in fully registered form without coupons. The fully registered form of the 2019 Certificates and the assignment to appear thereon shall be substantially in the forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with such necessary or appropriate variations, omissions and insertions.

Section 2.5 Execution. The 2019 Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If any officer

whose signature appears on any 2019 Certificate ceases to be such officer before the date of delivery thereof, such signature shall nevertheless be as effective as if the officer had remained in office until such date of delivery. Any 2019 Certificate may be executed on behalf of the Trustee by such person as at the actual date of the execution of such 2019 Certificate shall be the proper officer of the Trustee although at the nominal date of such 2019 Certificate such person shall not have been such officer of the Trustee.

Section 2.6 Application of Proceeds and Other Moneys. The proceeds received by the Trustee from the sale of the 2019 Certificates shall forthwith be set aside by the Trustee in the following respective funds and accounts and in the following order of priority:

(a) The Trustee shall deposit into the 2019 Delivery Costs Fund, an amount equal to \$222,576.99.

(b) The Trustee shall deposit into the 2019 Project Fund, an amount equal to \$24,500,000.00.

Section 2.7 Registration, Transfer and Exchange of 2019 Certificates.

(a) All 2019 Certificates issued hereunder shall be negotiable, subject to the provisions for registration and transfer thereof contained herein or in the 2019 Certificates.

(b) So long as any 2019 Certificates are Outstanding, the Trustee shall maintain at its designated office books for the registration and transfer of 2019 Certificates, and shall provide for the registration and transfer of any 2019 Certificate under such reasonable regulations as the Trustee may prescribe. The Trustee shall act as registrar for purposes of exchanging and registering 2019 Certificates in accordance with the provisions hereof.

(c) Each 2019 Certificate shall be transferable only upon the Register by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner thereof or his duly authorized attorney. Upon surrender for transfer of any 2019 Certificate, the Trustee shall execute and deliver, in the name of the transferee, one or more new 2019 Certificates, of the same aggregate principal amount and maturity as the surrendered 2019 Certificate.

(d) Any 2019 Certificate, upon surrender thereof to the Trustee together with written instructions satisfactory to the Trustee, duly executed by the Owner thereof or his attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of 2019 Certificates with the same maturity of any other authorized denominations.

(e) All 2019 Certificates surrendered in any exchange or transfer of 2019 Certificates shall forthwith be cancelled by the Trustee.

(f) In connection with any such exchange or transfer of 2019 Certificates, the Owner requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay

any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(g) The Trustee may but shall not be obligated to exchange or register the transfer of any 2019 Certificate (i) which has been called or selected for call for redemption in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of redemption. If the transfer of any 2019 Certificate which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor shall be binding upon the transferee and a copy of the notice of redemption shall be delivered by the Trustee to the transferee along with the 2019 Certificate or 2019 Certificates.

Section 2.8 Mutilated, Lost, Destroyed and Stolen Certificates. If (i) any mutilated 2019 Certificate is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any 2019 Certificate, and (ii) there is delivered to the Trustee such security or indemnity as may be required by the Trustee to hold it harmless, then, in the absence of written notice to the Trustee that such 2019 Certificate has been acquired by a bona fide purchaser and upon the Owner paying the reasonable expenses of the Trustee, the Trustee shall cause to be executed and shall deliver, in exchange for such mutilated 2019 Certificate or in lieu of such destroyed, lost or stolen 2019 Certificate, a new 2019 Certificate of like principal amount, date and tenor. If the principal of any such mutilated, destroyed, lost or stolen 2019 Certificate has become, or will on or before the next 2019 Interest Payment Date become, due and payable, the Trustee may, in its discretion, pay such 2019 Certificate when due instead of delivering a new 2019 Certificate.

Section 2.9 Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by 2019 Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such 2019 Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of 2019 Certificates shall be sufficient for any purpose of the Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate of an officer of any bank or trust company located within the United States of America, which need not be acknowledged or verified. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of 2019 Certificates by any person and the amount, the maturity and the numbers of such 2019 Certificates and the date of his holding the same shall be proved by the Register maintained pursuant to Section 2.10 hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any 2019 Certificate shall bind every future Owner of the same 2019 Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.10 Certificate Register. The Trustee will keep or cause to be kept, at its designated office, sufficient books for the registration and transfer of the 2019 Certificates which shall at all times be open to inspection by the Lessee and the Lessor during normal business hours with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, 2019 Certificates as hereinbefore provided.

Section 2.11 Book-Entry-Only System. The 2019 Certificates shall be initially issued in the form of a single fully registered certificate for each scheduled principal payment date for each 2019 Certificate. Upon initial execution and delivery, the ownership of such 2019 Certificates shall be registered in the Register in the name of Cede & Co., as nominee of DTC, and, except as hereinafter otherwise provided, all of the Outstanding 2019 Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to the 2019 Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the 2019 Certificates (a "Beneficial Owner"), nor any responsibility or obligation to any DTC Participant, any Beneficial Owner or any other person claiming a beneficial ownership interest in the 2019 Certificates under or through DTC or any DTC Participant, or any other person with respect to (i) the accuracy of any records maintained by DTC or any DTC Participant, (ii) the payment by DTC or any DTC Participant of any amount in respect of the 2019 Certificates, (iii) the giving of any notice that is permitted or required to be given to Owners under the Trust Agreement, or (iv) any consent given or other action taken by DTC as an Owner.

Notwithstanding any other provision of the Trust Agreement to the contrary, the Trustee shall be entitled to treat and consider the person in whose name each 2019 Certificate is registered in the Register as an absolute Owner of such 2019 Certificate for the purpose of payment, for the purpose of giving notices of prepayment with respect to any 2019 Certificate, for the purpose of registering transfers with respect to such 2019 Certificate, and for all other purposes whatsoever. The Trustee shall pay all principal, premium, if any, and interest evidenced by any 2019 Certificate only to or upon the order of the respective 2019 Certificate Owners, as shown in the Register, as provided in this Eighth Supplement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the 2019 Certificates to the extent of the sum or sums so paid. No person other than a 2019 Certificate Owner, as shown in the Register, shall receive a 2019 Certificate evidencing the obligation to make payments of principal, premium, if any, and interest pursuant to this Eighth Supplement.

Notwithstanding any other provision of the Trust Agreement or the 2019 Certificates, so long as the 2019 Certificates are held in book-entry form and registered in the name of Cede &

Co., as nominee of DTC, or registered in the name of any successor securities depository, or its nominee, the following provisions shall apply:

(a) Presentation. Presentation of 2019 Certificates to the Paying Agent at their scheduled payment dates or upon prepayment prior thereto shall be deemed made to the Paying Agent when the right to exercise ownership rights in the 2019 Certificates through DTC or a DTC Participant is transferred by DTC on its books.

(b) Fractionalized Representation. DTC may present notices, approvals, waivers, votes or other communications required or permitted to be made by Owners under this Eighth Supplement on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the 2019 Certificates through DTC or DTC Participants.

The 2019 Certificate Owners have no right to a depository for the 2019 Certificates. The Lessee or the Trustee may remove DTC or any successor thereto for any reason at any time. In such event, the Trustee shall (i) appoint a successor securities depository qualified to act as such under Section 17(i) of the Securities Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer one or more separate 2019 Certificates to such successor securities depository, or (ii) notify DTC of the availability through DTC of 2019 Certificates and transfer one or more separate 2019 Certificates to DTC Participants having 2019 Certificates credited to their DTC accounts as directed by DTC. In such event, the 2019 Certificates shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names the DTC Participants receiving 2019 Certificates shall designate, in accordance with the provisions of the Trust Agreement.

The Trustee and the Lessee may execute the letter of representation in connection with the execution and delivery of the 2019 Certificates. The letter of representation is for the purpose of effectuating the book-entry-only system only and shall not be deemed to amend, supersede or supplement the terms of this Eighth Supplement that are intended to be complete without reference to the letter of representation. In the event of any conflict between the terms of the letter of representation and the terms of this Eighth Supplement, the terms of the Trust Agreement shall control. DTC may exercise the rights of a 2019 Certificate Owner hereunder only in accordance with the terms hereof applicable to the exercise of such rights.

ARTICLE III ACQUISITION FUND AND DELIVERY COSTS FUND

Section 3.1 2019 Project Fund. The Trustee shall establish a special fund designated as the “2019 Project Fund” as a subfund within the Acquisition Fund. There shall be deposited in the 2019 Project Fund the proceeds of the sale of the 2019 Certificates required to be deposited therein pursuant to Section 2.6(a)(ii) hereof. The Trustee shall immediately release and disburse the amounts in the 2019 Project Fund to the County as consideration for the County executing and delivering the 2019 Ground Lease.

Section 3.2 Delivery Costs Fund. The Trustee shall establish a special fund designated as the “2019 Delivery Costs Fund”. The Trustee shall keep such fund separate and apart from all

other funds and moneys held by it and shall administer such fund as provided herein and in the Lease-Purchase Agreement. There shall be deposited in the 2019 Delivery Costs Fund the proceeds of sale of the 2019 Certificates required to be deposited therein pursuant to Section 2.6(a)(i) hereof.

The Trustee shall disburse moneys in the 2019 Delivery Costs Fund only upon a requisition signed by the Lessee Representative setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the 2019 Delivery Costs Fund. Amounts remaining in the 2019 Delivery Costs Fund after September 1, 2019, shall be transferred to the Lease Payment Fund.

The Trustee shall be responsible for the safekeeping and investment, upon the written direction of the Lessee Representative, of the moneys held in the 2019 Delivery Costs Fund in Permitted Investments and the payment thereof in accordance with this Section. Notwithstanding the foregoing, the Trustee shall be entitled to rely conclusively on the requisitions and written orders supplied to it by the Lessee Representative in connection with disbursements made pursuant to this Section.

ARTICLE IV REDEMPTION OF 2019 Certificates

Section 4.1 Right to Redeem. The 2019 Certificates shall be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein.

Section 4.2 Redemption.

(a) Optional Redemption. The 2019 Certificates maturing on or after December 1, 2029, are subject to redemption, in whole or in part, on any date on or after December 1, 2028, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity by payment of the principal amount of each 2019 Certificate to be redeemed, plus interest accrued the date fixed for redemption, without premium.

(b) Redemption from Net Proceeds of Insurance or Condemnation. The 2019 Certificates are subject to extraordinary redemption on any 2019 Interest Payment Date in whole or in part, from the Net Proceeds of insurance or condemnation, which Net Proceeds are deposited in the Lease Payment Fund and credited towards the Prepayment made by the Lessee pursuant to Section 10.4 of the Lease-Purchase Agreement, in any order of maturity designated by the Lessee (or by the Trustee by lot in the event that no such designation is received by the Trustee at the time such Net Proceeds are deposited with the Trustee), and by lot within a maturity at a redemption price equal to the principal amount of the 2019 Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

Section 4.3 Selection of Certificates to be Redeemed. If less than all of the 2019 Certificates of the same maturity are to be redeemed upon redemption of 2019 Certificates hereunder, the Trustee shall select the 2019 Certificates to be redeemed by lot or in such other manner as the Trustee shall deem fair. In making such selection, the Trustee shall treat each 2019

Certificate as representing that number of 2019 Certificates of \$5,000 denomination as is obtained by dividing the principal amount of such 2019 Certificate by \$5,000.

Section 4.4 Partial Redemption of Certificates. Upon the selection and call for redemption of, and the surrender of, any 2019 Certificate for redemption in part only, the Trustee shall cause to be executed and delivered to or upon the written order of the Owner thereof, at the expense of the Lessee, a new 2019 Certificate or 2019 Certificates of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the 2019 Certificate surrendered, in accordance with instructions received from the Owner thereof, with one 2019 Certificate being delivered in the absence of such instructions.

Section 4.5 Effect of Call for Redemption. On the date designated for redemption by notice given as herein provided, the 2019 Certificates so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2019 Certificates on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Trustee as provided herein, interest on the 2019 Certificates so called for redemption shall cease to accrue, such 2019 Certificates shall cease to be entitled to any benefit or security hereunder except the right to receive payment from the moneys held by the Trustee and the amount of such 2019 Certificates so called for redemption shall be deemed paid and no longer Outstanding.

Section 4.6 Notice of Redemption.

(a) Whenever redemption of 2019 Certificates is to be made, the Trustee shall give notice of the redemption of such 2019 Certificates, which notice shall specify the redemption date, the redemption price and the place or places where such redemption price will be payable and, if less than all of the 2019 Certificates are to be redeemed, the numbers or other distinguishing marks of such 2019 Certificates so to be redeemed, and, in the case of 2019 Certificates to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each 2019 Certificate to be redeemed the redemption price of such 2019 Certificate or the specified portion thereof in the case of a 2019 Certificate to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on such 2019 Certificate or portion thereof so to be redeemed.

(b) Such notice shall be given by mailing a copy of such notice, first class United States mail postage prepaid, not less than thirty (30) days nor more than sixty (60) days before the redemption date, to all Owners of any 2019 Certificates or portions of 2019 Certificates which are to be redeemed at their last addresses appearing upon the Register, but failure so to mail any such notice, or a defect in such notice, as to any 2019 Certificate shall not affect the validity of the proceedings for the redemption of any other 2019 Certificate. If moneys for the payment of the redemption price and accrued interest are not held in separate accounts by the County or by the Trustee prior to sending the notice of redemption, such redemption shall be conditional on such moneys being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

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

Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all 2019 Certificates being redeemed; (B) the date of issue of the 2019 Certificates as originally issued; (C) the rate of interest borne by each 2019 Certificate being redeemed; (D) the maturity date of each 2019 Certificate being redeemed; and (E) any other descriptive information needed to identify accurately the 2019 Certificates being redeemed.

Each further notice of redemption shall be sent at least 35 days before the redemption date, return receipt requested, to all registered securities depositories which are registered owners of the 2019 Certificates then in the business of holding substantial amounts of obligations of types such as the 2019 Certificates (such as, at the time of execution and delivery of this Eighth Supplement, DTC) and to one or more national information services that disseminate notices of redemption of obligations such as the 2019 Certificates (such as, at the time of execution and delivery of this Eighth Supplement, the Daily Called Bond Service of Financial Information, Inc., Jersey City, New Jersey; the Called Bond Service of Kenney Information Services, New York, New York; Moody's Municipal and Government, New York, New York; and S&P's Called Bond Record, New York, New York).

(d) A second notice of redemption shall be given within sixty (60) days after the redemption date in the manner required above to each of the Owners of the 2019 Certificates designated for redemption which have not been presented for payment within thirty (30) days after the redemption date.

ARTICLE V MISCELLANEOUS

Section 5.1 Binding Effect; Successors. This Eighth Supplement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Eighth Supplement either the County or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Eighth Supplement contained by or on behalf of the County or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 5.2 Execution in Counterparts. This Eighth Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 5.3 Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Eighth Supplement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding

Articles, Sections or subdivisions of this Eighth Supplement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Eighth Supplement as a whole and not to any particular Article, Section or subdivision hereof.

Section 5.4 Waiver of Notice. Whenever in this Eighth Supplement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 5.5 Severability of Invalid Provisions. In case any one or more of the provisions contained in this Eighth Supplement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Eighth Supplement, and this Eighth Supplement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Eighth Supplement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Eighth Supplement may be held illegal, invalid or unenforceable.

Section 5.6 Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes Section 38-511, as amended, notice is hereby given that the Lessee may cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Lessee’s Board of Supervisors is received by all other parties to the contract unless the notice specifies a later time. All parties represent that to the best of their knowledge, no basis exists for the Lessee to cancel this Eighth Supplement pursuant to Arizona Revised Statutes Section 38-511 as of the date hereof. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Eighth Supplement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Eighth Supplement on behalf of the Lessee within 3 years from execution of this Eighth Supplement, unless a waiver of Arizona Revised Statutes Section 38-511 is provided by the Lessee’s Board of Supervisors.

Section 5.7 Certain Warranties and Certifications from the Lessor.

(a) To the extent applicable under Arizona Revised Statutes Section 41-4401, the Trustee, in its capacity as Trustee under the Trust Agreement and as Lessor under the Lease-Purchase Agreement, including its subcontractors who work on this Eighth Supplement or the Lease-Purchase Agreement, warrants compliance with all federal immigration laws and regulations that relate to its employees and compliance with the E-verify requirements under Arizona Revised Statutes Section 23-214(A). The breach by the Trustee of the foregoing shall be deemed a material breach of the Trustee’s duties under the Trust Agreement and the Lease-Purchase Agreement and may result in the termination of its role as Trustee under the Trust

Agreement and as Lessor under the Lease-Purchase Agreement and its replacement with a successor in such capacities, to the extent permitted by the Trust Agreement. The County retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection by the County during normal business hours. The Trustee shall cooperate with the random inspections by the County, including granting the County entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(b) Pursuant to Arizona Revised Statutes Section 35-393 et seq., the Trustee, in its capacity as Trustee under the Trust Agreement and as Lessor under the Lease-Purchase Agreement, hereby certifies that it is not currently engaged in, and for the duration of this Eighth Supplement shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Arizona Revised Statutes Section 35-393.

Section 5.8 Description of Leased Property; Release.

(a) The description of the Leased Property, as defined in the Original Trust Agreement, is hereby amended to mean the Public Works Building, the Legal Services Building, the Public Works Parking Garage, the Adult Detention Center, the Public Service Center Office Tower and Parking Garage and the 33 North Stone Avenue.

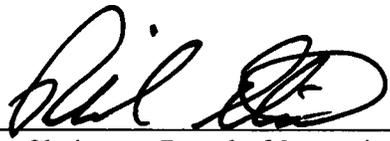
(b) If the Lessee exercises its rights to release Leased Property under the Lease-Purchase Agreement, the Trustee shall, upon all conditions contained in the Lease-Purchase Agreement having been complied with and being satisfied, release the lien of the Trust Agreement from any Leased Property being conveyed in connection with such release. The Trustee shall take any and all steps and execute and record any and all documents reasonably required by the Lessee to consummate the transfer of title in connection with such release.

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

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Vice President

PIMA COUNTY, ARIZONA, as Lessee

By:  _____
Chairman, Board of Supervisors

ATTEST:

By:  _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US) LLP,
Bond Counsel

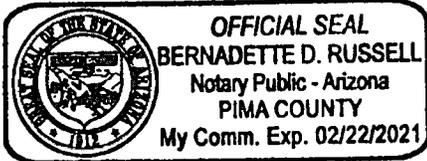
By:  _____
Timothy E. Pickrell

[Signature page of Eighth Supplement to Trust Agreement]

STATE OF ARIZONA)
) ss.
County of Pima)

On this, the 25th day of April, 2019, before me, the undersigned Notary Public, personally appeared Richard Elías, who acknowledged himself to be the Chairman of the Pima County Board of Supervisors and that he, such officer, being authorized so to do, executed the foregoing Eighth Supplement to Trust Agreement for the purposes therein contained by signing the name of the County by himself as such officer.

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





Notary Public

My Commission Expires:

2-22-21

[Pima County's Notarization page of Eighth Supplement to Trust Agreement]

EXHIBIT A

FORM OF 2019 CERTIFICATES OF PARTICIPATION

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-

Denomination: _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
_____ %	December 1, 20__	May 7, 2019	721664__

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the "2019 Certificate") is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the "Original Lease-Purchase Agreement") as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the "First Amendment"), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the "Second Amendment"), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013 (the "Third Amendment"), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the "Fourth Amendment"), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the "Fifth Amendment"), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the "Sixth Amendment"), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the "Seventh Amendment") and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the "Eighth Amendment" and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the "Lease-Purchase Agreement"), by and between U.S. Bank National Association, as trustee (the "Lessor") and Pima County, Arizona (the

“Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the “Trustee”), at its designated corporate trust office.

The Registered Owner of this 2019 Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on December 1, 2019, and semiannually thereafter on June 1 and December 1 of each year (the “2019 Interest Payment Dates”) until payment in full of said portion of principal, the Registered Owner’s proportionate share of the Lease Payments designated as interest coming due preceding each of the 2019 Interest Payment Dates; provided that interest with respect hereto shall be payable from the 2019 Interest Payment Date next preceding the date of execution of this 2019 Certificate (unless (i) this 2019 Certificate is executed prior to December 1, 2019, in which event interest shall be payable from the Dated Date identified above, (ii) this 2019 Certificate is executed on a 2019 Interest Payment Date, in which event interest shall be payable from such 2019 Interest Payment Date, or (iii) this 2019 Certificate is executed after the close of business on the fifteenth (15th) day of the month preceding a 2019 Interest Payment Date, whether or not such fifteenth day is a Business Day, in which event interest shall be payable from such 2019 Interest Payment Date). If, as of the date of execution hereof, interest is in default with respect to any 2019 Certificates of the issue of which this is one, interest hereon shall be payable from the 2019 Interest Payment Date to which interest has previously been paid or made available for payment, or, if prior to December 1, 2019, interest shall be payable from the Dated Date identified above, unless this 2019 Certificate is executed after a Special Record Date (as defined in the Original Trust Agreement) and before the following Special 2019 Interest Payment Date (as defined in the Original Trust Agreement), in which event interest shall be payable from the scheduled 2019 Interest Payment Date next preceding such date of execution. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum set forth above.

Said amounts representing the Registered Owner’s share of the Lease Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described below, by check or draft mailed by the Trustee on each Interest payment Date to the Registered Owner at the close of business on the fifteenth (15th) day of the month preceding such 2019 Interest Payment Date (the “Record Date”), whether or not such fifteenth day is a Business Day, at his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Lease Payments designated as interest shall be made on Special 2019 Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of \$1,000,000 or more in aggregate principal amount of 2019 Certificates as of the close of business of the Trustee on the Record Date for a particular 2019 Interest Payment Date or, if applicable, the Special Record Date for a particular Special 2019 Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner’s expense) on the 2019 Interest Payment Date or Special 2019 Interest Payment Date to such Registered Owner in accordance with written notice from such Registered Owner containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire transfer directed, which written

notice is received not later than five (5) days prior to the Record Date with respect to such 2019 Interest Payment Date or, if applicable, the Special Record Date for such Special 2019 Interest Payment Date. Said amounts representing the Registered Owner's share of the Lease Payments designated as principal are payable when due upon surrender of this 2019 Certificate at the principal corporate trust office of the Trustee.

This 2019 Certificate has been executed and delivered by the Trustee pursuant to the terms of an Original Trust Agreement between the Trustee and the Lessee, dated as of June 1, 2008 (the "Original Trust Agreement"), as supplemented by the First Supplement to Trust Agreement, dated as of June 1, 2009 (the "First Supplement"), the Second Supplement to Trust Agreement, dated as of February 1, 2010 (the "Second Supplement") authorizing the execution and delivery of the aggregate principal amount of \$20,000,000 Certificates of Participation, Series 2010 (the "2010 Certificates"), the Third Supplement to Trust Agreement, dated as of May 1, 2013 (the "Third Supplement") authorizing the execution and delivery of the aggregate principal amount of \$80,175,000 Certificates of Participation, Series 2013A (the "2013A Certificates"), the Fourth Supplement to Trust Agreement, dated as of January 1, 2014 (the "Fourth Supplement"), authorizing the execution and delivery of the aggregate principal amount of \$52,160,000 Certificates of Participation, Series 2014 (the "2014 Certificates"), the Fifth Supplement to Trust Agreement, dated as of April 1, 2015 (the "Fifth Supplement") authorizing the execution and delivery of the aggregate principal amount of \$57,025,000 Certificates of Participation, Series 2015 (the "2015 Certificates"), the Sixth Supplement to Trust Agreement, dated as of April 1, 2016 (the "Sixth Supplement") authorizing the execution and delivery of the aggregate principal amount of \$28,750,000 Certificates of Participation, Series 2016A (the "2016A Certificates") and the aggregate principal amount of \$15,185,000 Taxable Series 2016B Certificates (the "Taxable 2016B Certificates"), the Seventh Supplement to Trust Agreement, dated as of April 1, 2018 (the "Seventh Supplement") authorizing the execution and delivery of the aggregated principal amount of \$23,265,000 Certificate of Participation, Series 2018A (the 2018A Certificates") and the aggregate principal amount of \$39,395,000 Taxable Series 2018B Certificate (the Taxable 2018B Certificates") and the Eighth Supplement to Trust Agreement, dated as of May 1, 2019 (the "Eighth Supplement" and, together with the Original Trust Agreement, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Trust Agreement"), and is a series of certificates limited in aggregate principal amount to \$20,940,000 (the "2019 Certificates", being executed and delivered by the Trustee pursuant to the Trust Agreement contemporaneously with the 2010 Certificates, the 2013A Certificates, the 2014 Certificates, the 2015 Certificates, the 2016A Certificates, the Taxable 2016B Certificates, the 2018A Certificates, the Taxable 2018B Certificates and any additional Certificates which may hereafter be executed and delivered under the Trust Agreement being herein collectively referred to as the "Certificates"), dated the date hereof. The Lessee is authorized to enter into the Eighth Amendment and the Eighth Supplement under the laws of the State of Arizona. Reference is hereby made to the Lease-Purchase Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2019 Certificates are delivered, the rights thereunder of the Registered Owners of the 2019 Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee under the Lease-Purchase Agreement, to all of the provisions of which Lease-Purchase Agreement and Trust Agreement the Registered Owner of this 2019 Certificate, by acceptance hereof, assents and agrees.

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

The term of the Lease-Purchase Agreement is from the date thereof until the end of the Lessee's then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including December 1, 2033, unless extended or terminated prior thereto in accordance with the provisions of the Lease-Purchase Agreement. The continuation of the Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments after the end of the Lessee's Fiscal Period during which the Lease-Purchase Agreement commenced is subject to and dependent upon the moneys necessary to make such payments being lawfully budgeted by the Lessee. If the Lessee fails to obtain prior to the last date on which the Lessee is required or permitted to adopt its budget for the next Fiscal Period a proper budgeting and final appropriation of the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the next occurring Fiscal Period for which such budgeting and appropriation are made, the Lease-Purchase Agreement shall terminate effective on the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which such funds were determined to be lawfully available and allocated, subject to reinstatement at the option of the Lessee within forty-five (45) days thereafter.

Upon the occurrence and continuance of any event of default under the Trust Agreement, the Trustee may, and at the written direction of the Owners of not less than five percent (5%) in Aggregate Value (as defined in the Trust Agreement) of Certificates then outstanding shall, declare the principal amount of the Certificates then outstanding to be immediately due and payable; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay Lease Payments only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement.

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

This 2019 Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this 2019 Certificate. Upon such transfer a new 2019 Certificate or 2019 Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange herefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes,

whether or not this 2019 Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

The 2019 Certificates maturing on or after December 1, 2029, are subject to redemption, in whole or in part, on any date on or after December 1, 2028, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity by payment of the principal amount of each 2019 Certificate to be redeemed, plus interest accrued the date fixed for redemption, without premium.

The 2019 Certificates are subject to redemption on any 2019 Interest Payment Date, in whole, or in part, in any order of maturity designated by the Lessee, or, under certain circumstances, by lot by the Trustee, and by lot within a maturity from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to Section 10.4 of the Original Lease-Purchase Agreement, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest, without premium.

Notice of redemption shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date set for redemption to each Registered Owner of a 2019 Certificate to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any 2019 Certificate shall not affect the validity of the proceedings for the redemption of any other 2019 Certificate. On the specified redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Trust Agreement provided funds for redemption are on deposit at the place of payment at that time.

IN WITNESS WHEREOF, this 2019 Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: May 7, 2019

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Its: Authorized Representative

ABBREVIATIONS

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

TEN COM	- as tenants in common	UNIF GIFT/TRANS MIN ACT --
TEN ENT	- as tenants by the entireties	_____ Custodian _____
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	(Cust) (Minor)
		Under Uniform Gifts/Transfers to Minors Act _____
		(State)

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

ASSIGNMENT

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

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

Dated _____

Signature Guaranteed:

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

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

EXHIBIT B

DESCRIPTION OF LEASED PROPERTY

PUBLIC WORKS BUILDING

Parcel 8

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, lying Easterly of the following described line:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111 and the Southeasterly corner of property described in instrument recorded in Docket 8506 at page 2723;

THENCE continuing along the Southerly line of said property described in Docket 8506 at page 2723, South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1, being the Southwest corner of said parcel described in Docket 8506 at page 2723;

THENCE North 1 degree 18 minutes 45 seconds West along the Westerly line of said parcel, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1, being the Northwest corner of property described in Docket 8506 at page 2723 and the POINT OF BEGINNING of line description;

THENCE South 1 degree 18 minutes 45 seconds East along the West line of said parcel a distance of 84.11 feet to the Southwest corner of said parcel;

THENCE North 84 degrees 09 minutes 00 seconds East along the Southerly line of said property described in Docket 8506 at page 2723 a distance of 24.10 feet to the Northwest corner of property described in instrument recorded in Docket 6165 at page 1031;

THENCE South 0 degrees 11 minutes 37 seconds West, along the Westerly line of said property, a distance of 88.73 feet to the Southwest corner of said property, said point also being the Northwesterly corner of property described in instrument recorded in Docket 7629 at page 1863;

THENCE South 0 degrees 07 minutes 25 seconds West along the Westerly line of said property, a distance of 19.92 feet to the Northwesterly corner of property described in instrument recorded in Docket 8166 at page 160;

THENCE South 0 degrees 11 minutes 55 seconds West along the Westerly line of said property, a distance of 52.56 feet to an angle point on said Westerly line;

THENCE continuing along said Westerly line, South 22 degrees 40 minutes 04 seconds East a distance of 44.39 feet to a point on the Northerly right-of-way line of Alameda Street, said point being the terminus point of said line description.

EXCEPT that portion described as follows:

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, described as follows:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111, which is the TRUE POINT OF BEGINNING;

FROM said POINT OF BEGINNING, thence continue South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of said Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1;

THENCE North 1 degree 18 minutes 45 seconds West, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1;

THENCE North 89 degrees 39 minutes 15 seconds East along said South line of Council Street, which South line is parallel with and 34.90 feet Southerly from the Council Street monument line, a distance of 169.69 feet to the point of intersection of said South line of Council Street with the West line of Stone Avenue, as now established, which point is South 89 degrees 39 minutes 15 seconds West, a distance of 50.37 feet from the intersection of the Easterly extension of said South line of Council Street with the Stone Avenue city monument line;

THENCE South 4 degrees 04 minutes 48 seconds East, along said West line of Stone Avenue, as now established, a distance of 66.34 feet to the TRUE POINT OF BEGINNING.

FURTHER EXCEPT the following:

That portion of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, together with a strip of ground lying between the East boundary of original Lot 2 in said Block 180 and the West property line of Stone Avenue as now established, described as follows:

BEGINNING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 0 minutes East, a distance of 95.91 feet to a point on the Stone Avenue city monument line;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet, more or less, to a point on the West property line of Stone Avenue as now established, distant 67.67 feet South 4 degrees 4 minutes 48 seconds East from the Northeast corner of said Block 180, which last mentioned point is the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE South 4 degrees 4 minutes 48 seconds East, a distance of 78.85 feet along the West line of Stone Avenue to a point;

THENCE South 80 degrees 11 minutes 57 seconds West along the Northerly wall of a brick building, a distance of 156.09 feet;

THENCE North 0 degrees 11 minutes 37 seconds West, a distance of 88.73 feet;

THENCE North 84 degrees 41 minutes 39 seconds East, a distance of 20.98 feet;

THENCE North 83 degrees 29 minutes 43 seconds East, a distance of 128.44 feet to the TRUE POINT OF BEGINNING.

(JV Arbs 23 and 25)

LEGAL SERVICES BUILDING

Parcel 9

All that part of Lot 8 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, lying West of a line drawn from the Southwest corner of Lot 6 of said Block 195, to the Northwest corner of Lot 16 of said Block 195.

(JV Arb 84)

Parcel 9a

An easement for ingress, egress and light and air over, upon and across the North 1 foot of the West 59.1 feet of Lot 18 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, as set forth in Indenture recorded in Book 52 of Deeds at page 179.

PUBLIC WORKS PARKING GARAGE

The Public Works Parking Structure as shown on the architectural plans titled "Parking Structure Pima County Public Works Center Tucson, Arizona", by William I. Podolsky * Associates, Architects & Planners, Project No. 8909, and dated March 27, 1991, on file in the Department of Facilities Management, Pima County, Arizona, being located within Block 180 of the City of Tucson, and described as follows:

Parcel 1

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the North line of said Lot 1, 150 feet Easterly of the Northwest corner of said lot;

THENCE Easterly along the North line of said lot, a distance of 59 feet to a point, said point also being the Northwest corner of that certain parcel of land described in Docket 58 at page 123, records of Pima County, Arizona;

THENCE Southerly along the Westerly line of the last above described parcel, a distance of 79 feet, more or less, to a point on the South line of Lot 1, which point is distant 171.7 feet Westerly from the Southeast corner of said lot;

THENCE Westerly along the Southerly line of said lot, a distance of 38.66 feet to a point distant 150 feet East from the Southwest corner of said lot, said point also being the Southeast corner of that certain parcel described in Deed recorded in Book 267 of Deeds at page 407, records of Pima County, Arizona;

THENCE Northerly along the Easterly line of last above described parcel, a distance of 84 feet, more or less, to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 12)

Parcel 2

That portion of Lot 2 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the South line of said Lot 2, distant 100 feet, more or less, Westerly from the Southeast corner of said lot, which point is the Southwest corner of the property described in Deed recorded in Book 10 of Deeds at page 47, records of Pima County, Arizona;

THENCE Northerly along the Westerly line of said last mentioned property, a distance of 80 feet to a point;

THENCE South 84 degrees 30 minutes West, a distance of 50 feet, more or less, to a point on the East line of that certain property described in Deed recorded in Book 14 of Deeds at page 476, records of Pima County, Arizona, said point being the TRUE POINT OF BEGINNING;

THENCE Northerly along the Easterly line of said last mentioned parcel to a point on the North line of said Lot 2;

THENCE Westerly along the North line of said Lot 2, to the Northwest corner thereof;

THENCE Southerly along the Westerly line of said Lot 2, to the Southeast corner of Lot 3 in said Block 180;

THENCE Westerly along the Southerly line of said Lot 3, to a point which is distant 1.3 feet from the Northeast corner of Lot 4 in said Block 180;

THENCE Southerly to the Southwest corner of said Lot 2;

THENCE North 67 degrees 18 minutes 42 seconds East along the South line of said Lot 2, a distance of 115 feet to a point;

THENCE North 22 degrees 58 minutes 45 seconds West, a distance of 44.58 feet to a point;

THENCE in a Northerly direction to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 22 and 24)

Parcel 3

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southwest corner of said Lot 3 on the East side of Church Street;

THENCE North 12 ¼ degrees West along the West line of said Lot 3, a distance of 78.54 feet, more or less, to a point on the West line of said lot, distant 74.58 feet Southerly from the Northwest corner thereof;

THENCE Easterly to a point on the East line of said lot, which point is South 11 ½ degrees East and distant 74.58 feet from the Northeast corner thereof;

THENCE South 11 ½ degrees East along the East line of said lot to the Southeast corner thereof;

THENCE South 75 ½ degrees West along the South line of said Lot 3, a distance of 90.42 feet to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 33)

Parcel 4

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at the City Survey Monument at the intersection of Church and Council Street as now established;

THENCE North 89 degrees 39 minutes 15 seconds East along the Council Street Monument line, a distance of 42.07 feet to a point;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Southerly right-of-way line of Council Street as now established;

THENCE South 13 degrees 06 minutes 30 seconds East along the Easterly right-of-way line of Church Street as now established, a distance of 104.96 feet to a point on that certain line described in Deed recorded in the office of the County Recorder of Pima County, Arizona, in Docket 1608 at page 381, and in Docket 1608 at page 380, said point being the TRUE POINT OF BEGINNING;

THENCE North 83 degrees 46 minutes 35 seconds East along said last described line, a distance of 91.08 feet, more or less, to a point on the East line of said Lot 3;

THENCE South 11 ½ degrees East along the Easterly line of said Lot 3, a distance of 74.58 feet, more or less, to the Northeast corner of that certain parcel of land described in Deed recorded in Docket 112 at page 305, records of Pima County, Arizona;

THENCE Westerly along the Northerly line of the last above described parcel to a point on the Westerly line of said Lot 3 and the Easterly line of Church Street;

THENCE North 13 degrees 06 minutes 30 seconds West along the Easterly line of said Church Street, a distance of 74.58 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 32)

Parcel 5

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at a point on the South side of Council Street and the North line of said Block 180, distant 150 feet East from the Northwest corner of said Lot 1;

THENCE South 14 degrees East, a distance of 89 feet to the South line of said Lot;

THENCE South 84 degrees West, a distance of 75 feet;

THENCE North 12 ¼ degrees West, a distance of 100 feet, more or less, to the South line of Council Street;

THENCE East along the South line of Council Street, a distance of 75 feet to the POINT OF BEGINNING.

(JV Arb 14)

Parcel 6

Lot 4 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof,

AND

That portion of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southeast corner of Lot 4 in said Block;

THENCE Northerly along the Easterly line of Lot 4, to the point of intersection of the said Easterly line of Lot 4 with the Southerly line of Lot 3 in said block;

THENCE Easterly along the Southerly line of the said Lot 3, a distance of 1.3 feet to a point;

THENCE Southerly to the POINT OF BEGINNING.

(JV Arb Lot 2=21, Lot 4=34)

Parcel 7

All that part of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the City Survey Monument at the intersection of Church and Council Streets;

THENCE North 89 degrees 39 minutes 15 seconds East, a distance of 42.07 feet along the Council Street monument line;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Northwest corner of said Block 180 and the TRUE POINT OF BEGINNING;

THENCE South 13 degrees 06 minutes 30 seconds East, a distance of 104.96 feet;

THENCE North 83 degrees 46 minutes 35 seconds East, a distance of 75.5 feet, more or less, to a point in the Westerly line of that property described in Deed to Harman Ray and Pauline Ray, husband and wife, recorded in the office of the County Recorder of Pima County, Arizona, in Book 267 of Deeds at page 407;

THENCE Northerly along the West line of said Ray property to a point in the South line of Council Street, distant 89 degrees 39 minutes 15 seconds East, 75 feet from the TRUE POINT OF BEGINNING;

THENCE South 89 degrees 39 minutes 15 seconds West, a distance of 75 feet to the TRUE POINT OF BEGINNING.

(JV Arb Lot 1= 813)

EXCEPTING FROM SAID Parcels 1 through 7, all that portion thereof described in the Lease dated December 5, 1989, to the YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, an Arizona non-profit corporation, as disclosed in Memorandum of Ground Lease Agreement recorded in Docket 8834 at page 1387 and corrected in Docket 9348 at page 1417.

ADULT DETENTION FACILITY

LEGAL DESCRIPTION

Parcel 1

All that portion of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, more particularly described as follows:

Commencing at the Southeast corner of said Northwest Quarter of Section 23;

Thence South 89 degrees 12 minutes 13 seconds West, along the South line thereof, 1296.40 feet;

Thence North 00 degrees 27 minutes 51 seconds West, 48.00 feet to a point on the North right-of-way line of Silverlake Road, according to the City of Tucson, Silverlake Road, Mission Road to I-10 Right-of-way Plans R-95-05, dated March, 1995, said point being the POINT OF BEGINNING;

Thence continuing North 00 degrees 27 minutes 51 seconds West, 152.84 feet to a point on an existing chain link fence;

Thence along said chain link fence the following courses and distances:

North 00 degrees 31 minutes 49 seconds East, 294.49 feet;

North 02 degrees 00 minutes 34 seconds East, 290.43 feet;

North 20 degrees 22 minutes 03 seconds East, 60.61 feet;

South 88 degrees 57 minutes 28 seconds East, 228.23 feet to a point on the West line of that parcel described in Docket 6365 at page 1101, records of Pima County, Arizona;

North 17 degrees 39 minutes 43 seconds West, 219.42 feet;

North 47 degrees 58 minutes 23 seconds West, 119.42 feet;

North 64 degrees 55 minutes 15 seconds West, 80.59 feet;

North 33 degrees 40 minutes 00 seconds West, 28.38 feet;

Thence South 33 degrees 47 minutes 24 seconds West, 151.90 feet;

Thence South 43 degrees 00 minutes 27 seconds West, 110.93 feet;

Thence South 45 degrees 14 minutes 44 seconds West, 44.88 feet to a point on the North line of that parcel described in Docket 926 at page 596, Records of Pima County, Arizona;

Thence South 88 degrees 04 minutes 27 seconds West along said North line, 126.64 feet to the Northwest corner thereof;

Thence South 45 degrees 54 minutes 53 seconds West along the Westerly line of said parcel, 1028.50 feet;

Thence continuing along the Westerly line of said parcel, South 30 degrees 47 minutes 53 seconds West, 226.25 feet to a point on the North right-of-way line of said Silverlake Road;

Thence North 89 degrees 12 minutes 13 seconds East, along said North right-of-way line, 1156.35 feet to the POINT OF BEGINNING.

(JV Arb 585)

Parcel 2

A portion of the parcel described in Docket 926 at page 596, as recorded in the County Recorder's Office, Pima County, Arizona, and being within the Southeast Quarter of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, being more particularly described as follows:

Commencing at a found 2" brass cap survey monument with punch mark stamped "C1/4, S23, RLS 23956" at the Southeast corner of said Southeast Quarter of the Northwest quarter to which a found 2" brass cap survey monument with punch mark stamped "W1/16 C-C, S23, RLS 23956" at the Southwest corner of said Southeast Quarter of the Northeast Quarter bears South 89 degrees 12 minutes 11 seconds West a distance of 1309.70 feet, said line being the Basis of Bearing for this description;

Thence along the South line of said Southeast Quarter of the Northwest Quarter South 89 degrees 12 minutes 11 seconds West a distance of 1296.13 feet;

Thence North 00 degrees 47 minutes 49 seconds West a distance of 48.00 feet to the POINT OF BEGINNING at the Southeast corner of the parcel described in Docket 10491 at page 246, as recorded in the County Recorder's Office, Pima County, Arizona, said point also being on the North right-of-way line of Silverlake Road as shown on right-of-way Plan #R-95-05, City of Tucson Department of Transportation;

Thence along the East line of said parcel North 00 degrees 27 minutes 53 seconds West, a distance of 152.84 feet;

Thence continuing along said East line North 00 degrees 31 minutes 17 seconds East a distance of 294.49 feet;

Thence continuing along said East line North 02 degrees 00 minutes 32 seconds East a distance of 57.00 feet;

Thence South 72 degrees 28 minutes 08 seconds East a distance of 187.70 feet;

Thence South 17 degrees 31 minutes 52 seconds West a distance of 468.95 feet to the North right-of-way line of Silverlake Road;

Thence along said North right of way line South 89 degrees 12 minutes 11 seconds West a distance of 42.21 feet to the POINT OF BEGINNING.

(JV Arb 626)

PUBLIC SERVICE CENTER OFFICE TOWER AND PARKING GARAGE

LEGAL DESCRIPTION

Parcel 1

Blocks 252 and 253 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 2

Lot 1 and the North 69.00 feet of Lot 2, and Lots 4, 5, 6 and 7 in Block 254 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 3

All of Lot 1 and that portion of Lot 6 in Block 255 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the Northeast corner of said Lot 6;

Thence Southerly 50 feet;

Thence Westerly 50 feet;

Thence Northerly 50 feet;

Thence Easterly 50 feet to the Northeast corner of said Lot 6, the Place of Beginning.

Parcel 4

Portions of public rights of way as shown in Book 4 of Maps and Plats at page 81A and 81B therein, Records of Pima County, Arizona, and on file at the Pima County Recorder's Office, Tucson, Arizona, said portions lying in the southwest one-quarter of Section 12, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

All of Grossetta Avenue as shown in said Block 4 of Maps and Plats at page 81A therein, lying southerly of the southerly right of way line of Toole Avenue, more particularly described as follows:

Beginning at the northeast corner of Block 252 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence southeasterly in a straight line to the northern corner of Block 253 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Block 254 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence easterly in a straight line to the southwest corner of Block 255 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

All of the alley lying within Block 254 as shown in Book 3 of Maps and Plats at page 81B therein, lying southerly of the southerly right of way line of Council Street more particularly described as follows:

Beginning at the northeast corner of Lot 1 of said Block 254;

Thence easterly in a straight line to the northwest corner of Lot 4 of said Block 254 and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Lot 3 of said Block 254;

Thence easterly in a straight line to the southwest corner of Lot 6 of said Block 254 and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

A portion of Council Street, shown as Miltenburg Street in said Book 4 of Maps and Plats at page 81A and 81B therein, more particularly described as follows:

Beginning at the northeast corner of said Block 254;

Thence upon the south right of way line of said Council Street, said south line coincident with the north line of said Block 254, S 89 degrees 19 minutes 31 seconds W, a distance of 132.77 feet to the northwest corner of Lot 4 thereof;

Thence continue upon said coincident line, S 89 degrees 18 minutes 58 seconds W, a distance of 17.23 feet to the northeast corner of Lot 1 thereof;

Thence continue upon said coincident line, S 89 degrees 19 minutes 23 seconds W, a distance of 145.56 feet to the northwest corner of said Block 254;

Thence leaving said south right of way line, N 03 degrees 46 minutes 35 seconds W, a distance of 50.05 feet to a point on the north right of way line of said Council Street, said point being the southwest corner of Block 252 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 252, N 89 degrees 19 minutes 22 seconds E, a distance of 298.33 feet to the southeast corner of said Block 252;

Thence N 89 degrees 15 minutes 35 seconds E, a distance of 49.99 feet to the southwest corner of Block 253 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 253, N 89 degrees 19 minutes 10 seconds East a distance of 49.70 feet;

Thence leaving said north right of way line, S 00 degrees 40 minutes 50 seconds E a distance of 50.06 feet to a point on the south right of way line of said Council Street;

Thence upon said south right of way line of Council Street, said line coincident with the north line of Block 255 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein, S 89 degrees 18 minutes 23 seconds W, a distance of 49.75 feet to the northwest corner of said Block 255;

Thence S 89 degrees 21 minutes 30 seconds W, a distance of 50.01 feet to the POINT OF BEGINNING;

EXCEPT any portion lying within the aforesaid Grossetta Avenue.

33 NORTH STONE AVENUE

LEGAL DESCRIPTION

Parcel 1:

A Leasehold Estate in and to the following:

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

Beginning at the Northeast corner of said Lot 8;

Thence Westerly along the North line of said Lot, 7 feet to a point;

Thence Southerly and parallel to the East line of said Lot, 7 feet to a point; Thence Easterly and parallel with the North line of said Lot, 7 feet to a point on the East line of said lot;

Thence Northerly 7 feet to the PLACE OF BEGINNING.

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

North by the North line of Block 196;

West by the West line of Block 196; and

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

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

A three-sided parcel bounded on the:

North by the North line of Block 196;

East by the East line of Block 196; and

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

PARCEL NO. 2:

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

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

Beginning at the Northeast corner of said Lot 4;

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

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

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

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

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

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

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-1

Denomination: \$575,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Start Date</u>	<u>CUSIP</u>
5.00%	December 1, 2019	May 7, 2019	721664FQ8

Registered Owner: CEDE & CO.

Principal Amount: FIVE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-2 Denomination: \$1,040,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2020	May 7, 2019	721664FR6

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION FORTY THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-3

Denomination: \$1,090,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issued Date</u>	<u>CUSIP</u>
5.00%	December 1, 2021	May 7, 2019	721664FS4

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION NINETY THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-4 Denomination: \$1,145,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issued Date</u>	<u>CUSIP</u>
5.00%	December 1, 2022	May 7, 2019	721664FT2

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION ONE HUNDRED FORTY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-5 Denomination: \$1,205,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2023	May 7, 2019	721664FU9

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION TWO HUNDRED FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-6

Denomination: \$1,265,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issued Date</u>	<u>CUSIP</u>
5.00%	December 1, 2024	May 7, 2019	721664FV7

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION TWO HUNDRED SIXTY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-7

Denomination: \$1,325,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2025	May 7, 2019	721664FW5

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION THREE HUNDRED TWENTY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-8 Denomination: \$1,395,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2026	May 7, 2019	721664FX3

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION THREE HUNDRED NINETY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-9

Denomination: \$1,460,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2027	May 7, 2019	721664FY1

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION FOUR HUNDRED SIXTY THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-10

Denomination: \$1,535,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2028	May 7, 2019	721664FZ8

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION FIVE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-11

Denomination: \$1,610,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issued Date</u>	<u>CUSIP</u>
5.00%	December 1, 2029	May 7, 2019	721664GA2

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SIX HUNDRED TEN THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-12

Denomination: \$1,695,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2030	May 7, 2019	721664GB0

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SIX HUNDRED NINETY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-13

Denomination: \$1,775,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issued Date</u>	<u>CUSIP</u>
5.00%	December 1, 2031	May 7, 2019	721664GC8

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION SEVEN HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-14

Denomination: \$1,865,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Issued Date</u>	<u>CUSIP</u>
5.00%	December 1, 2032	May 7, 2019	721664GD6

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION EIGHT HUNDRED SIXTY-FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

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

CERTIFICATES OF PARTICIPATION, SERIES 2019

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

Pima County, Arizona

No: R-15

Denomination: \$1,960,000

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
5.00%	December 1, 2033	May 7, 2019	721664GE4

Registered Owner: CEDE & CO.

Principal Amount: ONE MILLION NINE HUNDRED SIXTY THOUSAND DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above, or registered assigns, as the Registered Owner of this Certificate of Participation, Series 2019 (the “2019 Certificate”) is the owner of an undivided proportionate interest in the right to receive certain Lease Payments and Prepayments thereof under and defined in that certain Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”) as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2011 (the “Third Amendment”), the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment” and, together with the Original Lease-Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment, the “Lease-Purchase Agreement”), by and between U.S. Bank National Association, as trustee (the “Lessor”) and Pima County, Arizona (the “Lessee”), which Lease Payments and Prepayments and certain other rights and interests under the

Lease-Purchase Agreement are held by U.S. Bank National Association, as trustee (the "Trustee"), at its designated corporate trust office.

The Registered Owner of this 2019 Certificate is entitled to receive, subject to the terms of the Lease-Purchase Agreement, on the Maturity Date set forth above, the Principal Amount set forth above, representing a portion of the Lease Payments designated as principal coming due during the preceding twelve months, and to receive on December 1, 2019, and semiannually thereafter on June 1 and December 1 of each year (the "2019 Interest Payment Dates") until payment in full of said portion of principal, the Registered Owner's proportionate share of the Lease Payments designated as interest coming due preceding each of the 2019 Interest Payment Dates; provided that interest with respect hereto shall be payable from the 2019 Interest Payment Date next preceding the date of execution of this 2019 Certificate (unless (i) this 2019 Certificate is executed prior to December 1, 2019, in which event interest shall be payable from the Dated Date identified above, (ii) this 2019 Certificate is executed on a 2019 Interest Payment Date, in which event interest shall be payable from such 2019 Interest Payment Date, or (iii) this 2019 Certificate is executed after the close of business on the fifteenth (15th) day of the month preceding a 2019 Interest Payment Date, whether or not such fifteenth day is a Business Day, in which event interest shall be payable from such 2019 Interest Payment Date). If, as of the date of execution hereof, interest is in default with respect to any 2019 Certificates of the issue of which this is one, interest hereon shall be payable from the 2019 Interest Payment Date to which interest has previously been paid or made available for payment. If, prior to December 1, 2019, interest shall be payable from the Dated Date identified above, unless this 2019 Certificate is executed after a Special Record Date (as defined in the Original Trust Agreement) and before the following Special 2019 Interest Payment Date (as defined in the Original Trust Agreement), in which event interest shall be payable from the scheduled 2019 Interest Payment Date next preceding such date of execution. Said proportionate share of the portion of the Lease Payments designated as interest is the result of the multiplication of the aforesaid portion of the Lease Payments designated as principal by the rate per annum set forth above.

Said amounts representing the Registered Owner's share of the Lease Payments designated as interest are payable in lawful money of the United States of America, unless a wire transfer is elected as described above by check or draft mailed by the Trustee on each Interest payment Date to the Registered Owner at the close of business on the fifteenth (15th) day of the month preceding such 2019 Interest Payment Date (the "Record Date"), whether or not such fifteenth day is a Business Day, to his address as it appears on the registration books of the Trustee or at such other address as he may have filed with the Trustee for that purpose. Payment of portions of overdue Lease Payments designated as interest shall be made on Special 2019 Interest Payment Dates designated by the Trustee to the Registered Owner hereof as of the Special Record Date designated by the Trustee. A Registered Owner of \$1,000,000 or more in aggregate principal amount of 2019 Certificates as of the close of business of the Trustee on the Record Date for a particular 2019 Interest Payment Date or, if applicable, the Special Record Date for a particular Special 2019 Interest Payment Date, may request interest to be paid by wire transfer in immediately available funds sent (at the Registered Owner's expense) on the 2019 Interest Payment Date or Special 2019 Interest Payment Date to such Registered Owner in accordance with written notice from such Registered Owner containing the wire transfer address (which shall be in the continental United States) to which such Registered Owner wishes to have such wire transfer directed, which written notice is received not later than five (5) days prior to the Record Date with respect to such 2019

Interest Payment Date or, if applicable, the Special Record Date for such Special 2019 Interest Payment Date. Said amounts representing the Registered Owner's share of the Lease Payments designated as principal are payable when due upon surrender of this 2019 Certificate at the principal corporate trust office of the Trustee.

This 2019 Certificate has been executed and delivered by the Trustee pursuant to the terms of an Original Trust Agreement between the Trustee and the Lessee, dated as of June 1, 2008 (the "Original Trust Agreement"), as supplemented by the First Supplement to Trust Agreement, dated as of June 1, 2009 (the "First Supplement"), the Second Supplement to Trust Agreement, dated as of February 1, 2010 (the "Second Supplement") authorizing the execution and delivery of the aggregate principal amount of \$20,000,000 Certificates of Participation, Series 2010 (the "2010 Certificates"), the Third Supplement to Trust Agreement, dated as of May 1, 2013 (the "Third Supplement") authorizing the execution and delivery of the aggregate principal amount of \$80,175,000 Certificates of Participation, Series 2013A (the "2013A Certificates"), the Fourth Supplement to Trust Agreement, dated as of January 1, 2014 (the "Fourth Supplement"), authorizing the execution and delivery of the aggregate principal amount of \$52,160,000 Certificates of Participation, Series 2014 (the "2014 Certificates"), the Fifth Supplement to Trust Agreement, dated as of April 1, 2015 (the "Fifth Supplement") authorizing the execution and delivery of the aggregate principal amount of \$57,025,000 Certificates of Participation, Series 2015 (the "2015 Certificates"), the Sixth Supplement to Trust Agreement, dated as of April 1, 2016 (the "Sixth Supplement") authorizing the execution and delivery of the aggregate principal amount of \$28,750,000 Certificates of Participation, Series 2016A (the "2016A Certificates") and the aggregate principal amount of \$15,185,000 Taxable Series 2016B Certificates (the "Taxable 2016B Certificates"), the Seventh Supplement to Trust Agreement, dated as of April 1, 2018 (the "Seventh Supplement") authorizing the execution and delivery of the aggregated principal amount of \$23,265,000 Certificate of Participation, Series 2018A (the 2018A Certificates") and the aggregate principal amount of \$39,395,000 Taxable Series 2018B Certificate (the Taxable 2018B Certificates") and the Eighth Supplement to Trust Agreement, dated as of May 1, 2019 (the "Eighth Supplement" and, together with the Original Trust Agreement, the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement, the "Trust Agreement"), and is a series of certificates limited in aggregate principal amount to \$20,940,000 (the "2019 Certificates" together with the 2010 Certificates, the 2013A Certificates, the 2014 Certificates, the 2015 Certificates, the 2016A Certificate, the Taxable 2016B Certificates, the 2018A Certificates, the Taxable 2018B Certificates, and any additional Certificates which may hereafter be executed and delivered under the Trust Agreement being herein collectively referred to as the "Certificates"), dated the date hereof. The Lessee is authorized to enter into the Eighth Amendment and the Eighth Supplement under the laws of the State of Arizona. Reference is hereby made to the Lease-Purchase Agreement and the Trust Agreement (copies of which are on file at said office of the Trustee) for the definition of certain capitalized terms used herein, a description of the terms on which the 2019 Certificates are delivered, the rights thereunder of the Registered Owners of the 2019 Certificates, the rights, duties and immunities of the Trustee and the rights and obligations of the Lessee under the Lease-Purchase Agreement, to all of the provisions of which Lease-Purchase Agreement and Trust Agreement the Registered Owner of this 2019 Certificate, by acceptance hereof, assents and agrees.

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

The term of the Lease-Purchase Agreement is from the date thereof until the end of the Lessee's then current Fiscal Period, and thereafter for such additional Fiscal Periods as are necessary to complete the anticipated total lease term through and including December 1, 2033, unless extended or terminated prior thereto in accordance with the provisions of the Lease-Purchase Agreement. The continuation of the Lease-Purchase Agreement and the obligation of the Lessee to make Lease Payments after the end of the Lessee's Fiscal Period during which the Lease-Purchase Agreement commenced is subject to and dependent upon all actions necessary to make such payments being lawfully budgeted by the Lessee. If the Lessee fails to obtain prior to the last date on which the Lessee is required or permitted to adopt its budget for the next Fiscal Period a proper budgeting and final appropriation of the Lessee's Board of Supervisors of the full amount of funds necessary to make all Lease Payments coming due during the next occurring Fiscal Period for which such budgeting and appropriation are made, the Lease-Purchase Agreement shall terminate effective on the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which such funds were determined to be lawfully available and allocated, subject to reinstatement at the option of the Lessee within forty-five (45) days thereafter.

Upon the occurrence and continuance of any event of default under the Trust Agreement, the Trustee may, and at the written direction of the Owners of not less than five percent (5%) in Aggregate Value (as defined in the Trust Agreement) of Certificates then outstanding shall, declare the principal amount of the Certificates then outstanding to be immediately due and payable; provided, however, that no such acceleration shall change or otherwise affect the Lessee's obligation under the Lease-Purchase Agreement to pay Lease Payments only during the term of the Lease-Purchase Agreement and in the amounts and at the times as provided in the Lease-Purchase Agreement.

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

This 2019 Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this 2019 Certificate. Upon such transfer a new 2019 Certificate or 2019 Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange herefor. The Lessee, the Lessor and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes,

whether or not this 2019 Certificate shall be overdue, and the Lessee, the Lessor and the Trustee shall not be affected by any notice to the contrary.

The 2019 Certificates maturing on or after December 1, 2029, are subject to redemption, in whole or in part, on any date on or after December 1, 2028, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity by payment of the principal amount of each 2019 Certificate to be redeemed, plus interest accrued the date fixed for redemption, without premium.

The 2019 Certificates are subject to redemption on any 2019 Interest Payment Date, in whole, or in part, in any order of maturity designated by the Lessee, or, under certain circumstances, by lot by the Trustee, and by lot within a maturity from the net proceeds of insurance or condemnation credited towards the prepayment of the Lease Payments by the Lessee pursuant to Section 10.4 of the Original Lease-Purchase Agreement, and at a price equal to the principal amount thereof to be redeemed together with accrued interest, without premium.

Notice of redemption shall be mailed not less than thirty (30) days nor more than sixty (60) days prior to the date set for redemption to each Registered Owner of a 2019 Certificate to be so redeemed at the address shown on the books of the Trustee, but failure to mail any such notice or any defect in such notice as to any 2019 Certificate shall not affect the validity of the proceedings for the redemption of any other 2019 Certificate. On the specified redemption date all Certificates called for redemption shall cease to bear interest and shall no longer be secured by the Trust Agreement provided funds for redemption are on deposit at the place of payment at that time.

IN WITNESS WHEREOF, this 2019 Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: May 7, 2019

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Its: Authorized Representative

ABBREVIATIONS

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

TEN COM	- as tenants in common	UNIF GIFT/TRANS MIN ACT --
TEN ENT	- as tenants by the entireties	_____ Custodian _____
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	(Cust) _____ (Minor Under Uniform Gifts Transfers to Minors Act _____)

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

ASSIGNMENT

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

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

Dated _____

Signature Guaranteed:

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

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

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 3, 2019

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: See "Ratings" herein

In the opinion of Squire Patton Boggs (US) LLP, Special Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, the portion of the Lease Payments paid and denominated as interest under the Lease and received by the owners of the 2019 Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (ii) the Interest Portion received by the owners of the related 2019 Certificates is exempt from Arizona state income tax so long as that Interest Portion is excluded from gross income for federal income tax purposes. Special Counsel expresses no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2019 Certificates in the event of termination of the related Lease (as defined herein) by nonappropriation. The Interest Portion may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

\$21,125,000*

**PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019**

Dated: Date of Initial Delivery

Due: December 1, as shown on inside front cover page

The securities being offered hereby consist of Certificates of Participation, Series 2019 (the "2019 Certificates") in a Lease-Purchase Agreement, dated as of June 1, 2008, as amended, including as amended by an Eighth Amendment to Lease-Purchase Agreement to be dated as of May 1, 2019* (the original as so amended and as subsequently amended, the "Lease"), between U.S. Bank National Association, as trustee under the below-described Trust Agreement, as lessor (the "Trustee"), and Pima County, Arizona, as lessee (the "County"). The property being leased by the Trustee to the County consists of certain interests in the major portion of the public works building of the County, the legal services building of the County, a parking garage of the County, the public service office tower and parking garage of the County, certain adult detention (jail) facilities of the County and the Justice Building of the County (collectively, the "Leased Property"). See "PLAN OF FINANCE - The Leased Property" herein. The 2019 Certificates are being executed and delivered under a Trust Agreement, dated as of June 1, 2008, as supplemented, including as supplemented by an Eighth Supplement to Trust Agreement to be dated as of May 1, 2019* (the original as so supplemented and as subsequently supplemented, the "Trust Agreement"), between the Trustee and the County. Initially, the 2019 Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2019 Certificates. Purchases of beneficial interests in the 2019 Certificates will be made in book-entry-only form in amounts of \$5,000 of principal maturing on a specified date or any integral multiple thereof. Purchasers will not receive certificates representing the ownership interest in the 2019 Certificates purchased by them. See Appendix G - "BOOK-ENTRY-ONLY SYSTEM."

Interest represented by the 2019 Certificates will accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their dated date and will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2019*, until maturity or prior redemption, and principal with respect to the 2019 Certificates will be payable annually in accordance with the schedule set forth on the inside front cover page. So long as the 2019 Certificates are registered in the name of DTC, or its nominee, payments of the principal and interest with respect to the 2019 Certificates will be made directly by the Trustee to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the 2019 Certificates, as described herein.

The 2019 Certificates will be subject to redemption prior to maturity as more fully described herein. See "THE 2019 CERTIFICATES - Redemption Provisions" herein.

The 2019 Certificates are being executed and delivered to (i) finance the acquisition by the Trustee of a leasehold interest in a portion of the Leased Property from the County and (ii) pay costs associated with the execution and delivery of the 2019 Certificates. See "PLAN OF FINANCE" herein.

MATURITY SCHEDULE AND ADDITIONAL INFORMATION ON INSIDE FRONT COVER PAGE

The 2019 Certificates, together with \$24,965,000 outstanding principal amount of Certificates of Participation, Series 2018; \$21,605,000 outstanding principal amount of Certificates of Participation, Series 2016; \$39,355,000 outstanding principal amount of Certificates of Participation, Series 2014; \$10,460,000 outstanding principal amount of Certificates of Participation, Series 2013A; \$2,625,000 outstanding principal amount of Certificates of Participation, Series 2010; and any Additional Certificates (defined herein) executed and delivered pursuant to the Trust Agreement (collectively, the "Certificates"), will evidence and represent undivided and proportionate interests of the registered Owners thereof in semiannual lease payments (the "Lease Payments") to be made by the County pursuant to the Lease. **The obligations of the County under the Lease will be payable exclusively from annually budgeted and appropriated funds and will not be a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease will be subject to termination as of the last day of each fiscal year, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. Upon such termination, there will be no assurance of payment of the principal or interest represented by the Certificates, including the 2019 Certificates, from funds available under the Trust Agreement as a result of the Trustee's re-leasing of the Leased Property or selling the Sellable Leased Property (defined herein).** See "SOURCES OF PAYMENT OF THE CERTIFICATES" and "SECURITY FOR THE CERTIFICATES" herein.

The Certificates will be payable solely from the Lease Payments to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make the Lease Payments will not be secured by a pledge of any funds, will not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation nor constitute a general obligation of the County nor an indebtedness of the County, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2019 Certificates are offered when, as and if certain conditions are satisfied and subject to the legal opinion of Squire Patton Boggs (US) LLP, Special Counsel. Certain legal matters will be passed upon solely for the benefit of the Underwriter by its counsel, Greenberg Traurig, LLP. It is expected that the 2019 Certificates will be available for delivery through the facilities of DTC, on or about May 7, 2019.*

Citigroup

_____, 2019

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$21,125,000*
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

MATURITY SCHEDULE*

<u>Maturity (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (a) (721664)</u>
2019	\$575,000			
2020	1,050,000			
2021	1,100,000			
2022	1,155,000			
2023	1,215,000			
2024	1,275,000			
2025	1,340,000			
2026	1,405,000			
2027	1,475,000			
2028	1,550,000			
2029	1,625,000			
2030	1,705,000			
2031	1,795,000			
2032	1,885,000			
2033	1,975,000			

- (a) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the County, the Financial Advisor, the Underwriter, or the Trustee (each as defined herein) or their agents or counsel assume responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS**

Richard Elías, *Chairman*

Sharon Bronson

Steve Christy

Ally Miller

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara LaWall
County Attorney

APPOINTED OFFICIALS

C.H. Huckelberry
County Administrator

Thomas Burke
Deputy County Administrator

Michelle Campagne
Finance and Risk Management Director

FINANCIAL ADVISOR

RBC Capital Markets, LLC
Phoenix, Arizona

SPECIAL COUNSEL

Squire Patton Boggs (US) LLP
Phoenix, Arizona

TRUSTEE

U.S. Bank National Association
Phoenix, Arizona

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, does not constitute an offering of any security other than the original offering of the 2019 Certificates identified on the cover page hereof. No person has been authorized by Pima County, Arizona (the “County”), to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are “forward looking statements,” which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The issuance and sale of the 2019 Certificates have not been registered under the federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the issuance and sale of the 2019 Certificates been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

The County has undertaken to provide continuing disclosure with respect to the 2019 Certificates as required by Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING SECONDARY MARKET DISCLOSURE” and Appendix F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

U.S. Bank National Association, as trustee and lessor, assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE 2019 CERTIFICATES.....	3
General Provisions	3
Redemption Provisions	4
Notice of and Procedure for Redemption	4
Defeasance	4
PLAN OF FINANCE	4
General	4
The Leased Property.....	5
The Improvements.....	6
Sources of Lease Payments	6
SOURCES OF PAYMENT OF THE CERTIFICATES	6
SECURITY FOR THE CERTIFICATES	7
General	7
Non-appropriation; Other Termination Events.....	7
Damage, Taking or Removal of Leased Property	8
Release and Exchange of Property	9
Additional Certificates	9
RISK FACTORS.....	10
SOURCES AND USES OF FUNDS.....	12
ESTIMATED CERTIFICATE PAYMENT REQUIREMENTS	13
LITIGATION	14
LEGAL MATTERS	14
TAX MATTERS	14
RATINGS.....	17
RELATIONSHIP AMONG PARTIES	17
FINANCIAL ADVISOR.....	17
CONTINUING SECONDARY MARKET DISCLOSURE	17
UNDERWRITING	18
FINANCIAL STATEMENTS.....	18
ADDITIONAL INFORMATION	18
CONCLUDING STATEMENT	18
Appendix A – PIMA COUNTY, ARIZONA – General Economic And Demographic Information	
Appendix B – PIMA COUNTY, ARIZONA – Financial Information	
Appendix C – EXCERPTS FROM PIMA COUNTY, ARIZONA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018	
Appendix D – SUMMARY OF LEGAL DOCUMENTS	
Appendix E – FORM OF SPECIAL COUNSEL OPINION	
Appendix F – FORM OF CONTINUING DISCLOSURE UNDERTAKING	
Appendix G – BOOK-ENTRY-ONLY SYSTEM	

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

\$21,125,000*
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and appendices hereto (the "Official Statement"), has been prepared on behalf of Pima County, Arizona (the "County"), in connection with the original execution, delivery and sale of \$21,125,000* principal amount of Certificates of Participation, Series 2019 (the "2019 Certificates").

Certain capitalized terms used herein but not defined elsewhere are defined under "SUMMARY OF LEGAL DOCUMENTS - Certain Definitions" in Appendix D hereto.

The 2019 Certificates, together with \$24,965,000 outstanding principal amount of Certificates of Participation, Series 2018 (the "2018 Certificates"); \$21,605,000 outstanding principal amount of Certificates of Participation, Series 2016 (the "2016 Certificates"); \$39,355,000 outstanding principal amount of Certificates of Participation, Series 2014 (the "2014 Certificates"); \$10,460,000 outstanding principal amount of Certificates of Participation, Series 2013A (the "2013 Certificates"); \$2,625,000 outstanding principal amount of Certificates of Participation, Series 2010 (the "2010 Certificates") and any Additional Certificates executed and delivered pursuant to the hereafter-described Trust Agreement (collectively, the "Certificates"), evidence and represent undivided and proportionate interests of the registered owners thereof in semiannual lease payments (the "Lease Payments") for the hereafter described Leased Property, to be made by the County pursuant to a Lease-Purchase Agreement, dated as of June 1, 2008 (the "Original Lease-Purchase Agreement"), as amended, including by an Eighth Amendment to Lease-Purchase Agreement to be dated as of May 1, 2019* (the "Eighth Amendment" and, together with the Original Lease-Purchase Agreement, as previously amended and as subsequently amended, the "Lease"), between U.S. Bank National Association, as trustee under the Trust Agreement, as lessor (the "Trustee"), and the County, as lessee. The property being leased by the Trustee to the County will consist of certain interests in the major portion of the public works building of the County, a parking garage adjacent to the public works building, the legal services building of the County, the public service center office tower and adjacent parking garage of the County, certain adult detention (jail) facilities of the County and the justice building of the County (collectively, the "Leased Property"). The Trustee will hold a fee title interest in the public works building, the legal services building and the adult detention (jail) facilities portions of the Leased Property (the "Sellable Leased Property") and a ground leasehold interest in the portion of the Leased Property consisting of the parking garage adjacent to the public works building, the public service center office tower and adjacent parking garage and the justice building (the "Ground Leased Property"). See "PLAN OF FINANCE - The Leased Property" herein. The 2019 Certificates are being executed and delivered under a Trust Agreement, dated as of June 1, 2008 (the "Original Trust Agreement"), as supplemented, including as supplemented by an Eighth Supplement to Trust Agreement to be dated as of May 1, 2019* (the "Eighth Supplement" and, together with the Original Trust Agreement, as previously supplemented and as subsequently supplemented, the "Trust Agreement"), between the Trustee and the County.

The 2019 Certificates are being executed and delivered to (i) finance the acquisition by the Trustee of a leasehold interest in a portion of the Ground Leased Property from the County and (ii) pay costs associated with the execution and delivery of the 2019 Certificates. The County may also use a portion of the funds received for other capital projects. See "PLAN OF FINANCE" herein. Fee title to the Sellable Leased Property will be held by the Trustee and a ground leasehold interest in the Ground Leased Property will be held by the Trustee pursuant to a Ground Lease, dated as of June 1, 2008 (the "2008 Ground Lease"), a Ground Lease dated as of January 1, 2014 (the

* Preliminary, subject to change.

“2014 Ground Lease”) and a Ground Lease to be dated as of May 1, 2019* (the “2019 Ground Lease” and, together with the 2008 Ground Lease and 2014 Ground Lease, the “Ground Lease”), each between the County and the Trustee with respect to the Ground Leased Property. Pursuant to the Lease, the Trustee has or will lease back to the County the Leased Property. See “PLAN OF FINANCE” herein.

The County expects to use the amounts received from the Trustee from the financing of the acquisition of a leasehold interest in a portion of the Leased Property to pay the costs of the herein-described Improvements, which are expected to consist of costs to expand and improve sports fields and facilities at the County’s Kino Sports Complex and for other capital improvement projects of the County. Proceeds of the financing will also be used to pay costs incurred in the execution and delivery of the 2019 Certificates. See “PLAN OF FINANCE – The Improvements” herein.

The obligations of the County under the Lease are payable exclusively from annually budgeted and appropriated funds of the County and will not be a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease will be subject to termination as of the last day of each Fiscal Period of the County, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. The Lease will also terminate upon the occurrence of an Event of Default thereunder by the County and the election of the Trustee to terminate the Term of the Lease and upon taking of all the Leased Property by eminent domain. In the event of any such termination, there is no assurance of payment of the principal or interest represented by the Certificates, including the 2019 Certificates, from funds available under the Trust Agreement or as a result of the Trustee’s selling the Sellable Leased Property or re-leasing of the Leased Property. See “SOURCES OF PAYMENT OF THE CERTIFICATES” and “SECURITY FOR THE CERTIFICATES” herein.

The Certificates will be payable solely from the Lease Payments required to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make Lease Payments under the Lease will not be secured by a pledge of any funds, will not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation and will not constitute a general obligation of the County, or an indebtedness of the County, the State of Arizona (“Arizona” or the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Under the Lease, the County will be required to pay base rent comprising the Lease Payments equal to the principal and interest requirements represented by the outstanding Certificates, unless the Lease is terminated as provided therein. Such base rent will be held in trust by the Trustee only for payment to the Owners of the Certificates. The County will also be required to pay Additional Rent, which includes payment of any taxes and assessments and the cost of maintenance and repair of the Leased Property, and to pay other fees and obligations. See “SUMMARY OF LEGAL DOCUMENTS - LEASE” in Appendix D hereto.

Unless and until discontinued, the 2019 Certificates will be held in book-entry form by The Depository Trust Company, a registered securities depository (“DTC”), and beneficial interests therein may only be purchased and sold, and payments of principal and interest represented by the 2019 Certificates will be made only to beneficial owners, through participants in the DTC system. Beneficial interests in the 2019 Certificates will be in amounts described on the cover page hereof. See Appendix G - “BOOK-ENTRY-ONLY SYSTEM.”

The Lease Payments will be subject to reduction to the extent of any Prepayments made with insurance or condemnation proceeds as a result of damage, destruction or condemnation of a portion of the Leased Property, which causes substantial interference with the County’s use of the Leased Property; provided that the revised Lease Payments shall be sufficient to pay principal and interest represented by the Certificates remaining Outstanding after the application of the Net Proceeds of the insurance or self-insurance coverage or condemnation award to redeem a portion of the Certificates. See “SUMMARY OF LEGAL DOCUMENTS – LEASE -- Lease Payments; Additional Rent; Reduction of Rental” in Appendix D hereto. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property in amounts required by the Lease. Proceeds from such self-insurance program and such condemnation awards will be applied either to repair or replace the Leased Property or to redeem

* Preliminary, subject to change.

all or a portion of the Certificates. See “THE 2019 CERTIFICATES - Redemption Provisions – *Extraordinary Redemption*” herein and “SUMMARY OF LEGAL DOCUMENTS – LEASE – Insurance” in Appendix D hereto.

This Official Statement contains descriptions of the 2019 Certificates, the Trust Agreement, the Ground Lease and the Lease. The descriptions of the 2019 Certificates, the Trust Agreement, the Ground Lease and the Lease and other documents described in this Official Statement (collectively, the “Financing Documents”) do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the complete documents, copies of which are available from Citigroup Global Markets Inc. (the “Underwriter”) prior to the delivery of the 2019 Certificates.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as shown by the financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes (“A.R.S.”) or uncodified, or of the Arizona Constitution, are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

THE 2019 CERTIFICATES

General Provisions

The 2019 Certificates will be dated their date of initial delivery and will mature on the dates and in the principal amounts and represent interest at the respective per annum rates, all as set forth on the inside front cover page of this Official Statement. Interest represented by the 2019 Certificates will accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their dated date. Interest will be computed on the basis of a 360-day year of twelve 30-day months and be payable on each June 1 and December 1 of each year, commencing on December 1, 2019* (each, an “Interest Payment Date”).

The 2019 Certificates will be delivered in the form of fully registered certificates without coupons registered in the name of Cede & Co. as registered Owner and nominee of DTC. The Trustee shall treat Cede & Co., as the registered Owner, as the absolute owner of the 2019 Certificates for all purposes, including making payments and sending notices. So long as Cede & Co. is the registered Owner of the 2019 Certificates, as nominee of DTC, references herein to “Owners” or registered owners of the 2019 Certificates (other than under the caption “TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of such 2019 Certificates. When reference is made to any action which is required or permitted to be taken by the beneficial owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such beneficial owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only. See Appendix G - “BOOK-ENTRY-ONLY SYSTEM.”

Subject to the provisions summarized in Appendix G - “BOOK-ENTRY-ONLY SYSTEM,” the principal represented by each 2019 Certificate will be payable at the designated office of the Trustee. Interest represented by each 2019 Certificate will be paid on each Interest Payment Date by check drawn on the Trustee mailed on or before the Interest Payment Date to the registered owners as shown on the records of the Trustee as of the fifteenth day of the month immediately preceding such Interest Payment Date or, if such a day is not a business day, on the next succeeding business day or the Trustee may agree with a registered Owner of \$1,000,000 or more in aggregate principal amount of the 2019 Certificates for another form of payment.

* Preliminary, subject to change.

Redemption Provisions*

Optional Redemption. The 2019 Certificates maturing on or before December 1, 2028, are not subject to redemption prior to maturity. The 2019 Certificates maturing on or after December 1, 2029, are subject to redemption, in whole or in part on any date on or after December 1, 2028, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity by payment of the principal amount of each 2019 Certificate to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Extraordinary Redemption. The 2019 Certificates will be subject to redemption on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds of insurance or condemnation that are deposited in the Lease Payment Fund for such purpose as provided under the Lease (See “LEASE - Insurance” and “—Eminent Domain” in Appendix D hereto), at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date.

Selection of Certificates. Whenever less than all Outstanding 2019 Certificates are called for redemption, the maturities of the 2019 Certificates to be selected for redemption may be specified by the County or, if the County does not so specify, will be determined by the Trustee by lot, and within any maturity will be selected by lot.

Notice of and Procedure for Redemption

In the event any 2019 Certificates are called for redemption, notice thereof identifying the 2019 Certificates to be redeemed and specifying a redemption date and the redemption price will be required to be given by the Trustee in the form of a redemption notice to DTC not less than 30 nor more than 60 days prior to the date fixed for redemption. If moneys for the payment of the redemption price and accrued interest are not held in separate accounts by the County or by the Trustee prior to sending the notice of redemption, such redemption shall be conditional on such money being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect. See Appendix G – “BOOK-ENTRY-ONLY SYSTEM.”

All of the 2019 Certificates so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and will no longer be protected by and will not be deemed to be Outstanding under the provisions of the Trust Agreement.

Defeasance

If the County (i) pays the principal and interest of all Outstanding 2019 Certificates when the same becomes due and payable, or (ii) at or before maturity of all Outstanding 2019 Certificates, deposits money or Defeasance Obligations with the Trustee which, together with other available funds, are sufficient to pay the principal and interest of all Outstanding 2019 Certificates and any Additional Rent, the lien of the Trust Agreement and all covenants, agreements and obligations of the County and the Trustee securing or pertaining to the 2019 Certificates will terminate, except for the obligation of the Trustee to make payment on the 2019 Certificates. (See “SUMMARY OF LEGAL DOCUMENTS - TRUST AGREEMENT - Defeasance” in Appendix D hereto.)

PLAN OF FINANCE

General

The proceeds received by the Trustee from the sale of the 2019 Certificates, net of amounts deposited into the Delivery Costs Fund established under the Trust Agreement to pay costs related to the execution and delivery of the 2019 Certificates, will be used to finance the acquisition by the Trustee from the County a ground leasehold interest in the below-described Justice Building which will be a portion of the Leased Property, pursuant to the 2019 Ground Lease.

* Preliminary, subject to change.

The County intends to use such amounts received from the Trustee to pay the costs of the Improvements described below, none of which are a part of the Leased Property.

The Leased Property

The Leased Property consists of the following property of the County:

Adult Detention Center. This portion of the Leased Property (the “Adult Detention Center”) consists of a fee ownership interest in the maximum security facility (a seven-story block building designed with a 732-bed capacity) and a medium security facility (a four-story block building designed with an approximately 400-bed capacity). The medium security facility is an annex to the maximum security facility. The maximum security facility has been retrofitted so that it now accommodates 1,892 beds. The Adult Detention Center currently provides the only maximum and medium detention facilities for the County.

The two-building complex is located on approximately 17 acres of land situated about 3 miles southwest of downtown Tucson, Arizona.

Pima County Public Works Building Portion of Leased Property. This portion of the Leased Property consists of a fee ownership interest in the south 137,938 square feet of a 9-story building, located at 201 North Stone in Tucson, Arizona, which serves as the Public Works Building of the County. (*The north 63,000 square feet of the building are leased to the City of Tucson, Arizona, by the County and are not part of the Leased Property.*) The 9-story site contains 15,524 square feet of land. The building was constructed in the 1960s; it was subsequently gutted back to the concrete floors and ceilings. By 1991, the building was completely rebuilt and immediately occupied by the County.

Public Works Building Parking Garage. This portion of the Leased Property consists of a ground leasehold interest in a 785-space parking garage located adjacent to the Pima County Public Works Building in downtown Tucson, Arizona, and includes the site for the facility and related entry and exit ramps and the parking facility itself, which is located above the downtown Tucson branch of the YMCA. The YMCA is located on a portion of the same site, beneath the first level of the parking garage, pursuant to a lease granted by the County in 1990. *The Leased Property does not include any portion of the YMCA facilities located on the site or elsewhere.*

The parking facility was constructed in 1991 and has been in continuous operation since its opening. The majority of the facility is used as parking for County employees and public parking during normal business hours and for users of the downtown YMCA facility.

The term of the 2008 Ground Lease associated with the parking facility extends through December 1, 2033, but is subject to earlier termination on any date upon (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

Legal Services Building Portion of Leased Property. This portion of the Leased Property consists of a fee ownership interest in a 20-story, single-tenant office building constructed in 1966, located at 32 North Stone in Tucson, Arizona. The gross square footage of the tower is 209,187 square feet. The tower site contains 10,636 square feet of land. The 15th floor of the tower was specifically gutted to a shell condition in order to accommodate the record file storage requirements of the Legal Services Division of the County.

Public Service Center Office Tower and Parking Garage. This portion of the Leased Property consists of a 288,363 square foot multi-story building, half of which has 14 courtrooms along with supporting administrative and detention accommodations for use by the Pima County Justice Courts, and space to accommodate an additional 7 courtrooms. The balance of the building is office space for the County Recorder, County Treasurer and County Assessor. The Public Service Center also includes a multi-story, 700 car, precast parking garage with one-half level below grade for secured judicial parking. At grade level, the parking garage includes 8,800 square feet of multi-tenant retail.

The term of the 2014 Ground Lease associated with the parking facility extends through June 1, 2039, but is subject to earlier termination on any date upon (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

Justice Building. This portion of the Leased Property consists of a 22-story office tower containing approximately 193,000 square feet of space, situated on a site of approximately 0.91 acres or 39,699 square feet, located in downtown Tucson, Arizona. The Justice Building, originally constructed in 1975 and previously known as the “Bank of America Plaza,” is currently occupied primarily by the Pima County Public Defender’s office and by the County’s Information Technology staff. In addition, communications antennae are located on the roof of the tower with related equipment closets in the basement, under leases or license agreements. The Justice Building contains 32 on-site parking spaces and has a 50-year lease for 200 parking spaces in a City of Tucson-owned garage located within one block from the building.

The term of the 2019 Ground Lease associated with the Justice Building extends through May 1, 2044*, but is subject to earlier termination on any date upon (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

Pursuant to the Lease, the Trustee will lease back to the County the Leased Property. The County has not undertaken an appraisal of the Leased Property but believes the market value of the Leased Property is at least \$185.4 million.

The Improvements

The County intends to use the amounts received from the Trustee from the financing of the acquisition of or a portion of the Ground Leased Property, net of the amounts used to pay the costs incurred in issuing the 2019 Certificates, to fund the expansion and improvement of sports fields and facilities at the County’s Kino Sports Complex and for other capital improvement projects of the County that are approved by the Board. All such capital projects are collectively referred to herein as the “Improvements”. None of the Improvements will be part of the Leased Property.

Sources of Lease Payments

Although no specific revenue sources will be pledged to or secure the Certificates, the County anticipates using monies from the County’s General Fund for making the Lease Payments on the 2019 Certificates, subject to annual appropriation by the Board of Supervisors of the County.

See “SOURCES OF PAYMENT OF THE CERTIFICATES” and “SECURITY FOR THE CERTIFICATES.”

SOURCES OF PAYMENT OF THE CERTIFICATES

Under the terms of the Trust Agreement, the 2019 Certificates will be payable on a parity with the outstanding 2010 Certificates, the 2013 Certificates, the 2014 Certificates, the 2016 Certificates, the 2018 Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement, solely from: (1) Lease Payments received by the Trustee from the County under the Lease, subject to termination of the Lease as provided under the Lease, (2) amounts from time to time deposited in the funds created under the Trust Agreement and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States in order to continue the exclusion of the interest represented by the Certificates from gross income for federal income tax purposes) and (3) any Net Proceeds from insurance coverage or condemnation awards received by the Trustee from the damage, destruction or taking of the Leased Property or portion thereof pursuant to the Lease and the Trust Agreement or from exercise by the Trustee of any remedies under the Lease and the Trust Agreement upon default thereunder. See “SECURITY FOR THE CERTIFICATES” as well as “SUMMARY OF LEGAL DOCUMENTS – LEASE -- Events of Default,” “-- Eminent Domain” and “-- Insurance” and

“SUMMARY OF LEGAL DOCUMENTS - TRUST AGREEMENT -- Events of Default; Acceleration” in Appendix D hereto.

The County will be required under the Lease to make Lease Payments semiannually in amounts sufficient to make interest and principal payments represented by the Certificates on November 15, 2019*, and each May 15 and November 15 thereafter. The County’s obligation under the Lease to pay Lease Payments during the term of the Lease will be absolute and unconditional, but subject to (1) the County’s right each year to terminate the Lease as of the end of each Fiscal Period by failing to budget and appropriate the full amount necessary to make all Lease Payments come due in the next Fiscal Period, (2) reduction of Lease Payments in the event of damage, destruction or condemnation of any portion of the Leased Property, and (3) termination of the Lease upon taking of all of the Leased Property by eminent domain, all as described below under “SECURITY FOR THE CERTIFICATES” and under “SUMMARY OF LEGAL DOCUMENTS - LEASE -- Lease of Leased Property” and “-- Lease Payments; Additional Rent; Reduction of Rental” in Appendix D hereto.

IN THE EVENT OF TERMINATION OF OR DEFAULTS UNDER THE LEASE, THERE IS NO ASSURANCE THAT THE TRUSTEE WILL HAVE ADEQUATE FUNDS UNDER THE TRUST AGREEMENT TO PAY INTEREST AND PRINCIPAL REPRESENTED BY THE CERTIFICATES. See “RISK FACTORS - Limitations on Remedies.”

SECURITY FOR THE CERTIFICATES

General

Each Certificate will evidence an undivided and proportionate interest in Lease Payments under the Lease. The County’s obligations to make Lease Payments and any other obligation under the Lease will be subject to and dependent upon an annual budgeting and appropriation being made by the Board of Supervisors of the County to make such Lease Payments. The term of the Lease will continue through and including December 1, 2033, unless terminated prior thereto. If the Board of Supervisors of the County (the “Board”) does not budget and appropriate funds sufficient to pay Lease Payments in any succeeding Fiscal Period, the Lease will terminate as of the last day of the Fiscal Period for which Lease Payments were made, and the County will be required to vacate and return possession of the Leased Property to the Trustee, all in accordance with and subject to the terms of the Lease and the Trust Agreement. See “SECURITY FOR THE CERTIFICATES - Non-appropriation; Other Termination Events” herein. In that event, the Trustee will be entitled to exercise all available remedies, which could include selling the Sellable Leased Property or re-leasing the Ground Leased Property. See “RISK FACTORS - Limitations on Remedies” below.

The County’s obligation to make Lease Payments will not constitute a debt or liability of the County, the State or any political subdivision thereof within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision thereof will be pledged to pay the principal or interest evidenced by the Certificates. Payments with respect to the Certificates will be made solely from amounts derived under the terms of the Lease, including the Lease Payments, and available amounts from time to time on deposit under the terms of the Trust Agreement. No funds will be pledged by the County to pay Lease Payments.

Non-appropriation; Other Termination Events

If the County fails to obtain, on or before the third Business Day prior to the last date on which the County is required or permitted to adopt its budget for a Fiscal Period, proper budgeting and final appropriation by the Board of the full amount of funds necessary to make all Lease Payments coming due during the Fiscal Period for which such budgeting and appropriation are made, thereafter, the County will immediately notify the Trustee in writing of that fact. If on the last date on which the County is required or permitted to adopt its budget for a Fiscal Period no such proper budgeting and final appropriation by the Board shall have been made, all of the County’s right, title and interest in and future obligations under the Lease and to all of the Leased Property will terminate

* Preliminary, subject to change.

(subject to reinstatement as provided below), effective as of the last day of the last Fiscal Period for which such budgeting and appropriation were properly obtained and for which sufficient funds were determined to be lawfully available and allocated. In the event the County terminates the Lease, the County will be relieved of any subsequent obligation under the Lease with respect thereto, other than to return to the Trustee possession of all of the Leased Property as provided in the Lease and to pay any accrued and unpaid obligations.

The budget officials of the County have covenanted in the Lease that they will include in the budget presented to the Board sufficient funds for payment of all Lease Payments and Additional Rent when due, provided, however, pursuant to Arizona law, the budgeting and appropriation of money by the Board is a legislative act of the Board and is beyond the control of the budgeting officials of the County.

If the Lease terminates as described above and if within forty-five (45) days after such date of termination amounts described above are determined to be available which would have permitted the Lease to have continued in effect with respect to the Leased Property if such amounts had been determined to be available prior to the termination date, then the Lease will be reinstated with respect thereto and deemed renewed as of the day following the date of such termination.

In the event the County terminates the Lease, the County will have no further obligations under the Lease. Upon termination, the County will be required by the Lease to surrender possession of the Leased Property to the Trustee. Such termination will constitute an Event of Default under the Trust Agreement, if the Lease has not been reinstated, but such termination will not be a default under the Lease. Upon such Event of Default under the Trust Agreement, the Trustee may exercise one or more of the remedies provided in the Trust Agreement, subject to receipt of indemnity satisfactory to it, including an option to sell the Sellable Leased Property or re-lease its interest in the Ground Leased Property, and to apply the proceeds of such disposition, if any, along with the moneys in the Lease Payment Fund established under the Trust Agreement, to the payment of the Certificates. See "SUMMARY OF LEGAL DOCUMENTS - TRUST AGREEMENT -- Event of Default; Acceleration" in Appendix D hereto. However, there is no assurance that net revenues received by the Trustee from any such sale of the Sellable Leased Property or re-lease of the Ground Leased Property would be sufficient to pay in full all Outstanding Certificates. Should such a shortfall occur, the interest and principal represented by the Certificates would be paid by the Trustee to the extent of moneys, if any, held by the Trustee under the Trust Agreement.

Upon an Event of Default under the Trust Agreement, the Trustee will be required to take action to force the County to surrender possession of the Leased Property. However, the exercise by the Trustee of any other subsequent or additional remedies may be affected by the environmental condition of the Leased Property, and the Trustee may decline to exercise such other remedies unless it is indemnified and obtains assurances to its satisfaction that it will not become responsible for environmental liabilities. See "RISK FACTORS - Limitations on Remedies."

Damage, Taking or Removal of Leased Property

The Leased Property will be required to be insured or self-insured to the extent set forth herein under "SUMMARY OF LEGAL DOCUMENTS – LEASE -- Insurance" in Appendix D hereto, which includes property insurance equal to the full replacement cost of the Leased Property. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property and other liabilities in amounts required by the Lease.

Under the Lease, the Net Proceeds of any insurance recoveries and proceeds of self-insurance resulting from any damage or destruction of the Leased Property by fire or other casualty must be deposited in the Insurance and Condemnation Fund established under the Trust Agreement. Moneys in the Insurance and Condemnation Fund will be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County, provided, however, that if the County notifies the Trustee within 90 days of such deposit of its determination that the replacement, repair, restoration, modification or improvement of the damaged portion of the Leased Property is not economically feasible or in the best interests of the County, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to effect extraordinary redemption of Outstanding Certificates as follows: in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available

therefor, to cause redemption of all Outstanding Certificates, and in the event of damage or destruction of the Leased Property in part, if such Net Proceeds are sufficient, together with all other funds available therefor to redeem all Outstanding Certificates, such amounts will be applied to the extraordinary redemption, in whole, of all Outstanding Certificates, or if such Net Proceeds, together with such other funds, are not sufficient to redeem all Outstanding Certificates, then the County shall have the option to either use such Net Proceeds to repair the Leased Property or to extraordinarily redeem the Certificates in part. See “THE 2019 CERTIFICATES - Redemption Provisions – *Extraordinary Redemption.*”

In the event of such partial redemption, the Lease Payments will be reduced to an amount sufficient to pay interest and principal represented by the Certificates Outstanding after such partial redemption.

Under the Lease, the County will waive any right to terminate the Lease because of damage or destruction to the Leased Property, but retains the right to determine annually whether to appropriate Lease Payments for the next Fiscal Period.

If all the Leased Property is taken by eminent domain, the Net Proceeds of the condemnation award will be deposited in the Insurance and Condemnation Fund and used to extraordinarily redeem Certificates to the extent of such Net Proceeds and the Lease shall terminate as of the date possession is taken from the County.

If a part of the Leased Property is taken by eminent domain, or if all of the Leased Property is taken temporarily, then the Lease will continue in effect and the Net Proceeds will be deposited in the Insurance and Condemnation Fund and applied as follows: if the Trustee determines that either (1) such taking does not materially adversely affect the operation of the Leased Property and the Net Proceeds are not needed to replace the Leased Property, or (2) such taking does not materially adversely affect remaining portions of the Leased Property or the ability of the County to meet any of its obligations under the Lease, then the Net Proceeds will be used to extraordinarily redeem Certificates in part; otherwise, such Net Proceeds will be used to replace the taken Leased Property. See “THE 2019 CERTIFICATES - Redemption Provisions – *Extraordinary Redemption.*”

If there is a partial taking of the Leased Property, the Lease Payments will be reduced to an amount sufficient to pay interest and principal represented by Certificates Outstanding after such partial redemption.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not used to redeem Certificates will be required to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County. Any balance of the Net Proceeds remaining after such work has been completed will be required to be deposited in the Lease Payment Fund and applied as a credit against the next subsequent Lease Payments.

Release and Exchange of Property

All of any portion of the Leased Property may be acquired by the County unencumbered by the terms and conditions of the Lease, if certain conditions are met as provided in the Lease, which may include: the replacement value for insurance purposes of the remaining properties comprising the Leased Property shall not be less than the Outstanding principal amount of the Certificates, the release of property shall not cause any decrease in the total Lease Payments required to be made under the Lease or any change in the interest component or principal component thereof, and an opinion of Special Counsel acceptable to the Trustee that the release of property will not adversely affect the exclusion of the interest payable on the Certificates from the federal gross income of the owners thereof.

Additional Certificates

Subject to certain conditions provided in the Trust Agreement, the Trustee may execute and deliver, at the direction of the County, Additional Certificates from time to time to provide funds to pay the costs of refunding Outstanding Certificates or to restructure the County’s Lease Payments under the Lease, or to pay the costs of making any modifications or improvements to the Leased Property or to finance additional property as the County deems necessary or desirable. Such conditions include, but are not limited to, that the Lease remains in effect, that

no Event of Default has occurred under the Trust Agreement, that such Additional Certificates do not affect the tax-exempt status of the Outstanding Certificates then bearing tax-exempt interest or result in the reduction or withdrawal of the assigned ratings on the Outstanding Certificates. The County currently expects to execute and deliver Additional Certificates in the amount of \$61 million in fiscal year 2020 and \$25 million in fiscal year 2021.

RISK FACTORS

The purchase of the 2019 Certificates involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective 2019 Certificate purchaser should make an independent evaluation of all the information presented herein. Certain of these investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect relative importance of risks. The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the 2019 Certificates.

Limited Obligation. The obligation of the County to pay Lease Payments will not be secured by the levy or pledge of any tax or any other funds and will not constitute a debt or indebtedness of the County or the State within the meaning of any constitutional or statutory debt limitation or restriction. See “SECURITY FOR THE CERTIFICATES.” The Lease Payments are payable by the County, subject to annual appropriation by the Board of Supervisors of the County, from monies of the County.

No Pledge of County Funds. No funds or revenues of the County will be pledged, obligated or restricted for the payment of the Lease Payments, including, without limitation, the funds and revenues described under “PLAN OF FINANCE - Sources of Lease Payments” and “SOURCES OF PAYMENT OF THE CERTIFICATES.” In addition, the County will have the right to refuse to budget and appropriate funds, and thus terminate the Lease, for any reason including inadequacy of the Leased Property. Were the County to refuse to appropriate funds and thereby terminate the Lease, there will be no assurance that the Trustee would have adequate funds under the Trust Agreement to pay interest and principal represented by the Certificates.

Other Obligations of County. The County has existing obligations, including lease-purchase obligations, and has the capacity to enter into other obligations which are payable from amounts in the General Fund or other monies of the County, which is the same source it will use to make Lease Payments. See “PIMA COUNTY, ARIZONA – FINANCIAL INFORMATION - Lease, Lease-Purchase and Purchase Agreements” and “- Certificates of Participation” in Appendix B. To the extent that the County’s current or future obligations are paid from the General Fund or other County monies, the funds available to make Lease Payments may be decreased. The Lease will not impose any restrictions upon the ability of the County to incur additional obligations.

Termination of Lease. In addition to termination of the Lease upon non-appropriation of funds as described under the heading “SECURITY FOR THE CERTIFICATES - Non-appropriation; Other Termination Events”, several other events may lead to a termination of the Lease:

- (1) an Event of Default on the part of the County and an election by the Trustee to terminate the Lease as described under the heading “SUMMARY OF LEGAL DOCUMENTS – LEASE - Events of Default” in Appendix D hereto;
- (2) the taking of all of the Leased Property under the power of eminent domain, described below; and
- (3) violation of certain State statutes pertaining to conflicts of interest, described below.

If an Event of Default under the Lease occurs, the Trustee may terminate the Lease and sell or relet the Leased Property. The Net Proceeds from the sale of the Sellable Leased Property or re-leasing of the Ground Leased Property, together with other moneys then held by the Trustee under the Trust Agreement, will be required to be used under the Trust Agreement to pay principal and interest represented by the Certificates as it becomes due, to the extent of such moneys. No assurance can be given that the amount of such funds would be sufficient to pay all the Certificates when due.

In the event that the Leased Property has been taken in whole pursuant to eminent domain proceedings, all Net Proceeds, together with funds, if any, then on hand in funds held by the Trustee will be applied to the extraordinary redemption of the Certificates and the Lease shall terminate on the date possession is taken from the County. No assurance can be given that the Net Proceeds of eminent domain and other moneys available under the Trust Agreement will be sufficient to redeem all of the Outstanding Certificates.

As required by the provisions of A.R.S. Section 38-511, the County may, within three years after its execution, cancel any contract (including the Financing Documents), without penalty or further obligation, made by the County if any person significantly involved in initiating, negotiating, securing, drafting, or creating the Financing Documents on behalf of the County (a "County Representative") is, at any time while the Financing Documents or any extension thereof are in effect, an employee of any other party to the Financing Documents in any capacity or a consultant to any other party of the Financing Documents with respect to the subject matter thereof. The cancellation shall be effective when written notice from the Board is received by all other parties to the Financing Documents unless the notice specifies a later time. The Trustee will agree in the Lease not to employ as an employee or an agent, or with respect to the subject matter of the Financing Documents, as a consultant any County Representative within three years from execution of the Financing Documents unless a waiver of Section 38-511 is provided by the Board.

Squire Patton Boggs (US) LLP, Special Counsel with respect to the execution and delivery of the 2019 Certificates ("Special Counsel"), will not render an opinion with respect to the tax-exempt status of payments made to Owners of the 2019 Certificates from sources made available by the County as a result of the termination of the Lease for any reason (including termination upon nonappropriation of funds by the County). If the Lease is terminated while 2019 Certificates are Outstanding, there will be no assurance that after such termination, payments made to Owners (from sources other than funds made available by the County) with respect to interest will be excludable from gross income of the Owners thereof for federal or Arizona income tax purposes.

In addition, neither Special Counsel nor counsel to the Underwriter will render an opinion as to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to the transfer of any 2019 Certificates in the event payments are received from sources made available by the County as a result of termination of the Lease for any reason. If the Lease is terminated while the 2019 Certificates are Outstanding, there will be no assurance that after such termination 2019 Certificates may be transferred by a 2019 Certificate Owner without compliance with the registration provisions of the Securities Act of 1933, as amended, or that an exemption from such registration is available.

Limitations on Remedies. Due to the specialized configuration of the Leased Property and the limited number of potential users of the Leased Property, no assurance can be given that the proceeds from any sale of the Sellable Leased Property or re-leasing of the Leased Property will be sufficient to pay in full the 2019 Certificates. The enforcement of any remedies provided in the Lease and the Trust Agreement could prove both expensive and time consuming. In addition, the enforceability of the Lease and the Trust Agreement is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of the Leased Property upon termination of the Lease or exercise of remedies upon default by the County may result in delays in payment of the Certificates.

Although the Lease and the Trust Agreement provide that the Trustee may take possession of the Leased Property and sell the Sellable Leased Property or re-lease the Ground Leased Property if there is a default by the County thereunder or if the County terminates the Lease, and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, no assurance can be given that revenues from the Trustee's sale or reletting of the Leased Property would be sufficient to pay in full all Outstanding Certificates.

Upon the termination of the Lease or if the County defaults in its obligation to make Lease Payments thereunder, the Trustee will be required to take action to force the County to surrender possession of the Leased Property. However, under the terms of the Trust Agreement, the Trustee will not be under any obligation to take any other action if the Trustee determines that to do so exposes the Trustee to a risk of financial liability (including

environmental liability) for which it reasonably believes it is not adequately indemnified. Prior to taking other actions under the Trust Agreement, the Trustee may request assurances, such as an additional environmental audit, that it will not incur liability by reason of any other action taken by the Trustee pursuant to the Trust Agreement.

SOURCES AND USES OF FUNDS

The sources and uses of funds derived from the sale of the 2019 Certificates are as follows:

Sources of Funds

Par Amount of the 2019 Certificates	
Net Original Issue Premium/(Discount)	_____
Total Sources	=====

Uses of Funds

2019 Acquisition Fund (a)	
Costs of Issuance (Including Underwriter’s Discount)	_____
Total Uses	=====

- (a) This amount will be paid to the County to acquire a leasehold interest in the Justice Building upon execution and delivery of the 2019 Certificates. The County will use such amount to pay for the Improvements. See “PLAN OF FINANCE – The Improvements” herein.

[Remainder of page intentionally left blank.]

ESTIMATED CERTIFICATE PAYMENT REQUIREMENTS

The Lease requires that Lease Payments be paid on the fifteenth day of the month preceding each Interest Payment Date and in the following amounts. The Trust Agreement provides that such amounts be deposited in the Lease Payment Fund and applied, on a semiannual basis, to pay amounts due with respect to the Certificates.

Interest Payment Date	Lease Payments on Outstanding Certificates	2019 Certificates*		Total Lease Payments on Certificates*
		Principal	Interest ^(a)	
06/01/2019	\$4,820,347			\$4,820,347
12/01/2019	24,101,206	\$575,000	\$598,542	25,274,748
06/01/2020	1,703,565		513,750	2,217,315
12/01/2020	23,783,565	1,050,000	513,750	25,347,315
06/01/2021	1,220,713		487,500	1,708,213
12/01/2021	11,215,713	1,100,000	487,500	12,803,213
06/01/2022	982,599		460,000	1,442,599
12/01/2022	8,352,599	1,155,000	460,000	9,967,599
06/01/2023	809,173		431,125	1,240,298
12/01/2023	5,614,173	1,215,000	431,125	7,260,298
06/01/2024	699,144		400,750	1,099,894
12/01/2024	5,729,144	1,275,000	400,750	7,404,894
06/01/2025	582,838		368,875	951,713
12/01/2025	5,852,838	1,340,000	368,875	7,561,713
06/01/2026	460,049		335,375	795,424
12/01/2026	5,980,049	1,405,000	335,375	7,720,424
06/01/2027	330,475		300,250	630,725
12/01/2027	6,115,475	1,475,000	300,250	7,890,725
06/01/2028	193,722		263,375	457,097
12/01/2028	6,253,722	1,550,000	263,375	8,067,097
06/01/2029	49,717		224,625	274,342
12/01/2029	1,279,717	1,625,000	224,625	3,129,342
06/01/2030	25,824		184,000	209,824
12/01/2030	1,305,824	1,705,000	184,000	3,194,824
06/01/2031			141,375	141,375
12/01/2031		1,795,000	141,375	1,936,375
06/01/2032			96,500	96,500
12/01/2032		1,885,000	96,500	1,981,500
06/01/2033			49,375	49,375
12/01/2033		1,975,000	49,375	2,024,375

(a) The first Interest Payment Date on the 2019 Certificates is December 1, 2019*. Interest is estimated.

* Preliminary, subject to change.

LITIGATION

No Litigation Relating to the Certificates. To the knowledge of appropriate representatives of the County, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin, the issuance or delivery of the 2019 Certificates, the Trust Agreement, the Ground Lease or the Lease, or in any way contesting or affecting any authority for the execution and delivery of the 2019 Certificates, or the validity of the 2019 Certificates, the proceeds from the execution and delivery thereof or any agreements entered into in connection therewith, or in any way contesting the existence or powers of the County with regard to the 2019 Certificates, the Trust Agreement, the Ground Lease or the Lease or any agreement, document, duty or covenant pertaining thereto.

Other Litigation; Self-Insurance or Commercial Insurance Coverage. The County has been named as a defendant in several lawsuits for which the County believes either that it has adequate self-insurance or commercial insurance coverage in the event of liability, or that such liability would not otherwise materially and adversely affect the financial condition of the County. In one such matter, the County is currently defending a lawsuit filed against it, and others, in federal court in April 2016 by a plaintiff who claims his constitutional rights were violated and he was wrongfully incarcerated for 42 years. The plaintiff is seeking damages in excess of \$40 million. The County is vigorously defending the lawsuit. The District Court ruled that plaintiff cannot recover compensatory damages for his 42-year incarceration. That issue is being addressed in an interlocutory appeal currently in front of the Ninth Circuit Court of Appeals. The County does not have any commercial liability insurance policies that would cover this claim if plaintiff is successful, so any damages awarded would be paid from the County's self-insurance trust.

LEGAL MATTERS

The 2019 Certificates will be sold with the understanding that the County will furnish the Underwriter with an approving opinion of Squire Patton Boggs (US) LLP, Special Counsel. Form of such opinion is included in Appendix E hereto. Said attorneys have been retained by the County as Special Counsel and in such capacity will render their opinion only upon the legality of the 2019 Certificates under Arizona law and on the exclusion of the interest portion related to the 2019 Certificates from gross income for purposes of calculating federal income taxes and of the exemption of the interest portion related to the 2019 Certificates from State income taxes. (See "TAX MATTERS" herein.) Fees of Special Counsel will be paid from 2019 Certificate proceeds.

Certain legal matters will be passed upon solely for the benefit of the Underwriter by Greenberg Traurig, LLP.

TAX MATTERS

General. In the opinion of Squire Patton Boggs (US) LLP, Special Counsel, under existing law: (i) the portion of the Lease Payments paid and denominated as interest under the Lease and received by the Owners (the "Interest Portion") of the 2019 Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax, (ii) the Interest Portion relating to the 2019 Certificates is exempt from Arizona state income tax so long as that Interest Portion is excluded from gross income for federal income tax purposes. Under certain circumstances, interest paid for periods following termination of the Lease by nonappropriation may not be excludable from gross income for federal income tax or Arizona state income tax purposes. Special Counsel expresses no opinion on the federal income tax or Arizona state income tax treatment of amounts paid to Owners of the 2019 Certificates in the event of termination of the Lease by nonappropriation or as to any other tax consequences regarding the 2019 Certificates. See also "SECURITY FOR THE 2019 CERTIFICATES – Non-appropriation; Other Termination Events." Special Counsel expresses no opinion as to any other tax consequences regarding the 2019 Certificates.

The opinion on tax matters for the 2019 Certificates will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2019 Certificates are and will remain obligations the interest on which is excluded from gross income for federal

income tax purposes. Special Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Special Counsel for the 2019 Certificates is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Special Counsel's legal judgment as to exclusion of the Interest Portion of the 2019 Certificates from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Special Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the Interest Portion relating to the 2019 Certificates being included in gross income for federal income tax purposes retroactively to the date of issuance of the 2019 Certificates. The County has covenanted to take the actions required of it for the Interest Portion relating to the 2019 Certificates to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Notwithstanding the previous sentence, in the event of termination of the Lease by nonappropriation, use of the Leased Property in a manner that would cause the Lease, if such Leased Property had originally been used in such manner, to constitute a "private activity bond" under Section 141 of the Code may prompt the IRS to take the position that the Interest Portion related to the 2019 Certificates is not excluded from gross income for federal income tax purposes, retroactive to the date of execution and delivery of the 2019 Certificates. After the date of issuance of the 2019 Certificates, Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of the Interest Portion or the market value of the 2019 Certificates.

The Interest Portion may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2019 Certificates. Special Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 2019 Certificates, are generally subject to IRS Form 1099-INT information reporting requirements. If a 2019 Certificate owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Special Counsel's engagement with respect to the 2019 Certificates ends with the execution and delivery of the 2019 Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the owners of the 2019 Certificates regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2019 Certificates, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the 2019 Certificates will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2019 Certificates for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the 2019 Certificates.

Prospective purchasers of the 2019 Certificates upon their original issuance at prices other than the respective prices indicated on the inside front cover page of this Official Statement, and prospective purchasers of the 2019 Certificates at other than their original issuance, should consult their own tax advisors regarding other tax

considerations such as the consequences of market discount, as to all of which Special Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the 2019 Certificates. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2019 Certificates will not have an adverse effect on the tax status of the Interest Portion or the market value or marketability of the 2019 Certificates. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the 2019 Certificates from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax and eliminated the tax-exempt advance refunding of tax-exempt bonds, among other things. Additionally, investors in the 2019 Certificates should be aware that future legislative actions might increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the Interest Portion for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the 2019 Certificates may be affected and the ability of holders to sell their 2019 Certificates in the secondary market may be reduced.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium. Certain of the 2019 Certificates (“Discount Certificates”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Certificate. The issue price of a Discount Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Certificate (i) is interest excluded from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the 2019 Certificates, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Certificate. A purchaser of a Discount Certificate in the initial public offering at the issue price (described above) for that Discount Certificate who holds that Discount Certificate to maturity will realize no gain or loss upon the retirement of that Discount Certificate.

Certain of the 2019 Certificates (“Premium Certificates”) may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes certificate premium. For federal income tax purposes, certificate premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually. No portion of that certificate premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner’s tax basis in the Premium Certificate is reduced by the amount of certificate premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate. A purchaser of a Premium Certificate in the initial public offering who holds that Premium Certificate to maturity (or, in the case of a callable Premium Certificate, to its earlier call date that results in the lowest yield on that Premium Certificate) will realize no gain or loss upon the retirement of that Premium Certificate.

Owners of Discount Certificates and Premium Certificates should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or certificate premium, the determination for federal income tax purposes of the amount of OID or certificate premium properly accruable or amortizable in any period with respect to the Discount Certificates or Premium Certificates, other federal tax consequences in respect of OID and certificate premium, and the treatment of OID and certificate premium for purposes of state and local taxes on, or based on, income.

RATINGS

Fitch Ratings, Inc. (“Fitch”) and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) have assigned the 2019 Certificates ratings of “AA” and “AA-”, respectively. Such ratings reflect only the views of Fitch and S&P, and any desired explanation of the significance of these ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch at One State Street Plaza, New York, New York 10004 and S&P at 55 Water Street, 38th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings may subsequently be revised downward or withdrawn entirely by Fitch and S&P, respectively, if in their respective judgment, circumstances warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price and marketability of the 2019 Certificates.

RELATIONSHIP AMONG PARTIES

Special Counsel has previously represented the Underwriter with respect to other financings and has acted or is acting as bond or special counsel with respect to other obligations underwritten by the Underwriter and may do so in the future. Counsel to the Underwriter has previously represented the County with respect to other financings of the County and has acted or is acting as bond, special counsel or underwriter’s counsel with respect to other obligations underwritten by the Financial Advisor or the Underwriter and may do so in the future.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is serving as Financial Advisor to the County in connection with the issuance of the 2019 Certificates. The Financial Advisor’s fee for services rendered with respect to the sale of the 2019 Certificates is contingent upon the issuance and delivery of the 2019 Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the 2019 Certificates to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2020 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”). The Annual Reports and the Notices will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system as described in Appendix F - “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices is set forth in Appendix F - “FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

These covenants have been made in order to assist the Underwriter of the 2019 Certificates in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). Pursuant to Arizona law, the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and mailing the Annual Reports and the Notices to the MSRB. A failure by the County to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2019 Certificates in the secondary

market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2019 Certificates and their market price.

UNDERWRITING

The 2019 Certificates will be purchased by the Underwriter at an aggregate purchase price of \$_____, pursuant to a certificate purchase contract (the “Certificate Purchase Agreement”) entered into by the County and the Underwriter. If the 2019 Certificates are sold to produce the yields shown on the inside front cover page, the Underwriter’s compensation will be \$_____. The Certificate Purchase Agreement will provide that the Underwriter will purchase all of the 2019 Certificates so offered if any are purchased. The Underwriter may offer and sell the 2019 Certificates to certain dealers (including dealers depositing 2019 Certificates into unit investment trusts) and others at yields lower than the public offering prices stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter.

Citigroup Global Markets Inc., the Underwriter of the 2019 Certificates, has entered into a retail distribution agreement with Fidelity Capital Markets, a Division of National Financial Services LLC (together with its affiliates, “Fidelity”). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

FINANCIAL STATEMENTS

Included as Appendix C of this Official Statement are excerpts of the County’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The County has not requested or obtained the consent of the Office of the Arizona Auditor General to include such excerpts in the Official Statement and the Office of the Arizona Auditor General has performed no procedures subsequent to rendering its opinion on such Comprehensive Annual Financial Report.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement may be obtained from RBC Capital Markets, LLC, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016 or Pima County, Director of Finance and Risk Management, 130 West Congress, Tucson, Arizona 85701.

CONCLUDING STATEMENT

To the extent that any statement made in this Official Statement involves matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has been identified by source and has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing are to be construed as part of a contract with the Underwriter or subsequent owners of the 2019 Certificates.

The County has approved and authorized the distribution and use of this Official Statement.

By _____
Chairman, Board of Supervisors

By _____
County Administrator

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**PIMA COUNTY, ARIZONA
General Economic and Demographic Information**

General Information

Pima County, Arizona (the “County”) is located in the southern portion of the State of Arizona (“Arizona” or the “State”), with a section of its southern boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,184 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State’s four original counties, the County is today the second most populous county in Arizona with an estimated 2018 population of 1,034,201. Approximately 52% of the County’s population resides in the City of Tucson, Arizona (“Tucson”), the County seat of government and southern Arizona’s largest city.

**TABLE 1
Population Statistics For Pima County,
the City of Tucson and the State of Arizona**

	<u>Pima County</u>	<u>City of Tucson</u>	<u>State of Arizona</u>
2018 Estimate (a)	1,034,201	543,505	7,076,199
2010 Census	980,263	520,116	6,392,017
2000 Census	843,746	486,699	5,130,632
1990 Census	666,880	405,390	3,665,228
1980 Census	531,443	330,537	2,716,546
1970 Census	351,667	262,933	1,775,399

(a) Population estimates as of July 1, 2018 (released December 2018) provided by the Office of Employment and Population Statistics, Arizona Department of Administration.

Source: Except as otherwise described, U.S. Census Bureau.

Organization

The County is governed by a five-member Board, each member of which is elected for a four-year term to represent one of the designated districts within the County. The chair is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints a County Administrator who is responsible for the general administration and overall operations of the various departments of the County.

Mr. Charles H. Huckelberry was appointed County Administrator in December 1993. From 1987 to 1993, Mr. Huckelberry served as an Assistant County Manager with responsibility for the administration of public works. He served as the Director of Pima County’s Department of Transportation and the Flood Control District from 1979 to 1987; as Deputy Director of the Wastewater Department from 1976 to 1979; and as the Wastewater Department’s Manager of Field Engineering from 1974 to 1976. He was self-employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from The University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Deputy County Administrator in April 2015. He was the Finance and Risk Management Director from 2005 through 2015 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County’s Department of Natural

Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments including the County Assessor, County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with the County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from The University of Arizona, and is licensed as an attorney in the State.

Ms. Michelle Campagne was appointed Finance and Risk Management Director in June 2018 after serving as Deputy Director for eight years and as the Financial Management & Audit Division Manager from November 2004. Ms. Campagne served as the Controller of Pima County's Kino Community Hospital, and for a short time as the Controller of the Regional Wastewater Reclamation Department, between 2000 and 2004. Prior to her work with the County, Ms. Campagne was an auditor with the Office of the Auditor General whose duties included auditing the County. Ms. Campagne has been a Certified Public Accountant since 1995 and holds a Bachelor of Science in Business Administration with a major in Accounting and Finance from the University of Arizona.

Transportation

Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is traversed by Interstates 10 and 19, as well as State Highways 77, 83, 85 and 86. Interstate 10 passes through Tucson and connects Tucson with the City of Phoenix, Arizona, to the north and Los Angeles, California, to the west and New Mexico and Texas to the east. Interstate 19 provides access to the City of Nogales, Arizona and Mexico to the south, while U.S. Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of the Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has an 11,000-ft. lighted, paved primary runway, a 9,100-ft. paved secondary runway and a 7,000-ft paved runway, all of which can accommodate all major types of carriers. The County is also served by Greyhound bus lines and Amtrak.

[Remainder of this page intentionally left blank.]

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Administration, Office of Employment and Population Statistics indicate that 384,600 persons were employed, on average (not including the agricultural industry), in the County in 2018. The following table presents the County's average annual total employment by industry for the periods indicated.

TABLE 2
Pima County
Average Annual Employment
Number of Persons Employed 2014-2018

Industry	2014	2015	2016	2017	2018
Goods Producing					
Mining and Construction	17,100	16,900	16,600	17,500	18,700
Manufacturing	22,500	22,600	23,300	24,200	25,100
Service Providing					
Trade, Transportation and Utilities	60,600	60,500	60,500	61,000	61,700
Information	4,400	4,500	5,100	5,300	5,400
Financial Activities	17,500	17,200	17,200	17,500	17,700
Professional and Business Services	50,000	50,500	51,000	51,600	53,000
Education and Health Services	61,500	62,700	64,700	65,200	66,900
Leisure and Hospitality	41,600	42,900	44,000	44,600	45,400
Other Services	13,500	14,600	13,000	13,000	13,000
Government					
Total Wage & Salary Employment	<u>365,700</u>	<u>368,600</u>	<u>371,800</u>	<u>377,100</u>	<u>384,600</u>

Source: U.S. Department of Labor, Bureau of Labor Statistics and Arizona Office of Economic Opportunity.

The average annual unemployment rate for the County in 2018 was 4.4%. The average annual unemployment rates for 2017 and 2016 were 4.2% and 4.9%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States for the periods indicated.

TABLE 3
Pima County
Comparative Employment Statistics (a)

Calendar Year	Pima County		Average Unemployment Rate		
	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2018	471,255	23,676	4.4%	5.1%	3.9%
2017	456,774	20,140	4.2%	4.9%	4.4%
2016	448,937	23,078	4.9%	5.2%	4.9%
2015	441,243	25,306	5.4%	5.9%	5.3%
2014	434,481	27,846	6.0%	6.7%	6.2%

(a) Data shown in table includes all employment, including agriculture, and is not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics and Arizona Department of Administration, Office of Employment and Population Statistics.

The following table indicates the major employers in southern Arizona, which includes the County.

TABLE 4
Southern Arizona
Major Employers

<u>Company</u>	<u>Type of Business</u>	<u>Approximate Number of Full- Time Equivalents</u>
University of Arizona	Higher Education	12,531
Davis-Monthan Air Force Base	Military and Defense	11,769
Raytheon Missile Systems	Military and Defense	11,471
State of Arizona	Government	8,585
Tucson Unified School District	Education	6,879
Banner Healthcare -UMC	Health Care	6,476
Pima County	Government	5,921
Wal-Mart Stores Inc.	Retailers	4,341
City of Tucson	Government	4,093
Tucson Medical Center	Health Care	4,051

Source: *2018 Comprehensive Annual Financial Report*, Pima County For the Fiscal Year Ended June 30, 2018.

Mining

According to the Arizona Geological Survey, Arizona leads the nation in copper production, accounting for approximately 68% of the total U.S. mine production. However, the cyclical nature of this industry has caused consolidation of its resources to improve production. In the early 1980's, the Arizona copper industry's direct economic impact on the Arizona economy regularly exceeded \$1.0 billion, peaking in 1981 at approximately \$1.612 billion when the industry employed roughly 25,000 persons. Average employment in the mining industry within the County is approximately 1,600 in 2017 and 1,700 in 2018.

Manufacturing

The manufacturing sector in the County continues to be dominated by the high technology industries of aerospace and electronics. Major employers in the manufacturing sector in the County include: Raytheon Missile Systems, the largest manufacturing company and soon to be largest employer in the County is a major supplier of advanced munitions; civilian aviation products and services are provided by Bombardier, which has an aircraft finishing and maintenance facility in Tucson; Honeywell Aerospace which manufactures air data solutions, auxiliary power units, flight management systems and sensors; Paragon Space Development Corporation which manufactures a wide range of life support and thermal control systems that are utilized extensively in space exploration and hazardous industrial conditions; Vector Space which manufactures small, affordable rockets and virtual cube satellites for space exploration; World View which manufactures balloons and multi-use platforms for low cost, low impact, stratospheric exploration; CAID Industries which is a leading company in design and innovative manufacturing technology that fabricates very large scale products for mining, materials handling (pipes and barges), defense, astronomy, biotech and chemical/plastics clients around the world; Ventana Medical Systems which provides computerized medical laboratory equipment; IBM Corp. which manufactures and develops the software for "Cloud" storage hardware; and Texas Instruments which designs and produces electronic circuitry and data storage devices.

Average annual employment in the manufacturing sector within the County in 2018 was 25,100, representing 6.5% of the County’s total wage and salary employment base. The County’s proximity to Mexico makes twin plant “maquiladora” operations practical. Components are manufactured in Tucson and transported duty-free to Nogales, Sonora, Mexico, 65 miles south of Tucson, for assembly. These manufacturers contribute to the County’s economy in many ways, including the support of numerous suppliers and peripheral industries. The proximity of the Mexican border is more significant to manufacturing concerns given the existence of the U.S.-Mexico-Canada Agreement (“USMCA”) between Canada, the United States and Mexico. However, the uncertainty of the U.S. and Mexican economies, as well as any changes to USMCA, may negatively impact the employment of the previously described manufacturing concerns.

Service Providing

The average annual employment in the service-providing categories in 2018 was 263,100, representing 68.4% of the County’s total wage and salary employment base. It is anticipated that as the County continues to grow in population and economic activity, service-providing employment will continue to provide the primary source of jobs in the County. As detailed in TABLE 2, employment in the Education and Health Services and Trade, Transportation and Utilities industries have been the primary areas of employment in the service-providing industry.

Wholesale and Retail Trade

Wholesale and retail trade includes restaurants, hotels, taverns, service stations, automobile repair shops, shopping malls and wholesale dealers. The largest individual employers in the retail sector (companies with more than 1,000 employees) are Wal-Mart Stores, Fry’s Food Stores, Target Corp., Circle K Stores Inc., Walgreen Co., Bashas’ Inc. and Home Depot.

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within the County generally levy a 2% to 4% sales tax. The County Regional Transportation Authority levies a county-wide 0.5% sales tax.

The following table sets forth retail sales figures in the County for the periods indicated.

**TABLE 5
Pima County Retail Sales (a)**

<u>Year</u>	<u>Amount</u>	<u>% Change</u>
2018	\$9,313,421,511	5.54%
2017	8,824,508,568	3.50%
2016	8,525,846,754	1.33%
2015	8,413,970,122	6.96%
2014	7,866,774,190	3.40%

(a) Excludes food and gasoline sales.

Source: Arizona Department of Revenue.

Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC-insured institutions within the County for the past five fiscal years. As of June 30, 2018, there were 19 institutions with 161 offices in the County, with a deposit balance of approximately \$15.717 billion.

TABLE 6
Pima County
Bank Deposits
(\$000)

<u>June 30</u>	<u>Amount</u>
2018	\$15,716,917
2017	15,226,977
2016	14,654,142
2015	13,760,260
2014	13,002,311

Source: Federal Deposit Insurance Corporation.

Education

The University of Arizona (the “University”) provides approximately 12,531 jobs to the area and is an important link to the economic growth of the County. Its presence as a research university has assisted in attracting new business enterprises over the years. The academic organization of the University is comprised of twelve undergraduate colleges, four graduate and professional colleges and a number of interdisciplinary programs. Enrollment figures for the fall semester of 2018 were estimated at 45,217 undergraduate and graduate full-time students. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Pima County Community College offers two-year programs in vocational and technical education. Total student enrollment for Pima County Community College for 2017-18 was 41,987 students.

Source: The University of Arizona and Pima County Community College.

Tourism

Tourism is an important economic mainstay in the County and the Tucson area. The County’s climate, historical and cultural sites, location and proximity to vacation areas in California, Mexico, and other Southwest destinations attract vacationers, conventioners and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimated that 357 convention bookings creating 182,855 room nights in the Tucson area in fiscal year 2017-18, the most recent data available (representing convention sales and sporting events). In the Tucson area, the Bureau estimated that there were approximately 149 hotels and resorts with 15,677 rooms. Points of interest, recreational sites and sight-seeing attractions include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Pima Air and Space Museum, Titan Missile Museum, Saguaro National Park, Mission San Xavier del Bac, Mount Lemmon, Sabino Canyon, Biosphere 2, and numerous resorts and golf courses.

The figures in the following table include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies for 2014 through 2018, which is the most current data available as of the date of this Official Statement.

TABLE 7
Total Tourist Expenditures
(\$ in millions)

<u>Year</u>	<u>Pima County</u>	<u>State of Arizona</u>
2018	\$1,869	\$14,569
2017	1,768	13,584
2016	1,679	12,855
2015	1,647	12,303
2014	1,540	11,311

Source: Arizona Hospitality Research & Resources Center, The W.A. Franke College of Business, Northern Arizona University.

Government

Government employment plays an important role in the County with federal, State and local government employees averaging 77,700 in 2018, representing 20.2% of the County’s total wage and salary employment base. The State, Davis-Monthan Air Force Base and the City of Tucson are significant contributors to government employment in the County. (See “Southern Arizona - Major Employers” listed in TABLE 4.) Davis-Monthan Air Force Base is a major training ground for active duty members on the A-10 “Warthog” aircraft. The facility is also responsible for the education of tactical missile crews. There is an onsite storage facility located on Davis-Monthan Air Force Base for B-29 and C-47 aircraft with more than 4,400 aircraft and 13 aerospace vehicles from the Air Force, Navy-Marine Corps, Army, Coast Guard and several federal agencies, including NASA.

Agriculture

Agriculture plays a less significant role in the economy of the County as a whole, but a small portion of the County relies on agriculture as its leading economic source. Principal crops harvested are cotton, wheat and hay, as well as vegetables.

[Remainder of page intentionally left blank.]

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**PIMA COUNTY, ARIZONA
Financial Information**

Introduction

The fiscal year for the County is from July 1 through June 30. The County's budget process is an ongoing function. Each fiscal year's process starts with the issuance in December of guidelines to all departments within which budgets must be developed. Department budget requests are submitted in February. A review process then takes place culminating with the County Administrator's submission of a proposed budget to the Board in time for budget hearings in mid-June. State statutes require that a tentative budget be adopted by the Board no later than the third Monday in July. At the time the final budget is adopted, which can be no later than the first Monday in August of each year, the Board holds a public hearing and meeting to determine the tax levy needed to support the budget. Taxes are then assessed and levied no later than the third Monday in August.

Expenditure Limitation

Beginning in fiscal year 1981-82, the County became subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County's annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitutional provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation.

The County's expenditure limitation for the 2017-18 fiscal year was \$559,403,353. The County's expenditures for the 2017-18 fiscal year did not exceed the limit. The County's 2018-19 fiscal year expenditure limitation is \$576,640,443, and the County anticipates that its expenditures for such year will not exceed the limit.

PROPERTY TAX INFORMATION

Recent Constitutional and Statutory Changes Affecting Property Taxes

Beginning in fiscal year 2015-16 and for each fiscal year thereafter, a voter-approved constitutional amendment and related enabling legislation imposes additional limits on the growth in taxable value of most real property and improvements, including mobile homes, used for levying ad valorem property taxes, including both primary and secondary ad valorem taxes. Primary ad valorem taxes are levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and certain special taxing districts as described below. Secondary ad valorem taxes are levied for debt retirement, voter-approved budget overrides and the maintenance and operation of special service districts as described below.

Prior to fiscal year 2015-16, the value of real property and improvements, including mobile homes, used for levying primary ad valorem taxes was based on a limited property value described below ("Primary Property Tax Value") and the value used for levying secondary ad valorem taxes ("Secondary Property Tax Value") was based on full cash value ("Full Cash Value") described below. The Primary Property Tax Value for property increased by the greater of either 10% of the prior year's Primary Property Tax Value or 25% of the difference between the prior year's Primary Property Tax Value and the current year's Full Cash Value. There was no limit on the growth of Full Cash Value or Secondary Property Tax Value. See "Tax Procedure – Determination of Full Cash Value" herein. As more fully described below, property assessment ratios were then applied against these respective values, and property exempt from taxation was netted out of the valuation, to arrive at "Net Assessed Primary Value" and "Net Assessed Secondary Value". The tax rate imposed for primary tax and secondary tax purposes was then applied against the respective Net Assessed Primary Value or Net Assessed Secondary Value to determine the respective primary and secondary tax levy amounts.

Beginning with fiscal year 2015-16 and thereafter, both primary ad valorem taxes and secondary ad valorem taxes are levied based upon a revised limited property value (the “Limited Property Value”), which (i) for locally assessed property (as described below) in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is equal to the lesser of (a) the Full Cash Value of the property or (b) an amount five percent greater than the Limited Property Value of such property determined for the prior year and (ii) for centrally valued property (as described below) is equal to the Full Cash Value. Property that is subject to an equalization order that the State Legislature exempts from the above property tax limitation is also valued at Full Cash Value. There is no limit on the growth of Full Cash Value of such exempted or centrally assessed property. The property tax assessment ratios are then applied against the Limited Property Value, and property exempt from taxation is netted out of the Limited Property Value, to arrive at “Net Assessed Limited Property Value.” The tax rates imposed for both primary tax and secondary tax purposes are then applied against the Net Assessed Limited Property Value to determine the respective primary and secondary tax levy amounts.

Because fiscal year 2015-16 was the first year for implementation of the constitutional amendment and use of Limited Property Values and Net Assessed Limited Property Values, there is currently limited comparative data for such property values from prior fiscal years to present in this Official Statement. Accordingly, information prior to fiscal year 2014-15 is presented using the then-applicable, but now replaced valuation rules, including Net Assessed Primary Values and Net Assessed Secondary Values.

Additional changes may be made to the manner in which properties are valued for tax purposes and taxes are levied. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

Ad Valorem Taxes

General

For tax purposes in Arizona, real property is either valued by the Assessor of the County or by the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Arizona Department of Revenue is referred to as “centrally valued” property and includes: (1) property used in the business of patented or unpatented producing mines, mills and smelters; (2) producing oil, gas and geothermal interests; (3) real property and improvements used for operation of telephone, telegraph, gas, water and electric utilities; (4) aircraft regularly scheduled and operated by an aircraft company; (5) standing timber; (6) pipelines; and (7) personal property, except mobile home.

Primary Taxes

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts, certain special taxing districts, and the State are primary taxes. These taxes are levied against the Net Assessed Limited Property Value of the taxing jurisdiction. The State does not currently levy ad valorem taxes but the State currently requires a county (including the County) to levy a “State equalization assistance property tax” to provide equalization assistance to school districts in such county which is used to offset the cost of State equalization to those school districts.

The amount of primary taxes levied by a county (including the County), city, town and community college district is constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit amount plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). Each taxing entity’s maximum allowable property tax levy limit amount was rebased to the amount of actual 2005 primary property taxes levied (plus amounts levied against property not subject to taxation in the prior year). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property.

Secondary Taxes

Taxes levied for debt retirement, voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts are secondary taxes. These taxes are levied against the Net Assessed Limited Property Value. There is no limitation on annual levies for voter-approved bond indebtedness and certain special district assessments are also unlimited. Debt service on general obligation bonds is payable solely from secondary property taxes.

Tax Procedures

Tax Year

The Arizona tax year is defined as the calendar year, although tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year, when payment of the second installment of property taxes for the prior tax year becomes delinquent.

Determination of Full Cash Value

The first step in the tax process is the determination of the Full Cash Value of each parcel of real property within the State. Full Cash Value is statutorily defined to mean “that value determined as prescribed by statute” or if no statutory method is prescribed it is “synonymous with market value.” “Market value” means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally includes the market approach, the cost approach and the income approach. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the county assessor’s valuations by providing evidence of a lower value, which may be based upon another valuation approach.

The Assessor of the County, upon meeting certain conditions, may value residential, agricultural and vacant land at the same Full Cash Value for up to three years. The Assessor of the County currently values existing properties on a two-year cycle.

Arizona law provides for a property valuation “freeze” on Full Cash Value for certain residential property owners 65 years of age and older. Owners of residential property may obtain such freeze against valuation increases (the “Property Valuation Protection Option”) if the owners’ total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the “Social Security Income Benefit Rate.” The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its then-current Full Cash Value. Any freeze on increases in Full Cash Value will translate to the assessed value of the affected property as hereinafter described.

Following the determination of the Full Cash Value, the Assessor of the County then determines the Limited Property Value by applying any applicable property growth limitations as described under “Recent Constitutional and Statutory Changes Affecting Property Taxes” above.

Assessment Ratios

All property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) that is multiplied by the applicable Limited Property Value to obtain the assessed valuation. The appropriate property classification ratio is applied to the Limited Property Value of each property parcel according to its classification to determine the assessed valuation for such parcel. The current assessment ratios for each class of property are set forth in the following table.

**Property Tax Assessment Ratios
Tax Years 2014 through 2019**

<u>Property Classification (a)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Mining, Utility, Commercial and Industrial (b)	19.0%	18.5%	18.0%	18.0%	18.0%	18.0%
Agriculture and Vacant Land (b)	16.0	16.0	15.0	15.0	15.0	15.0
Owner Occupied Residential	10.0	10.0	10.0	10.0	10.0	10.0
Lease or Rented Residential	10.0	10.0	10.0	10.0	10.0	10.0
Railroad, Private Car Company and Airline Flight Property (c)	16.0	15.0	14.0	15.0	15.0	15.0

- (a) Additional classes of property exist, but seldom amount to a significant portion of a taxing jurisdiction's total valuation.
- (b) For tax year 2019, Full Cash Values, up to an amount established by law for each tax year, on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the Full Cash Value in excess of that amount will be assessed at the applicable rate.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total Limited Property Value of all mining, utility, commercial, industrial, and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total Full Cash Value of such properties.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue

On or before the third Monday in August of each year, the Board of Supervisors of the County prepares the tax roll that sets forth the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer. With the various budgetary procedures having been completed by the governmental entities, the appropriate primary and secondary tax rate for each jurisdiction is then applied to the Net Assessed Limited Property Value of each parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the fiscal year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

The State Legislature, from time to time, may change the manner in which taxes are levied, including changing the assessment ratios and property classifications. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

Delinquent Tax Procedures

The property taxes due the County are billed, along with State, County, and other taxes, in September of each year and are payable in two installments on the subsequent October 1 and March 1. The delinquent tax dates are November 1 and May 1 and delinquent taxes are subject to a penalty of 16% per annum unless the full year's taxes are paid by December 31. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) At the close of the tax collection period, the Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer's deed to the certificate holder as prescribed by law.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are over secured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a bankrupt taxpayer within the County. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial condition of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. Neither the County nor the Underwriter have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the Treasurer is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the County's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

Property Valuations

The following tables list the property valuations for the County for fiscal year 2018-19. As used herein, "Estimated Net Full Cash Value" is the Full Cash Value net of the estimated Full Cash Value of property exempt from taxation. For more information on constitutional and statutory changes in the taxable values of property beginning in fiscal year 2018-19 and thereafter, see "Recent Constitutional and Statutory Changes Affecting Property Taxes" above.

Property Valuations for Fiscal Year 2018-19

Estimated Net Full Cash Value (a)	\$78,338,559,102
Net Assessed Limited Property Value	\$8,333,892,906

(a) Actual full cash value net of estimated value of property exempt from taxation.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association; *Abstract of the Assessment Roll*, Arizona Department of Revenue.

Net Assessed Valuation Comparisons and Trends

The tables shown below indicate (a) for fiscal years 2015-16 through 2018-19, the Net Assessed Limited Property Value for the City of Tucson (the “City”), the County and the State of Arizona, utilizing new constitutional and statutory property valuation requirements, and (b) for fiscal years 2013-14 through 2014-15, changes in the then-applicable, but now-replaced Net Assessed Secondary Values of the City, the County and the State of Arizona.

**Fiscal Years 2015-16 through 2018-19
Net Assessed Limited Property Values**

<u>Fiscal Year</u>	<u>City of Tucson</u>	<u>Percent Increase/ (Decrease)</u>	<u>Pima County</u>	<u>Percent Increase/ (Decrease)</u>	<u>State of Arizona</u>	<u>Percent Increase/ (Decrease)</u>
2018-19	\$3,414,161,333	2.65%	\$8,333,892,906	3.21%	\$62,328,439,592	4.92%
2017-18	3,326,014,485	4.41%	8,074,957,717	3.30%	59,406,279,473	4.98%
2016-17	3,185,432,195	1.98%	7,816,699,760	2.58%	56,589,592,481	3.19%
2015-16(a)	3,123,670,375	(0.26%)	7,620,360,873	0.53%	54,838,548,829	(0.93%)

(a) Percent increase/(decrease) shown for fiscal year 2015-16 reflects the change from fiscal year 2014-15 Net Assessed Secondary Values.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

**Fiscal Years 2013-14 through 2014-15
Changes in Net Assessed Secondary Values**

<u>Fiscal Year</u>	<u>City of Tucson</u>	<u>Percent Change</u>	<u>Pima County</u>	<u>Percent Change</u>	<u>State of Arizona</u>	<u>Percent Change</u>
2014-15	\$3,131,952,246	(0.61%)	\$7,579,898,868	(0.57%)	\$55,352,051,074	5.24%
2013-14	3,151,042,287	(6.70%)	7,623,691,280	(6.70%)	52,594,377,492	(6.54%)

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

County Net Assessed Valuation and Estimated Net Full Cash Value Comparison

The following tables indicate (a) for fiscal years 2015-16 through 2018-19, the ratio between Net Assessed Limited Property Value and estimated Net Full Cash Value for the County, utilizing new constitutional and statutory property valuation requirements, and (b) for fiscal years 2013-14 through 2014-15, the ratio between Net Assessed Secondary Values and estimated Net Full Cash Values for the County, using the then-applicable but now-replaced Net Assessed Secondary Values of the County. As used herein, “Estimated Net Full Cash Value” is the Full Cash Value net of the estimated Full Cash Value of property exempt from taxation.

**Fiscal Years 2015-16 through 2018-19
Ratio Between Net Assessed Limited Property Value and Estimated Net Full Cash Value**

<u>Fiscal Year</u>	<u>Net Assessed Limited Property Value</u>	<u>Estimated Net Full Cash Value (a)</u>	<u>Percent of Net Assessed Limited Property Value to Estimated Net Full Cash Value</u>
2018-19	\$8,333,892,906	\$78,338,559,102	10.64%
2017-18	8,074,957,717	73,567,864,241	10.98%
2016-17	7,816,699,760	71,496,784,504	10.93%
2015-16	7,620,360,873	67,373,304,653	11.31%

(a) Actual full cash value net of estimated value of property exempt from taxation.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association; *Abstract of the Assessment Roll*, Arizona Department of Revenue.

**Fiscal Years 2013-14 through 2014-15
Ratio Between Net Assessed Secondary Values and
Estimated Net Full Cash Values**

<u>Fiscal Year</u>	<u>Net Secondary Assessed Value</u>	<u>Estimated Net Full Cash Value (a)</u>	<u>Percent of Net Assessed Secondary Value to Estimated Net Full Cash Value</u>
2014-15	\$7,579,898,868	\$63,492,262,442	11.94%
2013-14	7,623,691,280	63,198,953,329	12.06%

(a) Actual full cash value net of estimated value of property exempt from taxation.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association; *Abstract of the Assessment Roll*, Arizona Department of Revenue.

Net Assessed Property Values of Major Taxpayers

The table shown indicates the major property taxpayers located within the County, an estimate of their 2018-19 Net Assessed Limited Property Value, utilizing new constitutional and statutory property valuation requirements, and their relative proportion of the total Net Assessed Limited Property Value for the County.

**Fiscal Year 2018-19
Major Taxpayers**

<u>Taxpayer (a)</u>	<u>Use of Property</u>	<u>2018-19 Net Assessed Limited Property Values</u>	<u>As % of County's Net Assessed Limited Property Values</u>
Unisource Energy Corporation	Utility	\$217,567,270	2.61%
Southwest Gas Corporation	Utility	92,374,580	1.11
Phelps Dodge Sierrita Inc / Sierrita Mine	Mining	71,721,583	0.86
Asarco LLC / Mission Mine	Mining	36,334,794	0.44
Centurylink Communications LLC / Qwest	Telecommunications	35,335,437	0.42
Northwest / Oro Valley Hospital LLC	Healthcare	33,046,586	0.40
Sierrita Gas Pipeline LLC	Utility	28,750,653	0.34
Smsj Tucson Holdings LLC	Healthcare	25,005,191	0.30
DND Neffson Co	Shopping Mall	23,149,725	0.28
Wal-Mart Stores Inc	Retail	23,020,291	0.28
		<u>\$586,306,110</u>	<u>7.04%</u>

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at <http://www.sec.gov>. No representative of the County, Special Counsel, the Financial Advisor, the Underwriter or Underwriter's Counsel has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.

Source: Pima County Assessor.

Record of Real and Secured Property Taxes Levied and Collected

Property taxes are levied and collected on property within the County and certified by the Treasurer of the County. The following table sets forth the tax collection record of the County for the current fiscal year and past five fiscal years.

Fiscal Year	Real and Secured Personal Property Tax Levy (a)	Fiscal Year Collections (b)		Total Collections (c)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2018-19	\$383,919,840	(d)	(d)	\$214,120,789	55.77%
2017-18	382,610,679	\$373,936,069	97.73%	379,437,172	99.17%
2016-17	378,248,910	369,473,180	97.68%	377,118,479	99.70%
2015-16	374,101,317	361,343,121	96.59%	373,095,676	99.73%
2014-15	359,297,850	347,288,004	96.66%	358,213,809	99.70%
2013-14	323,026,354	311,703,395	96.49%	321,735,555	99.60%

- (a) Reflects the Primary Tax Levy and the Secondary Debt Service Levy.
- (b) Reflects collections made through June 30th, the end of the fiscal year, on such year’s levy. Property taxes are payable in two installments. The first installment is due on October 1 and becomes delinquent on November 1, but is waived if the full tax year’s taxes are paid in full by December 31. The second installment is due on March 1 and becomes delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.
- (c) Reflects collections made through January 31, 2019 against the current and prior levies.
- (d) In the process of collection.

Source: Pima County Treasurer.

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the County. As such, the rates are the sum of the primary tax rate and the secondary tax rate, which are levied against the Net Assessed Limited Property Value within the County, the County Library District, the County Fire District Assistance Tax and the County Flood Control District (except in the case of the Flood Control District, which excludes the value of personal property).

Fiscal Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2018-19	\$4.0696	\$1.5829	\$5.6525
2017-18	4.4596	1.5647	6.0243
2016-17	4.2896	1.5956	5.8852
2015-16	4.3877	1.5755	5.9632
2014-15	4.2779	1.4860	5.7639
2013-14	3.6665	1.4644	5.1309

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Foundation.

Debt Limitation

Pursuant to the Arizona Constitution and Arizona statutes, outstanding general obligation debt for county purposes may not exceed 15% of a county’s Net Assessed Full Cash Value. “Net Assessed Full Cash Value” as set forth in Arizona law is the County’s Full Cash Value after the application of property assessment ratios and net of property exempt from taxation. See “PROPERTY TAX INFORMATION – Ad Valorem Taxes – Tax Procedures” in this Appendix B. The following indicates the County's current bonding capacity.

Net Assessed Full Cash Value (FY 2018-19)	\$9,030,168,554
15% Constitutional Limitation	1,354,525,283
Net Direct General Obligation Bonds Outstanding	<u>275,990,000</u>
Unused 15% Limitation	<u><u>\$1,078,535,283</u></u>

General Obligation Bonded Debt Outstanding

The following chart lists the outstanding general obligation bonded debt of the County.

Date of Issue	Original Amount	Original Purpose	Original Maturity Dates	Remaining Balance Outstanding
02-15-08	\$100,000,000	Various Improvements	7-1-08/22	\$7,500,000
04-22-09	75,000,000	Various Improvements	7-1-09/23	6,000,000
12-02-09	113,535,000	Various Improvements and Refunding	7-1-10/24	19,195,000
05-25-11	75,000,000	Various Improvements	7-1-12/26	14,360,000
06-13-12	76,225,000	Various Improvements and Refunding	7-1-13/27	32,880,000
06-05-13	88,575,000	Various Improvements and Refunding	7-1-14/28	45,575,000
01-30-14	10,000,000	Various Improvements	7-1-15/28	7,390,000
04-14-15	15,000,000	Various Improvements	7-1-15/29	9,690,000
07-06-16	122,070,000	Refunding	7-1-18/26	114,005,000
02-01-17	25,680,000	Various Improvements	7-1-17/21	19,395,000
Total General Obligation Bonded Debt Outstanding				<u><u>\$275,990,000</u></u>

[Remainder of page intentionally left blank.]

Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

The following chart indicates the general obligation debt service requirements of the County.

Fiscal Year June 30	General Obligation Bonded Debt Outstanding		Total Debt Service Requirement
	Principal	Interest	
2019	\$48,655,000	\$9,470,672	\$58,125,672
2020	52,425,000	8,092,617	60,517,617
2021	40,945,000	6,646,987	47,591,987
2022	40,350,000	5,173,294	45,523,294
2023	28,810,000	3,561,281	32,371,281
2024	20,215,000	2,448,181	22,663,181
2025	13,630,000	1,692,981	15,322,981
2026	14,160,000	1,164,281	15,324,281
2027	9,910,000	609,419	10,519,419
2028	5,905,000	255,569	6,160,569
2029	985,000	29,550	1,014,550

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the Treasurer of the County and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, Net Assessed Limited Property Value and combined tax rate per \$100 of Net Assessed Limited Property Value follows. Outstanding bonded debt is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. The applicable percentage of each municipality's Net Assessed Limited Property Value which lies within the County's boundaries (see the "Approximate Percent" column below) was derived from information obtained from the Treasurer of the County.

Direct and Overlapping Jurisdiction	2018-19 Net Assessed Limited Property Value	General Obligation Bonded Debt Outstanding (a)(f)(g)	Portion Applicable to the County		2018-19 Combined Tax Rate Per \$100 Net Assessed Limited Property Value(e)
			Approx. Percent	Net Debt Amount	
State of Arizona	\$62,328,439,592	None	100%	None	\$0.0000
Pima County	8,333,892,906	\$275,990,000	100%	\$275,990,000	6.8260 (b)
Pima County Flood Control District (c)	7,576,148,151	None	100%	None	0.3335
Pima County Community College District	8,333,892,906	None	100%	None	1.3983
Joint Technical Education District	8,193,060,106	None	100%	None	0.0500
Avra Valley Fire District	30,119,589	2,585,000	100%	2,585,000	4.1000
Northwest Fire District	1,136,805,280	32,810,000	100%	32,810,000	3.0501
Rincon Valley Fire District	118,646,980	3,410,000	100%	3,410,000	3.2719
Three Points Fire District	38,177,680	745,000	100%	745,000	4.7500
Gladden Farms Community Facilities District	22,384,644	7,540,000	100%	7,540,000	2.4400
Quail Creek Community Facilities District	18,097,544	9,425,000	100%	9,425,000	3.3000
Elementary School Districts	406,427,001	13,860,000	100%	13,860,000	3.0290 (d)
Unified School Districts	7,908,901,610	604,405,000	100%	604,405,000	6.2456 (d)
Cities and Towns	4,850,562,476	174,640,000	100%	174,640,000	1.0442 (d)
Total				\$1,125,410,000	

<u>Jurisdiction</u>	<u>2018-19 Net Assessed Limited Property Value</u>	<u>General Obligation Bonded Debt Outstanding (a)(f)(g)</u>	<u>2018-19 Combined Tax Rate Per \$100 Net Assessed Limited Property Value (e)</u>
State of Arizona	\$62,328,439,592	None	\$0.0000
Pima County	8,333,892,906	\$275,990,000	6.8260 (b)
Pima County Flood Control District (c)	7,576,148,151	None	0.3335
Pima County Community College District	8,333,892,906	None	1.3983
Joint Technical Education District	8,193,060,106	None	0.0500
Avra Valley Fire District	30,119,589	2,585,000	4.1000
Northwest Fire District	1,136,805,280	32,810,000	3.0501
Rincon Valley Fire District	118,646,980	3,410,000	3.2719
Three Points Fire District	38,177,680	745,000	4.7500
Gladden Farms Community Facilities District	22,384,644	7,540,000	2.4400
Quail Creek Community Facilities District	18,097,544	9,425,000	3.3000
Elementary School Districts:			
San Fernando ESD #35	10,724,672	None	4.3145
Empire ESD #37	6,861,817	None	6.4884
Continental ESD #39	342,028,832	13,860,000	2.5037
Redington ESD #44	1,397,663	None	8.6853
Altar Valley ESD #51	45,414,017	None	5.9852
Unified School Districts:			
Tucson USD #1	3,304,883,937	134,135,000	6.5554
Marana USD #6	837,559,768	136,240,000	6.0840
Flowing Wells USD #8	196,945,255	26,380,000	6.8860
Amphitheater USD #10	1,530,659,161	79,855,000	5.4919
Sunnyside USD #12	426,219,566	67,640,000	5.6636
Tanque Verde USD #13	190,910,119	9,910,000	5.4150
Ajo USD #15	18,119,943	None	4.5585
Catalina Foothills USD #16	613,623,642	37,595,000	5.4212
Vail USD #20	492,662,891	61,605,000	7.1643
Sahuarita USD #30	295,178,623	51,045,000	8.4240
Indian Oasis Baboquivari USD #40	2,138,705	None	0.0000
Cities and Towns:			
City of Tucson	3,414,161,333	174,640,000	1.4819
City of South Tucson	22,169,911	None	0.2512
Town of Marana	535,042,025	None	0.0000
Town of Oro Valley	645,311,769	None	0.0000
Town of Sahuarita	233,877,438	None	0.0000

- (a) Includes general obligation bonds outstanding. Does not include outstanding principal amount of various cities and towns improvement districts' bonded debt and outstanding principal amount of various County improvement districts' bonded debt, as the indebtedness of these districts is presently being paid from special assessments levied against property owners residing within the various improvement districts. Also does not include various fire districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be

set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% is interest bearing and the remaining 27% is non-interest bearing. These percentages are fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona's Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per \$100 of Net Assessed Limited Property Value, of which fourteen cents is being currently levied. (See Sections 48-3715 and 48-3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

- (b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the State equalization tax rate of \$0.4741, the \$0.5153 tax rate of the Free Library District, the \$0.1400 tax rate of the CAP and the \$0.0441 tax rate of the Fire District Assistance Tax.
- (c) The boundaries of the Pima County Flood Control District are coterminous with those of the County; however, the Flood Control District only levies taxes on real property.
- (d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of Net Assessed Limited Property Value.
- (e) The combined tax rate includes the tax rate for debt service and for all other purposes such as maintenance and operation and capital outlay.
- (f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County.

<u>Jurisdiction</u>	<u>Authorized But Unissued General Obligation Bonds</u>
Pima County	\$1,000
Marana Unified School District No. 6	20,000,000
Flowing Wells Unified School Dist. No. 8	9,990,000
Amphitheater Unified School District No. 10	43,500,000
Catalina Foothills Unified School District No. 16	4,800,000
Vail Unified School District No. 20	61,300,000
Avra Valley Fire District	1,200,000
Northwest Fire District	9,500,000
Rincon Valley Fire District	10,285,000
Gladden Farms Community Facilities District	59,170,000
Quail Creek Community Facilities District	17,340,000

- (g) Additional general obligation bonds may be authorized by these and other jurisdictions within the County at future elections.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The County’s direct and overlapping general obligation bonded debt as described in the above table is shown below on a per capita basis and as a percent of the County’s Net Assessed Limited Property Value and estimated Net Full Cash Value. As used herein, “Estimated Net Full Cash Value” is the Full Cash Value net of the estimated Full Cash Value of property exempt from taxation.

	Per Capita Net Debt (Pop. @ 1,034,201) (a)	As Percent of County's 2018-19	
		Net Assessed Limited Property Value (\$8,333,892,906)	Estimated Net Full Cash Value (\$78,338,559,102)
Net Direct General Obligation Bonded Debt (\$275,990,000)	\$266.86	3.31%	0.35%
Net Direct and Overlapping General Obligation Bonded Debt (\$1,125,410,000)	\$1,088.19	13.50%	1.44%

(a) Population estimates as of July 1, 2018 (released December 2018) provided by the Office of Employment and Population Statistics, Arizona Department of Administration.

Street and Highway Revenue Bonded Debt Outstanding (a)

The following table indicates the outstanding street and highway bonds of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
02-15-08	\$25,000,000	Street & Highway Improvements	7-1-09/22	\$ 2,600,000
12-02-09	23,420,000	Street & Highway Improvements/Refunding	7-1-13/24	5,055,000
05-30-12	32,945,000	Street & Highway Improvements/Refunding	7-1-13/27	12,275,000
01-30-14	24,805,000	Street & Highway Improvements/Refunding	7-1-15/28	12,500,000
04-16-15	13,685,000	Refunding	7-1-16/20	10,250,000
07-06-16	28,315,000	Refunding	7-1-18/24	26,650,000
04-12-18	11,000,000	Street & Highway Improvements	7-1-19/33	11,000,000
Total Street and Highway Revenue Bonds Outstanding				<u>\$80,330,000</u>

(a) Does not include approximately \$25,000,000 street and highway revenue bonds the County plans to issue in April 2019 pursuant to a separate official statement.

Sewer Revenue Debt Outstanding (a)

The following table lists the outstanding sewer revenue bonds, loans and obligations of the County that have a lien on the revenues of the County’s wastewater system.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Original Maturity Dates</u>	<u>Balance Outstanding</u>
10-09-09	\$ 10,002,383	Sewer Improvements (b)	7-1-10/24	\$ 3,554,892
06-17-10	165,000,000	Sewer Improvements	7-1-14/25	34,830,000
12-13-11	189,160,000	Sewer Improvements	7-1-12/26	48,920,000
12-06-12	128,795,000	Sewer Improvements	7-1-13/27	88,550,000
02-12-14	48,500,000	Sewer Improvements	7-1-15/28	37,740,000
07-07-16	211,595,000	Refunding	7-1-18/26	209,500,000
02-09-17	45,000,000	Sewer Improvements	7-1-18/31	42,325,000
04-12-18	38,205,000	Sewer Improvements	7-1-26/33	38,205,000
Total Sewer Revenue Bonds, Loans and Obligations Outstanding				<u>\$503,624,892</u>

- (a) Does not include approximately \$21,585,000 of sewer revenue obligations the County plans to issue in April 2019 pursuant to a separate official statement.
- (b) Represents funds borrowed under a Loan Agreement with the Water Infrastructure Finance Authority of Arizona.

Lease, Lease-Purchase and Purchase Agreements

The County has one lease purchase agreement and one installment note payable outstanding. The County department benefited by the agreements and the scheduled payments on the agreements over the past five fiscal years appears below.

<u>County Department</u>	<u>(In Thousands)</u>				
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Clerk of Superior Court	\$63	\$84	\$96	\$73	\$51
Environmental Quality	298	-	-	-	-
Sheriff	160	160	160	160	-
County Administration	-	-	3,625	7,217	1,628
Fiscal Year Total	<u>\$521</u>	<u>\$244</u>	<u>\$3,881</u>	<u>\$7,450</u>	<u>\$1,679</u>

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following table indicates the outstanding certificates of participation of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Balance Outstanding
02-04-10	\$20,000,000	New Money	06-1-11/19	\$2,625,000
05-22-13	80,175,000	New Money	12-1-13/22	10,460,000
02-12-14	52,160,000	New Money	12-1-15/28	39,355,000
04-14-16	43,935,000	New Money & Refunding	12-1-16/30	21,605,000
04-19-18	62,660,000	New Money	12-1-18/20	24,965,000
Total Certificates of Participation Outstanding				\$99,010,000
Plus: The 2019 Certificates Offered Herein				21,125,000*
Total Certificates of Participation to be Outstanding				\$120,135,000*

Retirement and Other Postemployment Benefit Plans

The County does not own or administer retirement plans but contributes to six separate State owned and managed defined benefit pension and other postemployment benefit plans for all full-time employees and elected officials. Please refer to “Note 10 – Pensions and Other Postemployment Benefits” of Appendix C hereto for a more detailed description of these plans and the County contributions to the various State plans.

New Reporting Requirements. In June 2015, the Government Accounting Standards Board issued GASB Statement 75, effective for the County’s fiscal year ended June 30, 2018. This statement revises existing standards for measuring and reporting a liability for postemployment benefits other than pensions provided to County employees. The statement requires recognition of a liability, which is measured as the total OPEB liability less the amount of the OPEB plan’s fiduciary net position. The total OPEB liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the OPEB plan’s fiscal year end.

For fiscal year 2018, the County is reporting a net pension and OPEB liability of \$826.0 million, which includes \$76.9 million of net deferred outflows, \$106.9 million of incremental pension and OPEB expense, and a \$44.9 million reduction in unrestricted net position.

The Arizona State Retirement System (ASRS), Public Safety Personnel Retirement System (PSPRS) – Pima County Sheriffs, Corrections Officer Retirement Plan (CORP), CORP - Administrative Office of the Courts (CORP AOC), and the Elected Officials Retirement Plan (EORP) are described below. The PSPRS – Pima County Attorney Investigators pension plan and all OPEB plans are not described below due to their relative insignificance to the County’s financial statements. The County does not provide any other postemployment benefits outside of these State administered plans.

1. The ASRS plan, a cost-sharing, multiple employer defined benefit plan, has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: <https://www.azasrs.gov/content/annual-reports>.

For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members’ annual covered payroll. The County’s employer contributions to ASRS for the year ended June 30, 2018, were \$25.6 million, which was equal to the required contribution for such year, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$30.5 million. The contributions by County employees to ASRS are collectively equal to the contributions made by the County.

* Preliminary, subject to change.

Enacted State legislation made changes to how the ASRS operates, effective July 1, 2011, which includes requiring employers to pay an alternative contribution rate for retired employees of ASRS that return to work, changing the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a Defined Contribution and Retirement Study Committee (as defined in the legislation) that will review the feasibility and cost of changing the current defined benefit plan of ASRS to a defined contribution plan.

For the fiscal year ending June 30, 2019, the employee contribution rate increased to 11.64 percent and the County's contribution rate increased to 11.18 percent.

2. The PSPRS plan, an agent multiple-employer defined benefit plan that covers public safety personnel who are regularly assigned to hazardous duties, for which the Arizona State Legislature establishes and may amend active plan members' contribution rate, has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active PSPRS members were required by statute to contribute 11.65 percent for retirement of the active members' annual covered payroll. The County was required to contribute at the actuarially determined rate of 63.07 percent, with the aggregate of the employee and County amounts resulting in the actuarially required amount. As allowed by statute, the County also contributed 3.65 percent of the members' required contribution, with the members' net contribution as a result falling to 8.00 percent. The County's employer contributions to PSPRS for the year ended June 30, 2018, were \$18.8 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$19.1 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 11.65 percent, and the County's contribution rate increased to 63.12 percent.

3. The CORP plan, an agent multiple-employer defined benefit plan that covers certain County employees whose primary duties require direct inmate contact, for which the Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates, has reported increases in its unfunded liabilities. The most recent annual reports for the CORP may be accessed at: <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active CORP members were required by statute to contribute 8.41 percent of the member's annual covered payroll, and the County was required to contribute at the actuarially determined rate of 24.86 percent, the aggregate of which is the actuarially required amount. The County's employer contributions to CORP for the year ended June 30, 2018, were \$5.1 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$7.1 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 8.41 percent, and the County's contribution rate increased to 32.09 percent.

4. The CORP AOC plan, an agent multiple-employer defined benefit plan that covers County probation officers, for which the Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates, has reported increases in its unfunded liabilities. The most recent annual reports for the CORP may be accessed at: <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active CORP AOC members were required by statute to contribute 8.41 percent of the member's annual covered payroll, and the County was required to contribute at the actuarially determined rate of 22.51 percent, the aggregate of which is the actuarially required amount. The County's employer contributions to CORP AOC for the year ended June 30, 2018, were \$3.0 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$5.4 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 8.41 percent, and the County's contribution rate increased to 32.43 percent.

5. The EORP plan, a cost-sharing multiple-employer defined benefit plan that covers County elected officials and judges, was closed to new members on January 1, 2014, but has reported increases in its unfunded

liabilities. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The most recent annual reports for the EORP may be accessed at: <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active EORP members were required by statute to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll, the aggregate of which is the actuarially required amount. The County's employer contributions to EORP for the year ended June 30, 2018, were \$1.5 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$1.5 million.

Due to the delay in the release of the final audited Elected Officials Retirement Plan (EORP) report, the immateriality of the amounts to the government-wide statements, related footnote disclosures, and related required supplementary information (RSI) schedules, and as the pension related amounts are estimates, the County used amounts from the unaudited EORP actuarial report within its June 30, 2018 financial statements. This resulted in an understatement of pension expense, deferred outflows of resources related to pensions, and net pension liability of \$7.5 million, \$0.9 million, and \$8.7 million, respectively, and an overstatement of deferred inflows of resources related to pensions of \$0.3 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 7 or 13 percent, and the County's contribution rate increased to 61.50 percent.

The effect of the increase in the unfunded liabilities for the six state plans is expected to result in increased contributions by the County and its employees, however the specific increases for the County's and its employees' future annual contributions cannot be determined at this time.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF ALL
GOVERNMENTAL FUND TYPES (a)
(In \$000)

	Actual				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues by Source:					
Property Taxes	\$385,829	\$431,371	\$450,054	\$460,312	\$481,222
Licenses and Permits	8,275	8,456	8,824	9,305	9,906
Intergovernmental	292,082	296,628	314,918	308,555	302,668
Charges for Services	57,826	60,222	62,258	66,852	63,917
Fines and Forfeits	8,652	9,509	8,420	8,110	7,526
Interest Income	1,737	1,155	1,812	2,257	4,022
Miscellaneous	17,464	15,680	16,835	17,908	19,941
Total Revenues	<u>771,865</u>	<u>823,021</u>	<u>863,121</u>	<u>873,299</u>	<u>889,202</u>
Expenditures by Fund:					
General	469,984	497,425	488,730	505,024	501,674
Special Revenues	135,746	197,172	208,676	208,522	210,513
Debt Service	140,623	108,992	109,768	119,425	116,867
Capital Projects	195,400	100,788	70,473	73,922	78,370
Total Expenditures	<u>941,753</u>	<u>904,377</u>	<u>877,647</u>	<u>906,893</u>	<u>907,424</u>
Excess of Revenues Over (Under) Expenditures	(169,888)	(81,356)	(14,526)	(33,594)	(18,222)
Other Financing Sources (Uses):					
Proceeds from Capital Lease Agreements	-	-	149	-	-
Premium on Bonds	9,488	5,949	2,552	17,661	2,621
Proceeds of Long-Term Debt	78,160	72,025	34,295	25,680	73,660
Proceeds from Refunding Debt	8,805	13,685	9,640	150,385	-
Payment to Escrow Agent	(10,131)	(15,250)	(11,010)	(166,816)	-
Operating Transfers In (Out)	(27,457)	(27,247)	(18,507)	22,404	27,286
Capital Lease/Installment Note	239	11,500	-	1,700	-
Sale of General Fixed Assets	360	119	89	246	566
Total Other Financing Sources (Uses)	<u>59,464</u>	<u>60,781</u>	<u>17,208</u>	<u>51,260</u>	<u>104,133</u>
Net Change in Fund Balance	(110,424)	(20,575)	2,682	17,666	85,911
Beginning Fund Balance, as restated	382,556	271,883	251,373	253,933	271,595
Changes in Reserve for Inventory	(228)	50	(110)	-	-
Changes in Reserve for Prepaids	-	15	(12)	(4)	-
Ending Fund Balance	<u>\$271,904</u>	<u>\$251,373</u>	<u>\$253,933</u>	<u>\$271,595</u>	<u>\$357,506</u>

Source: Pima County Finance and Risk Management Department.

(a) This table has not been subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
STATEMENT OF FUND BALANCES - ALL GOVERNMENTAL
FUND TYPES (a)
(In \$000)

	Actual				
	2013-14	2014-15	2015-16	2016-17	2017-18
General					
Nonspendable	\$5,278	\$4,053	\$2,931	\$4,318	\$4,566
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	181	194	201	80	101
Unassigned	42,731	47,878	77,550	97,638	108,825
	48,190	52,125	80,682	102,036	113,492
Special Revenue					
Nonspendable	1,894	2,515	2,323	2,496	2,676
Restricted	60,984	53,155	57,141	62,263	90,924
Committed	6,308	6,320	6,962	2,821	1,972
Assigned	4,204	3,769	3,289	9,421	4,747
Unassigned	(6,536)	(4,770)	(9,097)	(7,006)	(7,690)
	66,854	60,989	60,618	69,995	92,629
Debt Service					
Assigned	7,848	8,424	6,656	3,127	5,004
	7,848	8,424	6,656	3,127	5,004
Capital Projects					
Nonspendable	-	-	-	-	-
Restricted	145,256	126,827	104,274	96,228	136,889
Committed	3,836	3,065	1,508	-	-
Assigned	-	-	195	209	9,492
Unassigned	(80)	(57)	-	-	-
	149,012	129,835	105,977	96,437	146,381
Total Fund Balance	\$271,904	\$251,373	\$253,933	\$271,595	\$357,506

Source: Pima County Finance and Risk Management Department.

(a) This table has not been subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN GENERAL FUND BALANCE (a)
(In \$000)

	Actual				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues by Source:					
Property Taxes	\$280,965	\$324,840	\$336,904	\$341,668	\$342,036
Licenses and Permits	2,928	2,989	3,135	3,235	3,281
Intergovernmental	135,953	142,459	145,907	154,264	157,776
Charges for Services	35,671	41,253	44,465	47,072	41,314
Fines and Forfeits	4,211	3,789	3,401	3,564	3,532
Interest Income	287	225	389	711	1,203
Miscellaneous	7,322	6,167	6,510	7,476	5,668
Total Revenues	467,337	521,722	540,711	557,990	554,810
Expenditures:					
Current					
General Government	206,356	217,325	219,122	224,494	223,344
Public Safety	136,825	138,723	143,359	148,132	146,832
Sanitation		1,290	1,205	1,271	1,214
Health	3,543	3,527	3,557	3,585	3,763
Welfare	92,858	93,211	88,117	89,647	94,594
Culture & Recreation	17,859	30,915	17,418	18,194	17,973
Education & Econ. Opport.	12,383	12,274	12,092	12,323	12,893
Debt Service:					
Principal	146	149	3,098	6,815	952
Interest	14	11	762	563	109
Miscellaneous	-	-	-	-	-
Total Expenditures	469,984	497,425	488,730	505,024	501,674
Excess of Revenues Over (Under)					
Expenditures	(2,647)	24,297	51,981	52,966	53,136
Other Financing Sources (Uses):					
Capital Lease/Installment Note	-	11,500	-	-	-
Sale of General Fixed Assets	-	15	1	-	11
Operating Transfers In (Out)	(9,695)	(31,877)	(23,425)	(31,612)	(41,691)
Total Other Financing Sources (Uses):	(9,695)	(20,362)	(23,424)	(31,612)	(41,680)
Net Change in Fund Balance	(12,342)	3,935	28,557	21,354	11,456
Beginning Fund Balance, as restated	60,532	48,190	52,125	80,682	102,036
Ending Fund Balance	\$48,190	\$52,125	\$80,682	\$102,036	\$113,492

Source: Pima County Finance and Risk Management Department.

(a) This table has not been subject to any separate audit procedures.

**EXCERPTS FROM
PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

The following are excerpts from the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The County has not requested the State of Arizona Auditor General to perform any review of the County's Comprehensive Annual Financial Report subsequent to June 30, 2018. These are the most recent audited financial statements available to the County. These financial statements are not current and may not represent the current financial position of the County.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, one major fund, and the discretely presented component unit, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses or expenditures of the opinion units affected.

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
<u>Government-wide statements</u>				
Governmental activities:				
Stadium District	1.51%	0.43%	1.13%	1.06%
School Reserve Fund	0.04%	0.14%	0.21%	0.25%
Wireless Integrated Network	0.09%	0.02%	0.34%	0.32%
Self-Insurance Trust	3.05%	2.47%	2.03%	1.84%
Health Benefit Trust	1.55%	0.38%	7.58%	7.32%
Business-type activities:				
Regional Wastewater Reclamation Department	98.10%	98.94%	94.20%	94.69%
Development Services	0.41%	0.96%	4.56%	3.47%
Discretely presented component unit:				
Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
<u>Fund statements</u>				
Major enterprise fund:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
Aggregate remaining fund information:				
Stadium District	0.11%	2.20%	0.31%	0.34%
School Reserve Fund	0.11%	0.26%	0.07%	0.10%
Wireless Integrated Network	0.38%	0.13%	0.13%	0.11%
Development Services	0.95%	3.28%	0.37%	0.26%
Self-Insurance Trust	12.84%	19.94%	0.77%	0.66%
Health Benefit Trust	6.51%	3.08%	2.88%	2.62%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the other auditors' reports. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 33, budgetary comparison schedules on pages 99 and 100, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 101, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 102 and 103, and schedule of county pension contributions on page 104, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for highway user revenue fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

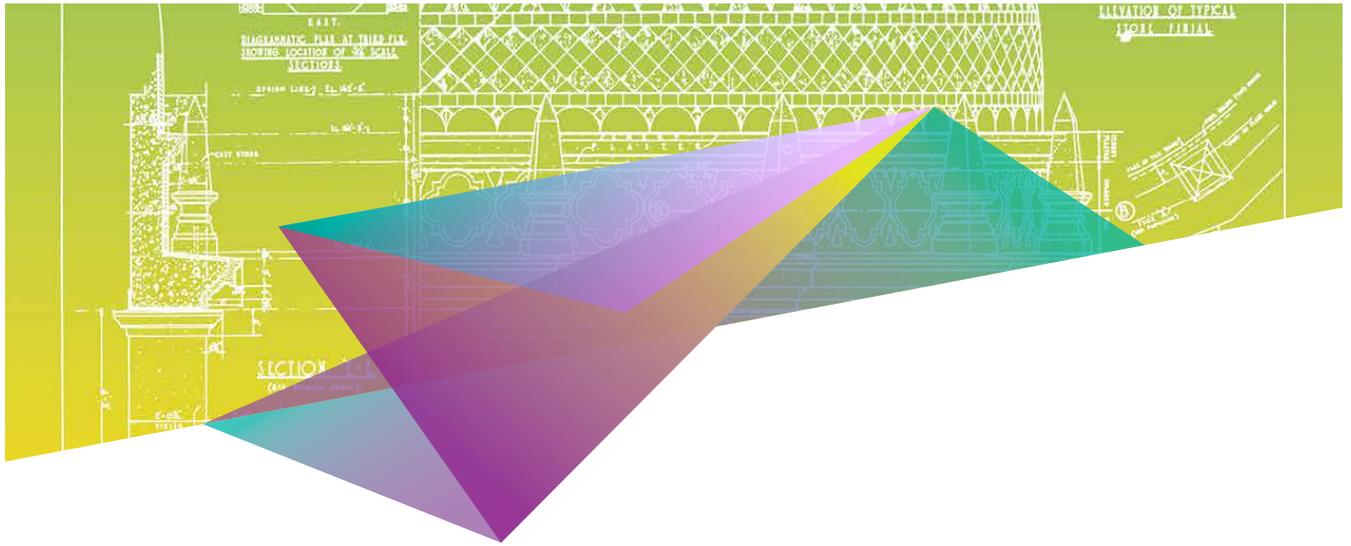
Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE
Auditor General

December 19, 2018

(This page is intentionally left blank)



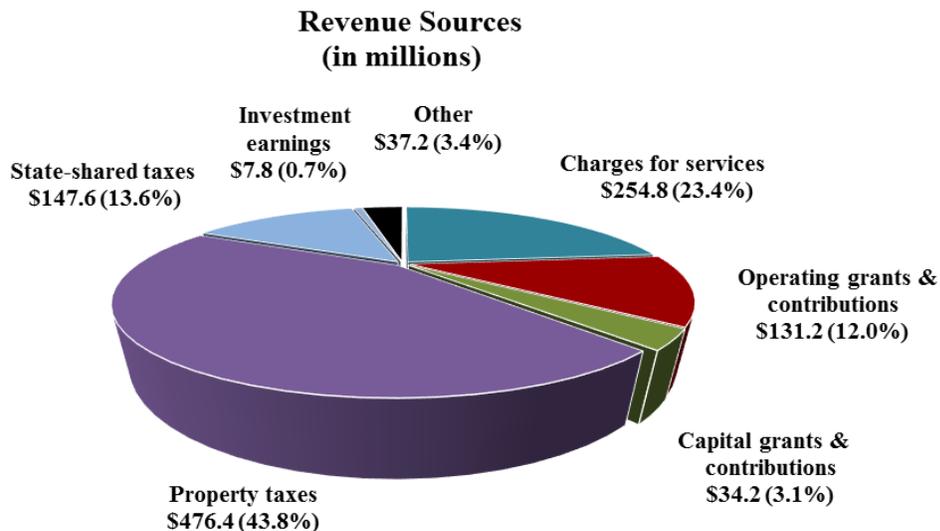
MANAGEMENT'S DISCUSSION AND ANALYSIS

Pima County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2018

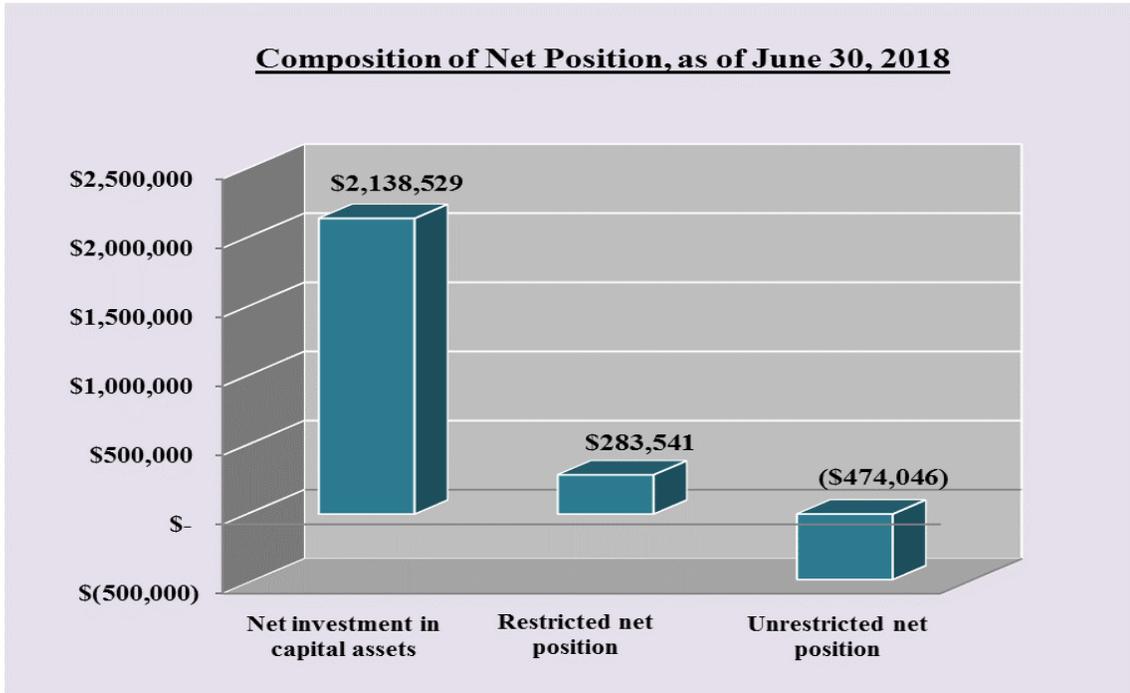
Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2018. Please read it in conjunction with the transmittal letter, which begins on page 1 and the County's basic financial statements, which begin on page 35. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

Financial Highlights

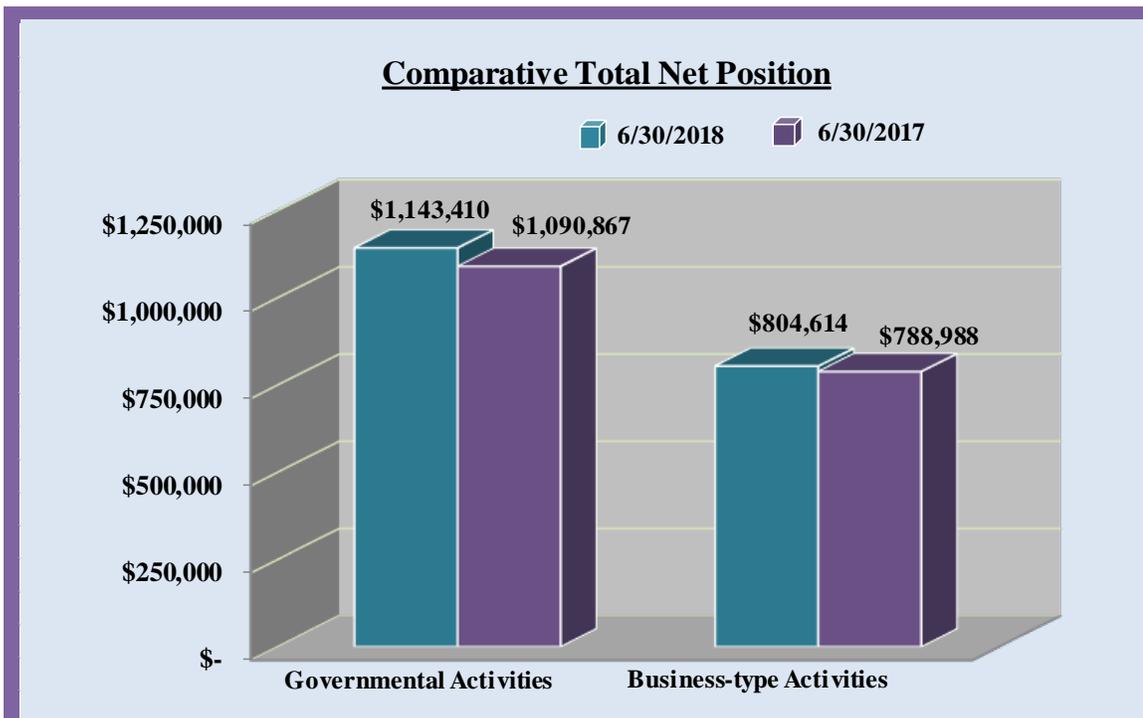
- The County restated the prior year's total net position to \$1,879,855 due to a change in accounting principle and a correction of a misstatement. The change in accounting principle was due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. This resulted in a \$58 increase in total net position. The correction of a misstatement was due to land, infrastructure, and other improvements assets that were contributed to other governments in prior years, which resulted in a \$23,568 decrease in governmental activities net position. For additional information refer to page 55, Note 2, Change in Accounting Principle and Correction of a Misstatement – Prior Period Adjustment. The comparisons to prior year financials within this discussion and analysis will be based on these restated amounts.
- The County's total net position increased \$68,169; an increase of \$18,550 when compared to the prior year's restated change in net position of \$49,619; primarily due to property tax revenues of \$20,089 from a Board of Supervisors approved property tax specific to transportation that was in place only for fiscal year 2018.
- During the current year, the County issued \$11,000 in Transportation Revenue Bonds to fund various street and highways improvements and \$38,205 in Sewer Revenue Obligations to finance the construction, expansion, and improvement of sewer treatment facilities and conveyance systems. In addition, the County issued \$62,660 in Certificates of Participation for various road improvements and other capital projects.
- The County's primary sources of revenue come from property taxes, charges for services, state shared taxes, and grants and contributions as displayed below:



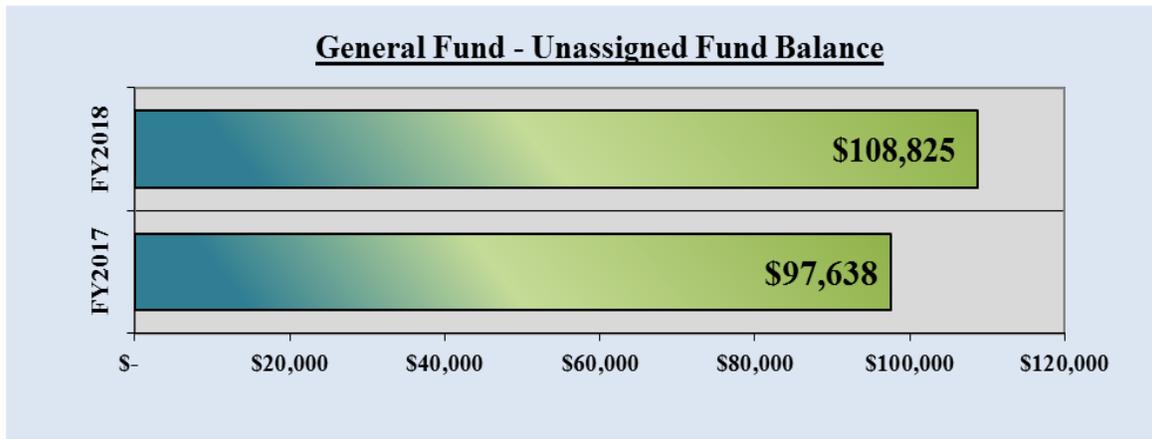
- The composition of the County's total net position at June 30, 2018, \$1,948,024, is illustrated in the following chart.



- Governmental Activities total net position at June 30, 2018, is \$1,143,410, representing an increase of \$52,543 (4.8%) from the prior fiscal year's restated net position, primarily due to increases of \$23,361 in property taxes revenues, \$7,952 in State-shared tax revenues, and \$5,247 in net transfers. Business-type Activities total net position of \$804,614, increased by \$15,626 (2.0%) in the current fiscal year, primarily due to an increase of \$6,693 in charges for services revenues and a decrease of \$6,846 in Regional Wastewater Reclamation (RWR) expenses.



- The current fiscal year's General Fund unassigned fund balance of \$108,825 is an increase of \$11,187 (11.5%) from \$97,638 in the prior fiscal year. The unassigned fund balance comprises 95.9% of the total fund balance of \$113,492. Refer to the analysis of the General Fund provided on page 27 for additional details about the fund's financial activities during the year.



Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) Government-wide Statements, (2) Fund Statements, and (3) Notes to the Financial Statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of County finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all County assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) in contrast to other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include: Regional Wastewater Reclamation, Development Services, and the County's downtown parking garages.

The Southwestern Fair Commission is presented as a discretely presented component unit and is included in the basic financial statements. The Commission, which operates the County Fairgrounds and annual Pima County Fair, is a legally separate entity for which the County is financially accountable.

The government-wide financial statements can be found on pages 35-37.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable state statutes and Federal Office of Management and Budget budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds*, (2) *proprietary funds*, and (3) *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Projects, and Debt Service funds, which are reported as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

The governmental fund financial statements can be found on pages 38-41. The combining statements for non-major governmental funds can be found on pages 108-111.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for employee health and health related benefits, risk management, automotive fleet maintenance and operations, telecommunications, wireless, and information technology network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The RWR Enterprise Fund is considered to be a major fund of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of combining statements.

The proprietary fund financial statements can be found on pages 42-45. The combining statements for other enterprise and internal service funds can be found on pages 129-136.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 46-47.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages **48-97**.

Required Supplementary Information (RSI) is presented concerning the County’s General Fund budgetary schedule and the schedule of the County’s Proportionate Share of the Net Pension Liability for Cost Sharing Plans, the Schedule of Changes in the County’s Net Pension Liability and Related Ratios for Agent Pension Plans, and the Schedule of County Pension Contributions. Required supplementary information can be found on pages **99-105**.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service, and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages **108-140**.

Government-Wide Financial Analysis

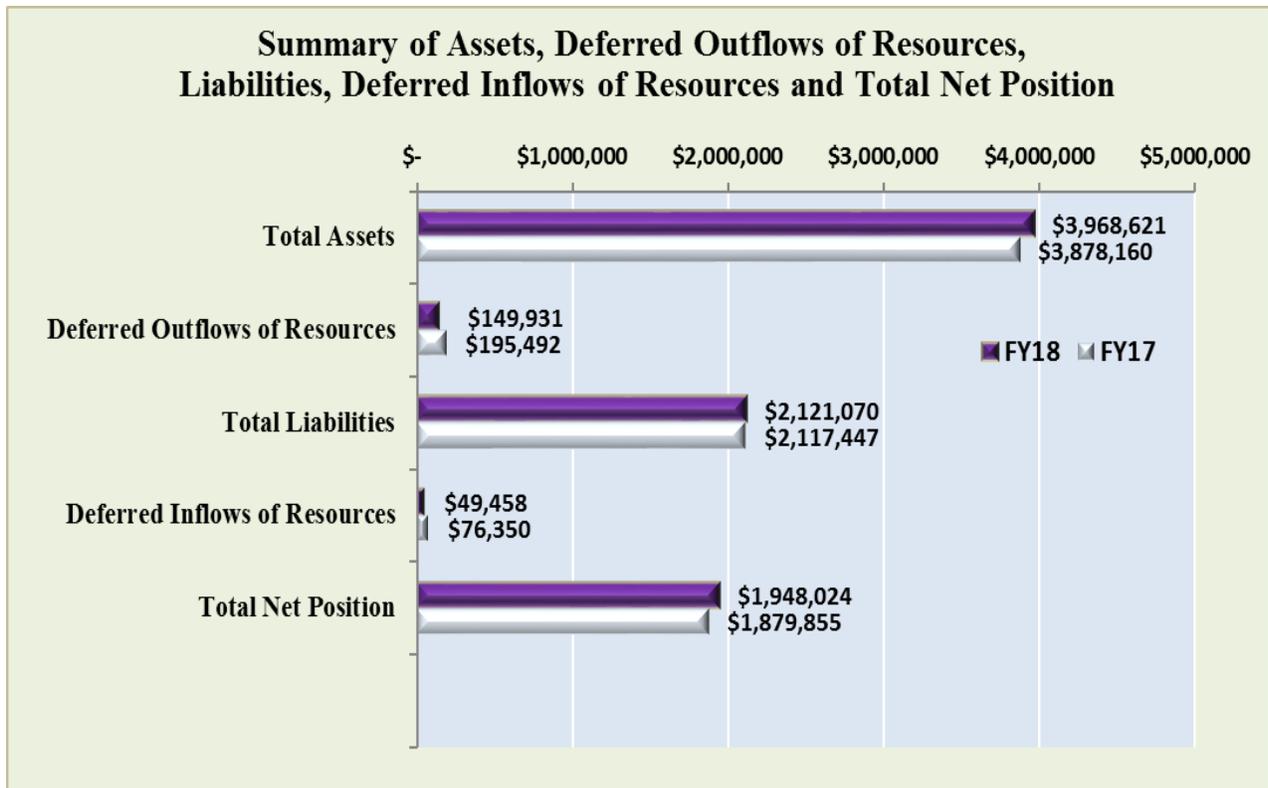
As noted earlier, net position may serve as a useful indicator of a government’s financial position over time. An analysis of the results of operations is also useful. The schedule below identifies variances in the results of operations.

Schedule of Results of Operations and Net Position For the Years Ended June 30, 2018 and 2017			
	2018	2017 (as restated)	Variance
Charges for services	\$ 254,803	\$ 247,714	\$ 7,089
Operating grants and contributions	131,222	130,049	1,173
Capital grants and contributions	34,196	42,621	(8,425)
Total program revenues	<u>420,221</u>	<u>420,384</u>	<u>(163)</u>
Total general revenues and transfers	<u>668,992</u>	<u>636,106</u>	<u>32,886</u>
Total program and general revenues	<u>1,089,213</u>	<u>1,056,490</u>	<u>32,723</u>
Total expenses	1,021,044	1,006,871	14,173
Change in net position	<u>\$ 68,169</u>	<u>\$ 49,619</u>	<u>\$ 18,550</u>

Total general revenues and transfers increased by \$32,886, mainly due to a \$23,361 increase in property tax revenues and a \$7,952 increase in State-shared tax revenues within governmental activities. Total expenses increased by \$14,173, primarily due to increases of \$19,483 and \$4,554 in general government and welfare expenses, respectively, within governmental activities, partially offset by a \$4,017 decrease in interest on long-term debt within governmental activities and a \$7,432 decrease in total business-type activities expenses. These variances resulted in an \$18,550 increase in the change in net position, to \$68,169.

An explanation of each of these changes is discussed further in the following governmental and business-type activities sections.

The graph presented below illustrates at a summary level the changes in the elements of the Statement of Net Position for the County at June 30, 2018, and June 30, 2017.



A general discussion of significant variances between fiscal years follows. For a more detailed discussion, please see the governmental activities and business-type activities sections immediately following this section.

The total of County assets at June 30, 2018, was \$3,968,621, an increase of \$90,461 (2.3%) from the prior year, while total liabilities increased by \$3,623 (0.2%) from the prior year, ending at a balance of \$2,121,070. Deferred outflows of resources related to pensions and other postemployment benefits decreased by \$39,156, and deferred outflows of resources related to deferred charges on refunding decreased by \$6,405, for a total decrease in deferred outflows of resources of \$45,561 (23.3%). Deferred inflows of resources decreased \$26,892 (35.2%) from the prior year, ending at a balance of \$49,458.

The result of these changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources was an increase in net position of \$68,169 (3.6%), to \$1,948,024 in the current fiscal year, from \$1,879,855 in the prior fiscal year.

The largest portion of the County's net position is reflected in its net investment in capital assets (i.e., land, buildings, infrastructure, and equipment) less any related outstanding debt used to acquire those assets. At June 30, 2018, net investment in capital assets totaled \$2,138,529, an increase of \$78,322 (3.8%) from the prior year, due to the increase of \$46,072 (3.3%) for governmental activities and the increase of \$32,250 (4.9%) in net investment in capital assets for business-type activities. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources subject to external restrictions on how they may be used comprise the restricted net position of \$283,541, which is an increase of \$34,751 (14.0%) from the prior year and represents approximately 14.6% of total net position.

The following schedule presents, on a comparative basis, both governmental activities and business-type activities within the Statement of Net Position.

Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position At June 30, 2018 and 2017									
	Governmental Activities			Business-type Activities			Total		
	FY2018	FY2017 (as restated)	Variance	FY2018	FY2017 (as restated)	Variance	FY2018	FY2017 (as restated)	Variance
Current and other assets	\$ 621,056	\$ 503,733	\$ 117,323	\$ 195,914	\$ 196,947	\$ (1,033)	\$ 816,970	\$ 700,680	\$ 116,290
Capital assets (net):									
Land, buildings, equipment, infrastructure & other assets	1,918,766	1,946,587	(27,821)	1,232,885	1,230,893	1,992	3,151,651	3,177,480	(25,829)
Total assets	<u>2,539,822</u>	<u>2,450,320</u>	<u>89,502</u>	<u>1,428,799</u>	<u>1,427,840</u>	<u>959</u>	<u>3,968,621</u>	<u>3,878,160</u>	<u>90,461</u>
Deferred outflows of resources									
Pension and OPEB	121,311	157,382	(36,071)	5,086	8,171	(3,085)	126,397	165,553	(39,156)
Deferred charges on refunding	8,003	10,808	(2,805)	15,531	19,131	(3,600)	23,534	29,939	(6,405)
Total deferred outflows of resources	<u>129,314</u>	<u>168,190</u>	<u>(38,876)</u>	<u>20,617</u>	<u>27,302</u>	<u>(6,685)</u>	<u>149,931</u>	<u>195,492</u>	<u>(45,561)</u>
Current and other liabilities	69,707	61,383	8,324	23,534	10,499	13,035	93,241	71,882	21,359
Long-term liabilities	1,410,156	1,396,643	13,513	617,673	648,922	(31,249)	2,027,829	2,045,565	(17,736)
Total liabilities	<u>1,479,863</u>	<u>1,458,026</u>	<u>21,837</u>	<u>641,207</u>	<u>659,421</u>	<u>(18,214)</u>	<u>2,121,070</u>	<u>2,117,447</u>	<u>3,623</u>
Deferred inflows of resources									
Pension and OPEB	45,863	69,617	(23,754)	3,595	6,733	(3,138)	49,458	76,350	(26,892)
Total deferred inflows of resources	<u>45,863</u>	<u>69,617</u>	<u>(23,754)</u>	<u>3,595</u>	<u>6,733</u>	<u>(3,138)</u>	<u>49,458</u>	<u>76,350</u>	<u>(26,892)</u>
Net position:									
Net investment in capital assets	1,452,111	1,406,039	46,072	686,418	654,168	32,250	2,138,529	2,060,207	78,322
Restricted	221,652	189,208	32,444	61,889	59,582	2,307	283,541	248,790	34,751
Unrestricted (deficit)	(530,353)	(504,380)	(25,973)	56,307	75,238	(18,931)	(474,046)	(429,142)	(44,904)
Total net position	<u>\$ 1,143,410</u>	<u>\$ 1,090,867</u>	<u>\$ 52,543</u>	<u>\$ 804,614</u>	<u>\$ 788,988</u>	<u>\$ 15,626</u>	<u>\$1,948,024</u>	<u>\$1,879,855</u>	<u>\$ 68,169</u>

Analysis of Net Position for Governmental Activities

The current and other assets total of \$621,056 in the current fiscal year is an increase of \$117,323 (23.3%) over the prior year total of \$503,733. This increase is primarily due to an increase of \$100,014 in the cash and cash equivalents mainly from the \$51,826 increase in the Capital Projects Fund from unspent bond and COPs proceeds, a \$23,147 increase in Other Governmental Funds primarily from new property tax revenues in the Transportation Fund, and a \$13,882 increase in the General Fund from excess revenues over expenditures in the prior and current year.

Total liabilities increased \$21,837 (1.5%) to \$1,479,863 due to a \$13,513 increase in long-term liabilities and an \$8,324 increase in current and other liabilities. The increase in long-term liabilities is due to the \$42,680 increase in the pension and OPEB liabilities resulting from the changes in actuarial estimates related to the net pension and OPEB liabilities for the various retirement plans that the County contributes to for its employees. These increases were partially offset by a net \$27,530 decrease in outstanding debt associated with general obligation bonds, transportation revenue bonds, and COPs due to current year payments on these debts, in addition to a \$1,519 decrease in the installment note payable for a land purchase in prior years.

The deferred outflows decrease of \$38,876 (23.1%) from the prior year total of \$168,190, is mainly due to the decrease of \$36,071 (22.9%) in pension and OPEB. Similarly, the decrease of \$23,754 (34.1%) in deferred inflows of resources is due to the deferred inflows in pensions and OPEB. These variances in deferred outflows and deferred inflows are due to changes in actuarial estimates related to the net pension and OPEB liabilities mentioned above. These changes resulted in an overall increase of \$52,543 (4.8%) in the current year's governmental activities total net position of \$1,143,410.

Analysis of Net Position for Business-type Activities

Total assets of \$1,428,799 in the current fiscal year increased slightly by \$959 (0.1%) from the prior year total of \$1,427,840, resulting from a \$1,992 (0.2%) increase in capital assets and a \$1,033 (0.5%) decrease in current and other assets. The increase was the result of an \$8,040 increase in restricted cash and cash equivalents in RWR, a \$2,662 increase in RWR capital assets from the completion of projects in the current year, and a \$1,757 increase in cash and cash equivalents in the Other Enterprise Funds, primarily from the increased cash position in the Development Services Fund. This was offset primarily by an \$11,124 decrease in cash and cash equivalents in the RWR fund resulting from the cash in-substance defeasance of Sewer Revenue Bonds series 2008 for \$16,320.

Total liabilities decreased \$18,214 (2.8%) in the current year to \$641,207, primarily due to a decrease of \$17,407 in total liabilities of the RWR fund as a result of the cash in-substance defeasance of Sewer Revenue Bonds Series 2008 for \$16,320 mentioned above.

Current year's total deferred outflows of resources related to pensions and OPEB, \$5,086, decreased by \$3,085 (37.8%) from the prior year, while deferred inflows of resources related to pensions and OPEB decreased by \$3,138 (46.6%) to \$3,595 this year. These decreases are primarily due to changes in actuarial estimates related to the net pension liability for the Arizona State Retirement System plan to which the County contributes for its employees within the business-type activities.

The changes in total assets, liabilities, deferred outflows and deferred inflows of resources resulted in a total net position increase of \$15,626 (2%), which ended at a balance of \$804,614.

Governmental Activities

The following table shows details of the changes in net position for governmental activities:

Governmental Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2018 and 2017				
	FY2018	FY2017 (as restated)	Variance	
			Amount	Percent
Program revenues:				
Charges for services	\$ 67,380	\$ 66,984	\$ 396	0.6%
Operating grants and contributions	131,222	130,049	1,173	0.9%
Capital grants and contributions	26,842	37,502	(10,660)	-28.4%
Total program revenues	225,444	234,535	(9,091)	-3.9%
General revenues:				
Property taxes	476,365	453,004	23,361	5.2%
State-shared taxes	147,635	139,683	7,952	5.7%
Investment earnings	5,549	3,297	2,252	68.3%
Other general revenues	36,452	37,260	(808)	-2.2%
Total general revenues	666,001	633,244	32,757	5.2%
Total revenues	891,445	867,779	23,666	2.7%
Expenses:				
General government	279,678	260,195	19,483	7.5%
Public safety	214,460	214,648	(188)	-0.1%
Highways and streets	110,159	110,454	(295)	-0.3%
Sanitation	2,683	5,195	(2,512)	-48.4%
Health	38,186	39,454	(1,268)	-3.2%
Welfare	94,567	90,013	4,554	5.1%
Culture and recreation	65,827	68,350	(2,523)	-3.7%
Education and economic opportunity	43,492	36,663	6,829	18.6%
Amortization	(7,806)	(9,348)	1,542	-16.5%
Interest on long-term debt	23,049	27,066	(4,017)	-14.8%
Total expenses	864,295	842,690	21,605	2.6%
Excess before transfers	27,150	25,089	2,061	8.2%
Transfers in	25,393	20,146	5,247	26.0%
Change in net position	52,543	45,235	7,308	16.2%
Beginning net position as restated *	1,090,867	1,045,632	45,235	4.3%
Ending net position	<u>\$ 1,143,410</u>	<u>\$ 1,090,867</u>	<u>\$ 52,543</u>	4.8%

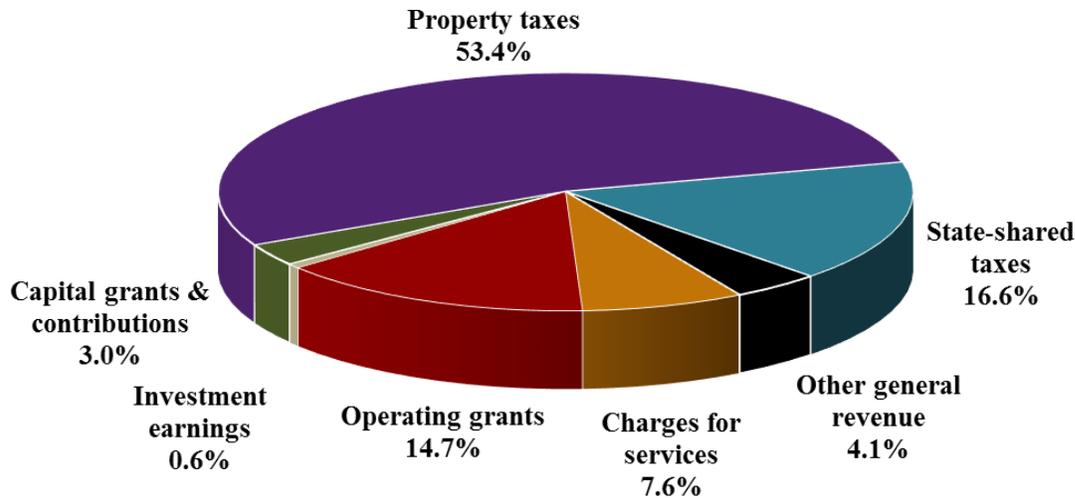
**Beginning net position as restated July 1, 2017, due to the provisions of GASB 75*

Revenues

Total revenues of \$891,445 increased \$23,666 (2.7%) from the prior year, primarily due to an increase of \$23,361 in property taxes that mainly resulted from the previously mentioned transportation property tax, and an increase of \$7,952 in State-shared taxes mainly attributable to a \$6,780 increase in the unrestricted share of state sales tax. These increases were offset by a decrease of \$10,660 in capital grants and contributions, resulting from decreased Regional Transportation Sales Tax Roadway funding in the current year.

The chart below presents general and program revenues, as a percentage to total revenues. The amount provided from each revenue source for governmental activities, as a percentage to total revenue for governmental activities, has not changed significantly from the prior fiscal year. Property taxes, state-shared taxes, and operating grants account for approximately 84.7% of the County's revenues.

General and Program Revenues - Governmental Activities

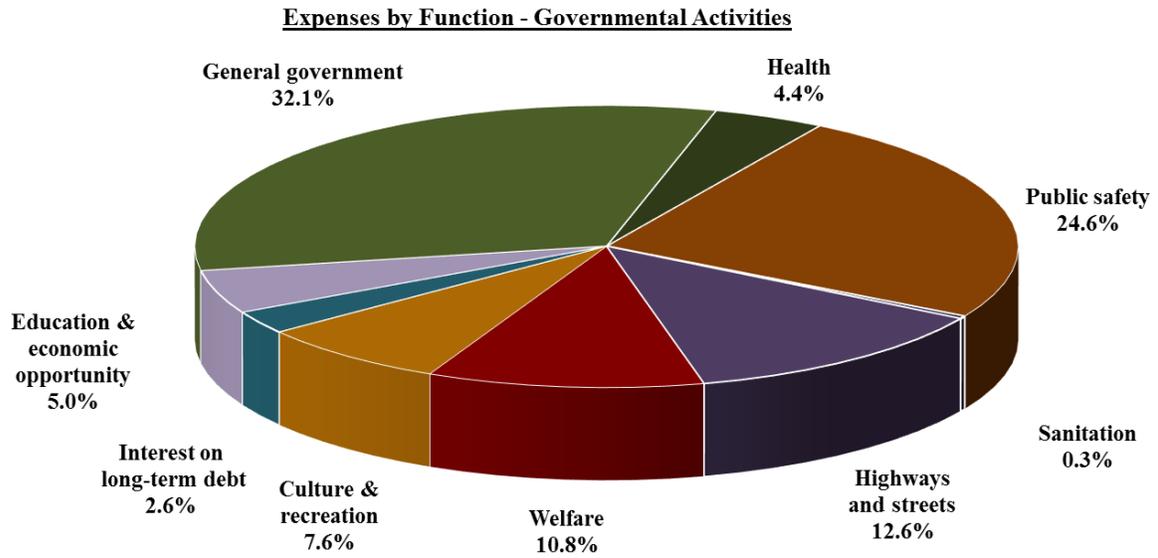


Expenses

Total expenses increased \$21,605 (2.6%) from the prior year, primarily due to an increase of \$19,483 (7.5%) in general government expenses, an increase of \$6,829 (18.6%) in education and economic opportunity expenses and a decrease of \$4,017 (14.8%) in interest on long-term debt. The explanations for these increases and decreases are as follows:

- The general government increase is due in part to an \$11,736 increase in expenses from the internal service funds, specifically \$6,522 in the Self-Insurance Trust fund and \$3,326 in the Other Internal Services fund for Information Technology. The increase in the Self-Insurance Trust fund was primarily due to the change in actuarial estimates for future losses and the increase in the Other Internal Services fund was mainly due to purchases of computer hardware and new software licenses. In addition, there was also a \$7,418 increase in expenses as a result of the increase in the share of the County's total net pension liability attributed to general government.
- The increase in education and economic opportunities is mainly due to a \$1,813 increase in expenditures for the Low Income Housing Energy Assistance Federal grant program, \$1,056 for the Workforce Investment and Opportunity Act Federal grant program, and a collection of increases in other Federal grant programs.
- The decrease in long-term debt is due to lower interest expenses, primarily due to debt refundings completed in the prior year and a reduction of \$48,772 in total outstanding general obligation bonds for the current year. The lower interest costs are a direct result of the significant decrease in the outstanding liability from these bonds. Please refer to Note 7 on page 66 for additional information on long-term liabilities.

The following chart presents expenses by function as a percentage to total expenses, excluding amortizations. The amount of each expense by function as a percentage to total expenses, excluding amortizations, has not changed significantly from the prior fiscal year. General government and public safety account for over half of the County's total expenses.



Business-type Activities

Business-type activities, which are composed exclusively of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. The following schedule shows changes in the net position for business-type activities.

Business-type Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2018, and 2017				
	FY2018	FY2017 (as restated)	Variance	
			Amount	Percent
Program revenues:				
Charges for services	\$ 187,423	\$ 180,730	\$ 6,693	3.7%
Capital grants and contributions	7,354	5,119	2,235	43.7%
Total program revenues	194,777	185,849	8,928	4.8%
General revenues:				
Investment earnings	2,228	1,512	716	47.4%
Other general revenues	763	1,350	(587)	-43.5%
Total general revenues	2,991	2,862	129	4.5%
Total revenues	197,768	188,711	9,057	4.8%
Expenses:				
Regional Wastewater Reclamation	148,405	155,251	(6,846)	-4.4%
Development Services	5,523	6,090	(567)	-9.3%
Parking Garages	2,821	2,840	(19)	-0.7%
Total expenses	156,749	164,181	(7,432)	-4.5%
Excess before transfers	41,019	24,530	16,489	67.2%
Transfers out	(25,393)	(20,146)	(5,247)	26.0%
Change in net position	15,626	4,384	11,242	256.4%
Beginning net position, as restated *	788,988	784,604	4,384	0.6%
Ending net position	\$ 804,614	\$ 788,988	\$ 15,626	2.0%

**Beginning net position as restated July 1, 2017, due to the provisions of GASB 75*

Revenues

Total revenues for business-type activities increased \$9,057 (4.8%), mainly due to an increase of \$5,281 in charges for services in the RWR fund, resulting from a Board of Supervisors approved rate increase of 3% effective June 1, 2017, and an increase of \$2,235 (43.7%) in capital grants and contributions of public sewer facilities constructed by developers and accepted by the County in the RWR fund for continuous maintenance and operations.

Expenses

Total expenses for the business-type activities decreased by \$7,432 (4.5%), primarily due to an overall decrease of \$6,846 (4.4%) in the RWR fund. This decrease was mostly due to a \$ 6,065 drop in nonoperating expenses, including a decrease of \$3,266 in losses from asset retirements, \$1,506 from lower debt issuance costs, and \$1,569 in interest expense savings.

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and generally accepted accounting principles (GAAP).

Governmental Funds

The County's general government functions are accounted for in the General, Capital Projects, Debt Service, and Special Revenue funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library, Stadium, and Rocking K South Community Facilities Districts) acting as the Board of Directors for each district. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the County.

Property tax revenues for the General Fund increased \$368 (0.1%), reflecting the net impact of higher property valuations and a lower property tax rate. Intergovernmental revenues increased \$3,512 (2.3%), primarily due to increases in the State-shared sales tax and State-shared vehicle license tax associated with a continued gradual recovery in the local economy. Charges for services decreased \$5,758 (12.2%), mostly from a decrease in revenues received for administrative overhead cost recovery from other County funds due to lower central administrative support costs in the current year. Overall, revenues for the General Fund decreased by \$3,180 (0.6%) and totaled \$554,810 for the current year.

General fund expenditures totaled \$501,674, a decrease of \$3,350 (0.7%) from the prior year, primarily due to:

- A decrease of \$1,150 in general government expenditures, primarily from Elections activities due to the November 2017 election being all mail-in instead of polling sites.
- A decrease of \$5,863 in debt service principal payments, due to the final payment of \$5,758 towards the Stardust land purchase in the prior year.
- An increase of \$5,209 in Arizona Long Term Care System (ALTCS) mandated payments from prior year.

Transfers out totaled \$46,084, an increase of \$8,061 (21.2%) over the prior year, primarily due to the \$9,030 transfers to Capital Projects Fund related to the Historic Courthouse projects and a \$331 transfer to Capital Projects Fund related to the Silverbell Archaeology project.

Transfers in decreased \$2,018 (31.5%) from last year's total of \$6,411, mainly due to rent revenues from external tenants moving to the Other Special Revenue fund in the current fiscal year.

The \$3,180 decrease in revenues, the \$3,350 decrease in expenditures, and a total net increase of \$10,068 in other financing uses, yielded a decrease of \$9,898 in net change in fund balance, which ended the year at \$113,492.

Budget and Actual Comparison for the General Fund

Overall, actual revenues were higher than budgeted revenues by \$4,757 primarily due to the higher than budgeted State-shared tax revenue collections mentioned above and actual expenditures were less than budgeted expenditures by \$74,561. Actual expenditures for the General Fund were less than budgeted, primarily because the County did not need to spend \$50,319 of the amount budgeted for contingencies within General government – County Administration.

No variances between the budget and actual amounts at the departmental level were significant enough to affect the County's ability to provide future services.

Capital Projects Fund

The County's Capital Projects Fund is used to account for financial resources that are restricted or assigned for capital outlays to acquire or construct capital assets.

Total revenues of \$19,767 for the Capital Projects Fund represent a decrease of \$7,573 (27.7%) from the prior year, primarily due to a decrease in Intergovernmental revenues from the State for the Sunset Road project which was received in the prior year.

Total capital outlay expenditures of \$78,370 in the current year is an increase of \$4,448 (6.0%) over the prior year, primarily due to \$2,100 in expenditures related to the Tangerine Road widening project, and \$1,900 in expenditures related to pavement preservation projects 2018.

The Capital Projects fund's other financing sources of \$73,660 represents the current year's issuance of \$11,000 of Street and Highway Revenue Bonds Series 2018 to finance a variety of transportation projects, the issuance of \$23,265 of Certificates of Participation (COPs) Series 2018A to finance the costs to renovate, construct, and equip the Historic Courthouse facility and \$39,395 of COPs Series 2018B to finance various road improvement and other capital projects.

Transfers out totaled \$571, a decrease of \$6,931 (92.4%) from the prior year, mainly due to the decrease of \$7,060 in certificates of participation funding that was transferred to the RWR fund in the prior year for improvements to the sewer conveyance system.

Transfers in totaled \$35,063, an increase of \$16,199 (85.9%) over the prior year's total of \$18,864. The increase is primarily due to a \$10,249 increase of transfers from the General Fund for various projects and a \$7,530 increase of transfers from the Other Special Revenue fund for facility renewal projects.

The above detailed financial activities yielded an increase of \$49,944 in the Capital Projects fund's net change in fund balance, which ended the year at \$146,381.

Debt Service Fund

This major fund accounts for the accumulation of resources for the payment of principal and interest of long-term debt.

Revenues for the Debt Service Fund increased \$1,533 primarily as a result of higher property valuations, while the secondary property tax rate remained the same as the prior year.

Expenditures for the Debt Service Fund decreased \$2,558 primarily due to a decrease in interest payments of \$3,221 as a result of debt refundings in the prior year, offset by an increase in principal payments of \$1,310.

Premiums on bonds and COPs decreased to \$2,621 as the premiums consisted of \$1,684, and \$937 from the issuance of Transportation revenue bonds (HURF) Series 2018, and COPS Series 2018A respectively. Only \$2,226 of this total pertained to the Debt Service Fund, while the remaining \$395 pertained to the Capital Projects Fund.

The \$1,533 increase in revenues, the \$2,558 decrease in expenditures and an increase of \$1,315 in other financing sources yielded an increase in fund balance of \$5,406 in net change in fund balance, which ended the year at \$5,004.

Major Proprietary Fund

The County's Regional Wastewater Reclamation Enterprise (RWR) Fund is a major enterprise fund.

Significant changes in the Fund's net position during the fiscal year include an increase in the sewer utility service and sewer connection revenues of \$5,281, and a decrease in non-operating expenses of \$6,065.

The increase in the sewer utility service and sewer connection revenues is primarily due to the Board of Supervisors approved 3% rate increase going into effect on June 1, 2017.

The decrease in non-operating expenses is mainly associated with interest savings from the in-substance defeasance of Sewer Revenue Bonds Series 2008, and a reduction in losses from asset retirements compared to the prior year.

The net position increased by \$13,827 in the current fiscal year, resulting in a total net position of \$783,829 at fiscal year-end.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets consists of land, buildings and improvements, sewage conveyance systems, infrastructure, equipment, and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Governmental and Business-type Activities									
Capital Assets									
As of June 30, 2018 and 2017									
	Governmental Activities			Business-type Activities			Total		
	FY2018	FY2017	Variance	FY2018	FY2017	Variance	FY2018	FY2017	Variance
Land	\$ 537,388	\$ 532,583	\$ 4,805	\$ 15,472	\$ 14,998	\$ 474	\$ 552,860	\$ 547,581	\$ 5,279
Construction in progress	42,895	57,280	(14,385)	74,158	70,705	3,453	117,053	127,985	(10,932)
Buildings and improvements	597,429	590,068	7,361	551,802	577,434	(25,632)	1,149,231	1,167,502	(18,271)
Infrastructure	635,594	659,237	(23,643)				635,594	659,237	(23,643)
Sewage conveyance systems				505,220	477,212	28,008	505,220	477,212	28,008
Equipment	105,460	107,419	(1,959)	86,233	90,544	(4,311)	191,693	197,963	(6,270)
Total	\$ 1,918,766	\$ 1,946,587	\$ (27,821)	\$ 1,232,885	\$ 1,230,893	\$ 1,992	\$ 3,151,651	\$ 3,177,480	\$ (25,829)

The County's capital assets total is \$3,151,651 in the current year, a decrease of approximately 0.8% or \$25,829 from the prior year's total of \$3,177,480. Significant changes in capital assets of Governmental Activities and Business-type Activities are discussed in further detail in the following sections.

Governmental Activities

The current year's total assets of \$1,918,766 is a net decrease of \$27,821 from the prior year. Total assets of \$1,946,587 for the prior year includes a restatement removing \$23,568 (1.2%) of land, infrastructure and other improvements assets contributed to other governments. The net decrease of \$14,385 in construction in progress is due to decreases in capital outlays as projects reach conclusion and are capitalized, and offset by increases in capital expenses in new and continuing projects.

Some of the more significant projects capitalized in the fiscal year include:

- The new Pima Animal Care Center project totaling \$19,560.
- The Sunset Road bridge and roadway improvements from Silverbell Road to I-10 project totaling \$15,304.
- The Pantano Wash bank protection project from Ft. Lowell Park to Tanque Verde Road totaling \$7,622.
- The Tangerine Road widening project totaling \$2,890.

Business-type Activities

Capital assets of business-type activities increased \$1,992 (0.2%), due to increases of \$28,008 (5.9%) in sewage conveyance systems, \$3,453 (4.9%) in construction in progress, and \$474 (3.2%) in land, partially offset by decreases of \$25,632 (4.4%) in buildings and improvements and \$4,311 (4.8%) in equipment, resulting from the factors detailed below.

Capital assets for the RWR fund increased by \$2,662 (0.22%) over the prior year, mainly due to an increase of \$28,008 (5.9%) in sewage conveyance systems and an increase of \$3,453 (4.9%) in construction in progress. The increase in sewage conveyance systems is primarily due to the major projects that are completed and capitalized in the current year. Major completed conveyance systems include sewer system rehabilitation and North Rillito interceptor rehabilitation projects.

These increases are offset by a decrease of \$25,632 (4.4%) in buildings and improvements is primarily due to the large volume of projects that were completed and capitalized in the prior year, resulting in higher depreciation expense in the current year.

Additional information regarding capital assets activity can be found in Note 5 of the financial statements, Capital Assets, on pages 62-63.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Long-Term Debt Issued Within Fiscal Year		
For the Years Ended June 30, 2018 and 2017		
	<u>2018</u>	<u>2017</u>
Bonds issued (at face value):		
General Obligation		\$ 147,750
Street and Highway Revenue	\$ 11,000	28,315
Sewer System Revenue Obligations	38,205	256,595
Certificates of Participation (COPs)	62,660	
Capital leases		
Installment note payable		1,700
Total	\$ 111,865	\$ 434,360

During the year, the County issued Street and Highway Revenue Bonds Series 2018 for \$11,000 to finance various street and highway improvements.

The County also issued Sewer Revenue Obligations Series 2018 for \$38,205 to expand and improve the County’s sewer treatment facilities and conveyance systems.

In addition, the County issued Certificates of Participation (COPs) Series 2018A for \$23,265 to finance the costs to renovate, construct and equip the Historic Courthouse facility. The County also issued Certificates of Participation (COPs) Series 2018B for \$39,395 for various road improvements and other capital projects.

The most recent ratings for Pima County’s bonds, COPs, and obligations are:

Credit Ratings				
	Standard & Poor's		Fitch Ratings	
	Rating	Date	Rating	Date
Certificates of Participation (COPs)	AA-	March-2018	AA	March-2018
General Obligation Bonds	AA	March-2018	AAA	March-2018
Street and Highway Revenue Bonds	AA	March-2018	AA	March-2018
Sewer Revenue Bonds	AA	March-2018	AA	March-2018
Sewer Revenue Obligations	AA	March-2018	AA-	March-2018

Pima County’s efforts in maintaining a strong budget reserve over the past several years has contributed, in part, to the County earning a General Obligation Bond Rating of AAA from Fitch Ratings, a national bond ratings company that rates Pima County debt issuances. The AA ratings for the Certificates of Participation (COPs), Street and Highway Revenue bonds, and Sewer Revenue bonds also reflect the County’s ability to maintain a sound financial profile.

The State of Arizona Constitution limits the amount of general obligation debt a governmental entity may issue to 6.0% of its net assessed valuation without voter approval. However, Pima County has voter approval for general obligation debt up to 15.0%. The County’s outstanding general obligation bonds amount of \$275,990 at the end of the current fiscal year is significantly below the current debt limitation of \$1,276,349.

Additional information regarding the County’s debt can be found in Note 7 of the financial statements, Long-term Liabilities, on pages **66-76**.

Economic Factors and Next Year's Budget

The current fiscal year 2018-19 budget is based largely on the County's response to a set of unique challenges from a variety of outside sources. Primary among these is the decision by the Arizona Legislature to balance the State Budget by continuing to transfer \$85 million of fiscal year 2018-19 state costs to Pima County. These additional costs imposed by the state continue to cause significant uncertainties in the development of the County budget and impact all of Pima County's existing service priorities and programs, including law enforcement, healthcare and economic development. Recognizing this, the budget that was adopted by the Board of Supervisors for fiscal year 2018-19 is primarily a "maintenance of effort" budget, which will sustain the County's existing service priorities. The following discussion identifies other significant activities that are expected to impact the County in fiscal year 2018-19.

State Budget Cost Shifts

In attempts to balance the State Budget, the Governor and Legislature continue to transfer significant amounts of state costs to the 15 counties throughout the state. The total of these cost transfers to Pima County is \$85 million for fiscal year 2018-19, or nearly 26% of Pima County's primary property tax levy.

Property Taxes

In fiscal year 2017-18 the Board of Supervisors enacted a new \$0.2500 Transportation primary property road tax. The proceeds of this tax were used exclusively for preservation and repair of local streets and roads.

In the fiscal year 2018-19 Adopted Budget, the Board of Supervisors repealed the Transportation property road tax rate by \$0.2500. In addition, the budget includes an additional \$0.1400 decrease in the County's regular primary property tax rate for General Government, a \$0.0200 increase in the Regional Flood Control District secondary property tax rate, a \$0.0100 increase in the Library District's secondary tax rate, and a \$0.0100 decrease in the Debt Service secondary property tax rate from the fiscal year 2017-18 rate. The total property tax rate for Pima County (excluding the State mandated Fire District Assistance Tax) decreased from \$5.9784 to \$5.6084 per \$100 of net taxable value, a net decrease of \$0.3700.

State Shared Revenues

State shared sales tax revenue is projected to increase by \$5.8 million in fiscal year 2018-19. This increase reflects a gradual recovery in the local economy and continued statewide economic growth.

Employee Benefits Costs

Over the years, Pima County has continued to change and upgrade its benefits package for employees. Over time, the cost to provide these benefits has steadily increased. As a comparison, the actual cost to the County for employee benefits in fiscal year 2003-04 totaled \$65 million whereas the budgeted benefit costs in fiscal year 2018-19 totals over \$151 million; resulting in an increase that is more than double the fiscal year 2003-04 amount. A significant portion of this increase is due to higher cost of Public Safety and other retirement contributions plus other benefit costs. Fiscal Year 2018-19 aggregate benefits will increase by \$1.9 million over fiscal year 2017-18. The County will have to absorb these increases in the face of other budgetary challenges.

Employee Medical Insurance Benefits Costs

Prior to fiscal year 2013-14, Pima County purchased medical insurance for its employees from an independent provider. Over the five years prior to fiscal year 2013-14, the County's employee medical insurance premiums increased by an average of 15 to 20 percent yearly. In order to control the rate of increase of employee medical insurance costs, the County moved to a self-insured medical plan run by a third-party administrator starting in fiscal year 2013-14. Under this new model, year-to-year medical insurance costs have increased in the range of 5 to 7 percent annually. For fiscal year 2018-19 both employer and employee medical premium costs will decrease by 5.68 percent from fiscal year 2017-18. It is anticipated that the rate of medical cost increases will continue the trend of being better controlled in future fiscal years.

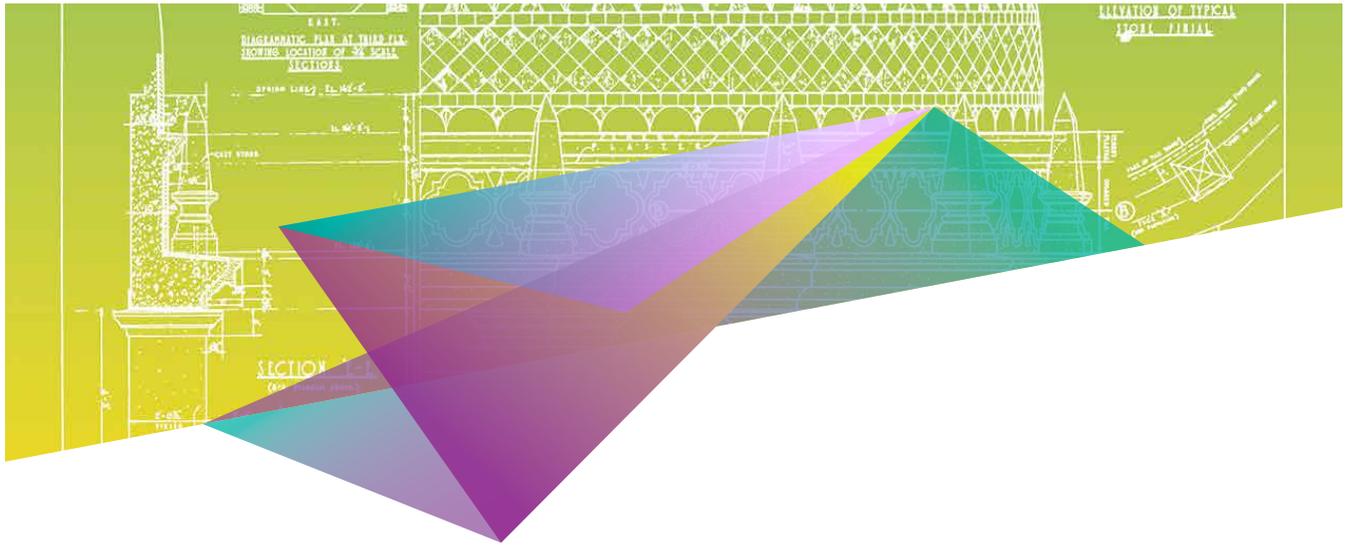
Rainy Day Funds

Maintaining a budget reserve has given the County a favorable bond rating, which in turn has yielded substantial savings from lower interest payments on County debt. The reserve has also enabled the County to minimize the negative fiscal impacts of a variety of unforeseen events over which the County has had little or no control. The General Fund Reserve for fiscal year 2018-19 totals \$40.3 million. This reserve represents 7.3% of projected revenues for fiscal year 2018-19. The reserve is in the middle of the range of reserves recommended by the Government Finance Officers Association. If this reserve is not spent, it will represent the base ending fund balance for fiscal year 2018-19.

Requests for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

(This page is intentionally blank)



BASIC FINANCIAL STATEMENTS

PIMA COUNTY, ARIZONA

Exhibit A-1

Statement of Net Position

June 30, 2018

(in thousands)

	Primary Government			Component Unit SW Fair Commission
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 524,595	\$ 85,363	\$ 609,958	\$ 1,705
Property taxes receivable (net)	11,776		11,776	
Interest receivable	649	221	870	
Internal balances	87	(87)		
Due from other governments	50,691	3	50,694	
Accounts receivable (net)	7,140	17,403	24,543	
Inventories	2,500	2,691	5,191	36
Prepays	16,310	424	16,734	75
Restricted assets:				
Cash and cash equivalents	1,129	89,750	90,879	1,000
Loans receivable	2,886		2,886	
Net other postemployment benefits asset	3,293	146	3,439	
Capital assets not being depreciated:				
Land	537,388	15,472	552,860	
Construction in progress	42,895	74,158	117,053	
Capital assets being depreciated (net):				
Buildings and improvements	597,429	551,802	1,149,231	5,150
Sewage conveyance system		505,220	505,220	
Equipment	105,460	86,233	191,693	358
Infrastructure	635,594		635,594	
Total assets	2,539,822	1,428,799	3,968,621	8,324
Deferred outflows of resources				
Pension and other postemployment benefits	121,311	5,086	126,397	
Deferred charge on debt refunding	8,003	15,531	23,534	
Total deferred outflows of resources	129,314	20,617	149,931	
Liabilities				
Accounts payable	53,616	18,468	72,084	301
Interest payable	12		12	
Contract retentions	901		901	
Employee compensation	8,410	667	9,077	
Due to other governments	171	3,742	3,913	
Deposits and rebates	1,307		1,307	50
Unearned revenue	5,290	657	5,947	9
Noncurrent liabilities:				
Due within one year	168,020	59,743	227,763	
Due in more than one year	1,242,136	557,930	1,800,066	28
Total liabilities	1,479,863	641,207	2,121,070	388
Deferred inflows of resources				
Pension and other postemployment benefits	45,863	3,595	49,458	
Total deferred inflows of resources	45,863	3,595	49,458	
Net Position				
Net investment in capital assets	1,452,111	686,418	2,138,529	5,508
Restricted for:				
Facilities, justice, library, community development, and tax stabilization	68,636		68,636	
Highways and streets	28,365		28,365	
Debt service		40,271	40,271	
Capital projects	80,619	2,267	82,886	
Regional wastewater		19,351	19,351	
Healthcare	44,032		44,032	
Unrestricted (deficit)	(530,353)	56,307	(474,046)	2,428
Total net position	\$ 1,143,410	\$ 804,614	\$ 1,948,024	\$ 7,936

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2018
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 279,678	\$ 27,713	\$ 27,474	\$ 408
Public safety	214,460	13,737	5,836	1,207
Highways and streets	110,159	8,356	61,884	23,094
Sanitation	2,683		1,267	
Health	38,186	13,727	10,292	137
Welfare	94,567		234	
Culture and recreation	65,827	3,266	985	947
Education and economic opportunity	43,492	581	23,250	1,049
Amortization - unallocated	(7,806)			
Interest on long-term debt	23,049			
Total governmental activities	864,295	67,380	131,222	26,842
Business-type activities:				
Regional Wastewater Reclamation	148,405	176,108		7,354
Development Services	5,523	8,791		
Parking Garages	2,821	2,524		
Total business-type activities	156,749	187,423		7,354
Total primary government	\$ 1,021,044	\$ 254,803	\$ 131,222	\$ 34,196
Component unit:				
Southwestern Fair Commission	7,281	7,474	120	
Total component unit	\$ 7,281	\$ 7,474	\$ 120	
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Property taxes, levied for transportation				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as restated				
Net position at end of year				

See accompanying notes to financial statements

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Unit SW Fair Commission
Governmental Activities	Business-type Activities	Total	
\$ (224,083)		\$ (224,083)	
(193,680)		(193,680)	
(16,825)		(16,825)	
(1,416)		(1,416)	
(14,030)		(14,030)	
(94,333)		(94,333)	
(60,629)		(60,629)	
(18,612)		(18,612)	
7,806		7,806	
(23,049)		(23,049)	
<u>(638,851)</u>		<u>(638,851)</u>	
	\$ 35,057	35,057	
	3,268	3,268	
	(297)	(297)	
	<u>38,028</u>	<u>38,028</u>	
<u>(638,851)</u>	<u>38,028</u>	<u>(600,823)</u>	
			<u>313</u>
			<u>\$ 313</u>
337,010		337,010	
22,832		22,832	
40,429		40,429	
56,005		56,005	
20,089		20,089	
6,569		6,569	
1,612		1,612	
118,702		118,702	
28,933		28,933	
4,733		4,733	
5,157		5,157	
5,549	2,228	7,777	20
18,381	763	19,144	148
25,393	(25,393)		
<u>691,394</u>	<u>(22,402)</u>	<u>668,992</u>	<u>168</u>
52,543	15,626	68,169	481
1,090,867	788,988	1,879,855	7,455
<u>\$ 1,143,410</u>	<u>\$ 804,614</u>	<u>\$ 1,948,024</u>	<u>\$ 7,936</u>

Functions/Programs

Primary government:

Governmental activities:

- General government
- Public safety
- Highways and streets
- Sanitation
- Health
- Welfare
- Culture and recreation
- Education and economic opportunity
- Amortization - unallocated
- Interest on long-term debt

Total governmental activities

Business-type activities:

- Regional Wastewater Reclamation
- Development Services
- Parking Garages

Total business-type activities

Total primary government

Component unit:

- Southwestern Fair Commission

Total component unit

General revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Property taxes, levied for transportation
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous

Transfers

- Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2018
(in thousands)

Exhibit A - 3

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 110,655	\$ 158,595	\$ 4,545	\$ 97,751	\$ 371,546
Property taxes receivable (net)	8,354		1,388	2,034	11,776
Interest receivable	208	83	111	169	571
Due from other funds	6,834	185		511	7,530
Due from other governments	21,471	13,298		15,916	50,685
Accounts receivable	1,715	76		4,965	6,756
Inventory				1,564	1,564
Prepaid expenditures	4,550			1,067	5,617
Loan receivable	1,291			1,595	2,886
Restricted cash and cash equivalents		1,084		45	1,129
Total assets	<u>\$ 155,078</u>	<u>\$ 173,321</u>	<u>\$ 6,044</u>	<u>\$ 125,617</u>	<u>\$ 460,060</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 13,530	\$ 22,831		\$ 9,683	\$ 46,044
Interest payable				12	12
Contract retentions		901			901
Employee compensation	6,071			2,116	8,187
Due to other funds	344			6,992	7,336
Due to other governments	7	1		163	171
Deposits and rebates	218	1,084		5	1,307
Unearned revenue	450			4,838	5,288
Total liabilities	<u>20,620</u>	<u>24,817</u>		<u>23,809</u>	<u>69,246</u>
Deferred inflows of resources					
Unavailable revenue - intergovernmental	13,028	2,067		6,156	21,251
Unavailable revenue - property taxes	6,264		\$ 1,040	1,509	8,813
Unavailable revenue - other	1,674	56		1,514	3,244
Total deferred inflows of resources	<u>20,966</u>	<u>2,123</u>	<u>1,040</u>	<u>9,179</u>	<u>33,308</u>
Total liabilities and deferred inflows of resources	<u>41,586</u>	<u>26,940</u>	<u>1,040</u>	<u>32,988</u>	<u>102,554</u>
Fund balances					
Nonspendable	4,566			2,676	7,242
Restricted		136,889		90,924	227,813
Committed				1,972	1,972
Assigned	101	9,492	5,004	4,747	19,344
Unassigned	108,825			(7,690)	101,135
Total fund balances	<u>113,492</u>	<u>146,381</u>	<u>5,004</u>	<u>92,629</u>	<u>357,506</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 155,078</u>	<u>\$ 173,321</u>	<u>\$ 6,044</u>	<u>\$ 125,617</u>	<u>\$ 460,060</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018
(in thousands)

Exhibit A - 4

Fund balances - total governmental funds		\$ 357,506
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 3,061,499	
Less accumulated depreciation	<u>(1,195,492)</u>	1,866,007
<p>Some liabilities, such as pension and other postemployment benefits (OPEB) liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Bonds payable	(373,690)	
Certificates of participation payable	(166,617)	
Notes and leases payable	(2,116)	
Pollution remediation	(236)	
Landfill closure liability	(9,978)	
Net pension/OPEB liability	(771,955)	
Compensated absences liability	<u>(32,775)</u>	(1,357,367)
<p>Net OPEB assets held in trust for future benefits are not available resources for county operations and, therefore, are not reported in the funds.</p>		
Net OPEB asset		3,249
<p>Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges on debt refunding are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
Deferred outflows of resources related to pensions/OPEB	117,814	
Deferred inflows of resources related to pensions/OPEB	(44,790)	
Deferred outflows for bond refunding	<u>8,003</u>	81,027
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		33,308
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.</p>		
		159,680
Net position of governmental activities		<u><u>\$ 1,143,410</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018
 (in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 342,036		\$ 56,004	\$ 83,182	\$ 481,222
Licenses and permits	3,281			6,625	9,906
Intergovernmental	157,776	\$ 11,010	13	133,869	302,668
Charges for services	41,314	7,046		15,557	63,917
Fines and forfeits	3,532			3,994	7,526
Investment earnings	1,203	1,347	477	995	4,022
Miscellaneous	5,668	364		13,909	19,941
Total revenues	554,810	19,767	56,494	258,131	889,202
Expenditures:					
Current:					
General government	223,344			34,167	257,511
Public safety	146,832			25,864	172,696
Highways and streets				42,038	42,038
Sanitation	1,214			1,100	2,314
Health	3,763			35,419	39,182
Welfare	94,594				94,594
Culture and recreation	17,973			44,097	62,070
Education and economic opportunity	12,893			27,209	40,102
Capital outlay		78,370			78,370
Debt Service - principal	952		96,005	617	97,574
- interest	109		20,133	2	20,244
- miscellaneous			729		729
Total expenditures	501,674	78,370	116,867	210,513	907,424
Excess (deficiency) of revenues over (under) expenditures	53,136	(58,603)	(60,373)	47,618	(18,222)
Other financing sources (uses):					
Premium on bonds		395	2,226		2,621
Face amount of long-term debt issued		73,660			73,660
Proceeds from sale of capital assets	11			555	566
Transfers in	4,393	35,063	60,024	22,330	121,810
Transfers (out)	(46,084)	(571)		(47,869)	(94,524)
Total other financing sources (uses)	(41,680)	108,547	62,250	(24,984)	104,133
Net change in fund balances	11,456	49,944	1,877	22,634	85,911
Fund balances at beginning of year	102,036	96,437	3,127	69,995	271,595
Fund balances at end of year	\$ 113,492	\$ 146,381	\$ 5,004	\$ 92,629	\$ 357,506

See accompanying notes to financial statements

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018
(in thousands)

Net change in fund balances - total governmental funds \$ 85,911

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is depreciated
over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 49,917	
Less current year depreciation	<u>(76,335)</u>	(26,418)

Debt proceeds provide current financial resources to governmental funds but
issuing debt increases long-term liabilities in the Statement of Net Position.
Repayment of the principal of debt is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Position.
Also, governmental funds report the effect of premiums, discounts and similar
items when debt is first issued, whereas these amounts are deferred
and amortized in the Statement of Activities. This amount is the net effect of these
differences in the treatment of long-term debt and related items.

Face amount of long-term debt issued	(73,660)	
Premium on bonds	(2,621)	
Debt service - principal payments	97,574	
Amortization of premiums/discounts	7,806	
Amortization of deferred charge on refunding	<u>(2,805)</u>	26,294

Some revenues reported in the Statement of Activities do not represent
the collection of current financial resources and therefore are not reported as
revenues in the governmental funds.

Donations of capital assets	11,051	
Intergovernmental	5,176	
Property tax revenues	300	
Other	<u>414</u>	16,941

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and therefore are not reported as expenditures in the
governmental funds.

Change in compensated absences	(95)	
Change in landfill liability	(191)	
Change in pollution remediation liability	360	
Net book value of capital asset disposals	(15,608)	
Judgments and claims	<u>6,410</u>	(9,124)

County pension/OPEB contributions are reported as expenditures in the governmental
funds when made. However, they are reported as deferred outflows of resources
in the Statement of Net Position because the reported net pension/OPEB liability is
measured a year before the County's report date. Pension/OPEB expense, which is
the change in the net pension/OPEB liability adjusted for changes in deferred outflows and
inflows of resources related to pensions/OPEB is reported in the Statement of Activities.

Pension/OPEB contributions	52,045	
Pension/OPEB expense	<u>(104,221)</u>	(52,176)

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The incorporation of the external activities of
these funds, and the elimination of profit/loss generated by primary government
customers results in net revenue (expense) for governmental activities.

		<u>11,115</u>
Change in net position of governmental activities	\$	<u>52,543</u>

PIMA COUNTY, ARIZONA
Statement of Net Position - Proprietary Funds
June 30, 2018
(in thousands)

Exhibit A- 7

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 78,192	\$ 7,171	\$ 85,363	\$ 153,049
Restricted cash and cash equivalents	35,396		35,396	
Interest receivable	209	12	221	78
Due from other funds		23	23	
Due from other governments	3		3	6
Accounts receivable	17,262	141	17,403	384
Inventory	2,691		2,691	936
Prepaid expense	415	9	424	10,693
Total current assets	<u>134,168</u>	<u>7,356</u>	<u>141,524</u>	<u>165,146</u>
Noncurrent assets:				
Restricted cash and cash equivalents	54,354		54,354	
Net other postemployment benefits asset	127	19	146	44
Capital assets:				
Land	13,704	1,768	15,472	449
Buildings and improvements	742,791	27,608	770,399	21,880
Sewage conveyance system	839,257		839,257	
Equipment	152,987	2,374	155,361	64,085
Less accumulated depreciation	(609,667)	(12,095)	(621,762)	(34,252)
Construction in progress	74,158		74,158	597
Total capital assets (net)	<u>1,213,230</u>	<u>19,655</u>	<u>1,232,885</u>	<u>52,759</u>
Total noncurrent assets	<u>1,267,711</u>	<u>19,674</u>	<u>1,287,385</u>	<u>52,803</u>
Total assets	<u>1,401,879</u>	<u>27,030</u>	<u>1,428,909</u>	<u>217,949</u>
Deferred outflows of resources				
Pension/OPEB	4,413	673	5,086	3,497
Deferred charge on refunding	15,531		15,531	
Total deferred outflows of resources	<u>19,944</u>	<u>673</u>	<u>20,617</u>	<u>3,497</u>
Liabilities				
Current liabilities:				
Accounts payable	18,070	398	18,468	7,572
Employee compensation	565	102	667	223
Due to other funds	110		110	107
Due to other governments	3,690	52	3,742	
Unearned revenue	651	6	657	2
Current compensated absences	1,747	268	2,015	546
Current sewer revenue bonds and obligations payable	57,171		57,171	
Current portion of wastewater loans payable	557		557	
Current portion reported but unpaid losses				4,502
Current portion incurred but not reported losses				6,050
Total current liabilities	<u>82,561</u>	<u>826</u>	<u>83,387</u>	<u>19,002</u>
Noncurrent liabilities:				
Compensated absences payable	1,026	114	1,140	257
Contracts and notes payable	763		763	
Sewer revenue bonds and obligations payable	511,400		511,400	
Wastewater loans payable	2,998		2,998	
Reported but unpaid losses				17,275
Incurred but not reported losses				11,730
Net pension/OPEB liability	36,126	5,503	41,629	12,429
Total noncurrent liabilities	<u>552,313</u>	<u>5,617</u>	<u>557,930</u>	<u>41,691</u>
Total liabilities	<u>634,874</u>	<u>6,443</u>	<u>641,317</u>	<u>60,693</u>
Deferred inflows of resources				
Pension/OPEB	3,120	475	3,595	1,073
Total deferred inflows of resources	<u>3,120</u>	<u>475</u>	<u>3,595</u>	<u>1,073</u>
Net position				
Net investment in capital assets	666,763	19,655	686,418	52,759
Restricted for:				
Debt service	40,271		40,271	
Capital projects	2,267		2,267	
Healthcare				35,458
Regional wastewater reclamation	19,351		19,351	
Unrestricted	<u>55,177</u>	<u>1,130</u>	<u>56,307</u>	<u>71,463</u>
Total net position	<u>\$ 783,829</u>	<u>\$ 20,785</u>	<u>\$ 804,614</u>	<u>\$ 159,680</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 8

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2018
 (in thousands)

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:				
Charges for services	\$ 162,420	\$ 11,315	\$ 173,735	\$ 129,654
Other	718	45	763	2,762
Total operating revenues	<u>163,138</u>	<u>11,360</u>	<u>174,498</u>	<u>132,416</u>
Operating expenses:				
Employee compensation	28,287	4,011	32,298	12,736
Operating supplies and services	8,035	133	8,168	10,149
Utilities	6,219		6,219	
Sludge and refuse disposal	1,787		1,787	
Repair and maintenance	6,906	225	7,131	1,837
Incurred losses				60,031
Insurance premiums				9,936
General and administrative	14,318	2,926	17,244	13,756
Consultants and professional services	11,758	258	12,016	6,822
Depreciation	53,399	791	54,190	5,989
Total operating expenses	<u>130,709</u>	<u>8,344</u>	<u>139,053</u>	<u>121,256</u>
Operating income	<u>32,429</u>	<u>3,016</u>	<u>35,445</u>	<u>11,160</u>
Nonoperating revenues (expenses):				
Investment earnings	2,107	121	2,228	1,517
Sewer connection fees	13,688		13,688	
Interest expense	(16,177)		(16,177)	
Debt issuance cost	(438)		(438)	
Loss on disposal of capital assets	(805)		(805)	56
Loss on debt defeasance	(276)		(276)	
Total nonoperating revenues (expenses)	<u>(1,901)</u>	<u>121</u>	<u>(1,780)</u>	<u>1,573</u>
Income before contributions and transfers	30,528	3,137	33,665	12,733
Capital contributions	7,354		7,354	275
Transfers in	14	97	111	568
Transfers (out)	<u>(24,069)</u>	<u>(1,435)</u>	<u>(25,504)</u>	<u>(2,461)</u>
Change in net position	13,827	1,799	15,626	11,115
Net position at beginning of year, as restated	<u>770,002</u>	<u>18,986</u>	<u>788,988</u>	<u>148,565</u>
Net position at end of year	<u>\$ 783,829</u>	<u>\$ 20,785</u>	<u>\$ 804,614</u>	<u>\$ 159,680</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 9

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from other funds for goods and services provided				\$ 129,654
Cash received from customers for goods and services provided	\$ 162,570	\$ 11,383	\$ 173,953	
Cash received from miscellaneous operations	718		718	2,486
Cash payments to suppliers for goods and services	(29,611)	(1,764)	(31,375)	(36,098)
Cash payments to other funds for goods and services	(15,214)	(1,719)	(16,933)	(5,329)
Cash payments for incurred losses				(60,145)
Cash payments to employees for services	(30,630)	(4,823)	(35,453)	(11,968)
Net cash provided by operating activities	<u>87,833</u>	<u>3,077</u>	<u>90,910</u>	<u>18,600</u>
Cash flows from noncapital financing activities:				
Cash transfers in from other funds	14	97	111	568
Cash transfers out to other funds	(24,069)	(1,435)	(25,504)	(2,362)
Loans with other funds	85	26	111	4
Net cash used for noncapital financing activities	<u>(23,970)</u>	<u>(1,312)</u>	<u>(25,282)</u>	<u>(1,790)</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(61,284)		(61,284)	
Interest paid on bonds and loans	(24,290)		(24,290)	
Proceeds from issuance of sewer revenue obligations, including premium	44,977		44,977	
Sewer connection fees	13,351		13,351	
Proceeds from sale of capital assets	8		8	151
Purchase and construction of capital assets	(41,438)	(121)	(41,559)	(8,964)
Loss on debt defeasance	(276)		(276)	
Net cash used for capital and related financing activities	<u>(68,952)</u>	<u>(121)</u>	<u>(69,073)</u>	<u>(8,813)</u>
Cash flows from investing activities:				
Interest received on cash and investments	2,005	113	2,118	1,478
Net cash provided by investing activities	<u>2,005</u>	<u>113</u>	<u>2,118</u>	<u>1,478</u>
Net increase (decrease) in cash and cash equivalents	(3,084)	1,757	(1,327)	9,475
Cash and cash equivalents at beginning of year	<u>171,026</u>	<u>5,414</u>	<u>176,440</u>	<u>143,574</u>
Cash and cash equivalents at end of year	<u>\$ 167,942</u>	<u>\$ 7,171</u>	<u>\$ 175,113</u>	<u>\$ 153,049</u>

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 9.1

(continued)

Reconciliation of operating income to net cash provided by operating activities	Business-Type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating income	\$ 32,429	\$ 3,016	\$ 35,445	\$ 11,160
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	53,399	791	54,190	5,989
Changes in assets and deferred outflows of resources:				
Decrease (increase) in assets:				
Accounts receivable	150	12	162	(275)
Due from other governments		6	6	(1)
Inventory and other assets	(78)		(78)	(207)
Prepaid expense	(237)	(2)	(239)	64
Net OPEB asset	(127)	(19)	(146)	(44)
Increase in deferred outflows of resources:				
Pension/OPEB plans	2,590	494	3,084	2,582
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in liabilities:				
Accounts payable	826	108	934	1,216
Due to other governments	3,687	(47)	3,640	
Reported but unpaid losses				(1,509)
Incurred but not reported losses				1,395
Net Pension/OPEB liability	(2,029)	(861)	(2,890)	(932)
Other liabilities	(127)	67	(60)	108
Decrease in deferred inflows of resources:				
Pension/OPEB plans	(2,650)	(488)	(3,138)	(946)
Net cash provided by operating activities	<u>\$ 87,833</u>	<u>\$ 3,077</u>	<u>\$ 90,910</u>	<u>\$ 18,600</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2018:

Regional Wastewater Reclamation Enterprise Fund received developer-built conveyance systems with an estimated fair value of \$7,134. The Fund also received a donated sewer easement with an estimated fair value of \$220. These contributions were recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation Enterprise Fund disposed of capital assets with a net book value of \$814.

Internal Service Funds sold capital assets with a net book value of \$95, received capital contributions with a value of \$19 from General Government, received a transfer of capital assets with a net book value of \$132 from General Government and received a donation of capital assets with a net book value of \$35.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018
(in thousands)

Exhibit A - 10

	Investment Trust Funds	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 172,239	\$ 85,309
Interest receivable	192	
Due from other governments		1,611
Total assets	172,431	86,920
<u>Liabilities</u>		
Employee compensation		2,869
Due to other governments		56,613
Deposits and rebates		27,438
Total liabilities		\$ 86,920
<u>Net position</u>		
Held in trust for pool participants	\$ 172,431	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 11

	Investment Trust Funds
Additions	
Contributions from participants	\$ 1,984,834
Total contributions	1,984,834
Investment earnings	2,968
Total investment earnings	2,968
Total additions	1,987,802
Deductions	
Distributions to participants	2,024,688
Total deductions	2,024,688
Change in net position	(36,886)
Net position held in trust July 1, 2017	209,317
Net position held in trust June 30, 2018	\$ 172,431

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies

Pima County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. The County also implemented the provisions of GASB Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 established requirements for increased consistency in accounting and financial reporting for in-substance defeasance of debt. Statement No. 86 also requires an additional disclosure for all in-substance defeasance transactions.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the County. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The following describes the County's component units:

The Pima County Stadium District, a legally separate entity, was created in 1991 when the Board of Supervisors adopted a resolution to create the Stadium District to manage Kino Sports Complex. The District is a tax-levying, public improvement district and political taxing subdivision of the state of Arizona. The Stadium District, in conjunction with Pima County government, maintains the fiscal resources of the entire complex including facilities, grounds, personnel and the various services provided at the venue. Kino Sports Complex, which covers 155 acres, is the largest professional sports and entertainment venue of its kind in Pima County. The facility hosts youth athletics, amateur and professional sports, concerts and community events on its fields. The County Board of Supervisors serves as the Board of Directors and has operational responsibility for the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Library District provides and maintains library services for the County's residents. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility for the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Street Lighting Districts (SLDs) operate and maintain street lighting for specific regions in areas outside local city jurisdictions. The Pima County Board of Supervisors serves as the Board of Directors and has operational responsibility for the Districts. SLDs are reported as a special revenue fund in these financial statements and meet substantively the same criteria as blended component units. Separate financial statements for the SLDs are not available.

The Rocking K South Community Facilities District is a legally separate entity that is utilized to finance the design and construction of arterial and collector roadways, public sewer transmission mains, public regional parks and any other public infrastructure required for the planned Rocking K South community. The Pima County Board of Supervisors serves as its Board of Directors and has operational responsibility for the District. The Rocking K South Community Facilities District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation which manages and maintains the fairgrounds owned by the County and conducts annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization:

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements - Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities except for fiduciary activities. The statements also distinguish between the

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements - Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues such as connection fees, intergovernmental revenues, along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund revenues are primarily from property taxes and intergovernmental revenues.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. Capital Projects Fund revenues and other financing sources are primarily from intergovernmental, face amount of long-term debt and transfers in.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Revenues and other financing sources are primarily from property taxes, proceeds from refunding debt, and transfers in.

The County reports the following major enterprise fund:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

Regional Wastewater Reclamation (RWR) accounts for the management and operation of wastewater treatment and water pollution control programs. Revenues are primarily from charges for services and connection fees.

The County also reports the following fund types:

Internal Service Funds account for fleet maintenance and operation, insurance, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis.

Investment Trust Funds account for pooled assets and individual investment accounts the County Treasurer holds and invests on behalf of other governmental entities.

Agency Funds account for assets the County holds as an agent for the State, cities, towns, and other parties.

C. Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The County applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County recognizes property taxes to be available if collected within 30 days. In addition, other taxes that are reported as intergovernmental revenues, i.e. state shared sales tax, highway user revenues and vehicle license tax, recreational vehicle taxes, car rental surcharges, and hotel excise taxes are also recognized if collected within 30 days. Grant funded intergovernmental revenues are considered available if collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension/OPEB, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased. All investments are stated at fair value.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

E. Inventories and Prepaids

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

The County accounts for its inventories in the Wireless Integrated Network Fund using the purchase method. Inventories of the Wireless Integrated Network Fund consist of spare parts for the fixed network equipment held for consumption and are recorded as expenditures at the time of purchase. These inventories are stated at cost using the first-in, first-out method or average cost method.

Inventories of the Transportation Fund are recorded as assets when purchased and expensed when used. They are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of RWR, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of Internal Service Funds are valued at lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchase method.

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	N/A	N/A
Land improvements (Reported in buildings and improvements)	All	Straight Line	20 - 30 Years
Buildings and improvements	\$100	Straight Line	10 - 50 Years
Equipment	\$5	Straight Line	4 - 25 Years
Infrastructure/Sewer conveyance systems	\$100	Straight Line	10 - 50 Years
Intangible (Reported in land and infrastructure)	\$100	Straight Line	Varies
Software (Reported in equipment)	\$5,000	Straight Line	Varies

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

Discretely presented component unit:

The Southwestern Fair Commission, Inc. capital assets are reported at actual cost. Depreciation is calculated using the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

I. Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the County's Board of Supervisors, the highest level of decision-making authority within the County, approved by formal action (ordinance). Only the Board can remove or change the constraints placed on committed fund balances. This approval must be given at a regular supervisory meeting by taking the same type of action it employed to previously commit those amounts.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County Administrator to make assignments of resources for a specific purpose. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the County's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, the County will use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

K. Investment Earnings

Investment earnings are composed of interest, dividends, and net changes in the fair value of applicable investments.

L. Compensated Absences

Compensated absences payable consist of annual leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of annual leave depending upon years of service, but they forfeit any annual leave hours in excess of the maximum amount that are unused at year-end. Upon termination of employment, all unused and unforfeited annual leave benefits are paid to employees. Accordingly, annual leave benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate up to 1,920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but most employees forfeit them upon terminating employment. However, employees who have accumulated greater than 240 hours of sick leave and are eligible to retire will receive some benefits. Employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave to be converted to annual leave on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements under Employee Compensation only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 2: Change in Accounting Principle and Correction of a Misstatement – Prior Period Adjustment

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. In addition, governmental activities net position at July 1, 2017, has been restated for land, infrastructure, and other improvements assets that were contributed to other governments in prior years, but were still reported in the County’s asset amounts in error.

	(in thousands)				
	Governmental Activities	Business- type Activities	Major Enterprise Fund	Nonmajor Enterprise Funds	Internal Service Funds
Net Position as previously reported at June 30, 2017	\$ 1,114,384	\$ 788,981	\$ 769,996	\$ 18,985	\$ 148,564
Prior period adjustment					
Implementation of GASB 75:					
Net OPEB asset (measurement date as of June 30, 2016)	1,131				
Net OPEB liability (measurement date as of June 30, 2016)	(2,755)	(177)	(152)	(25)	(54)
Deferred outflows-county contributions made during fiscal year 2017	1,675	184	158	26	55
Other:					
Cost of land, infrastructure & other improvements contributed to other governments	(43,391)				
Accumulated depreciation	19,823				
Total prior period adjustment	(23,517)	7	6	1	1
Net position as restated, July 1, 2017	\$ 1,090,867	\$ 788,988	\$ 770,002	\$ 18,986	\$ 148,565

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments

Primary Government

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Specified bonds, debentures, notes and other evidence of indebtedness that are denominated in United States dollars must be rated "A" or better by at least two nationally recognized rating agencies at the time of purchase.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits—At June 30, 2018, the carrying amount of the County's deposits was \$92,007, and the bank balance was \$101,395.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2018, \$4,266 of the County’s bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments—At June 30, 2018, the County’s investments consisted of \$375,880 invested in marketable securities and \$490,451 invested in the State Treasurer’s Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer’s Pool. The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk.

At June 30, 2018, credit risk for the County’s investments was as follows:

Investment Type	Fair Value	Not Rated	Standard & Poor's/Moody's Rating			
			AAA/Aaa	AA/Aa	A/A	BBB/Baa
Corporate bonds	\$ 139,875		\$ 9,982	\$ 18,953	\$ 103,446	\$ 7,494
Federal agency securities	201,651			201,651		
Money market mutual fund	34,354		34,354			
State Treasurer's Pool 5	239,852		239,852			
State Treasurer's Pool 500	167,017	\$ 167,017				
State Treasurer's Pool 7	83,582	83,582				
Total	\$ 866,331	\$ 250,599	\$ 284,188	\$ 220,604	\$ 103,446	\$ 7,494

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County’s \$866,331 of investments, \$341,526, consisting of the corporate bonds and federal agency securities, are uninsured and held by a counterparty in the County’s name in book entry form.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County had investments at June 30, 2018 of 5% or more in Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. These investments were 10% and 8%, respectively, of the County’s total investments.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s fair value. The County does not have a formal investment policy with respect to interest rate risk.

As of June 30, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u> <u>(Years)</u>
State Treasurer Investment Pool 5	\$ 239,852	0.08
State Treasurer Investment Pool 500	167,017	3.19
State Treasurer Investment Pool 7	83,582	0.09
Corporate bonds	139,875	0.77
Federal Farm Credit Bank	29,851	1.51
Federal Home Loan Bank	67,586	1.66
Federal Home Loan Mortgage Corporation	89,861	3.13
Federal National Mortgage Association	14,353	1.34
Money market mutual fund	34,354	0.07
	<u>\$ 866,331</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows:

	<u>Cash on</u> <u>Hand</u>	<u>Amount of</u> <u>Deposits</u>	<u>Amount of</u> <u>Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 47	\$ 92,007	\$ 866,331	\$ 958,385

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Investment</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>	<u>Totals</u>
Statement of Net Position					
Cash and cash equivalents	\$ 524,595	\$ 85,363	\$ 172,239	\$ 85,309	\$ 867,506
Restricted cash and cash equivalents	1,129	89,750			90,879
Total	<u>\$ 525,724</u>	<u>\$ 175,113</u>	<u>\$ 172,239</u>	<u>\$ 85,309</u>	<u>\$ 958,385</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

County Treasurer’s Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants’ investments. The County Treasurer allocates interest earnings to each of the Pool’s participants. Substantially all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed above.

The Pool’s assets consist of the following:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Corporate bonds	\$ 139,538	1.00-5.13%	07/18-03/20	\$ 139,875
Federal Farm Credit Bank	30,000	1.20-2.70%	12/18-12/20	29,851
Federal Home Loan Bank	68,000	0.88-2.38%	11/18-02/22	67,586
Federal Home Loan Mortgage Corporation	90,000	1.10-3.75%	02/19-03/23	89,861
Federal National Mortgage Association	14,496	1.13-1.95%	10/18-11/20	14,353
State Treasurer Investment Pool 5	144,030	N/A	N/A	144,030
Deposits	54,126	N/A	N/A	54,126
Interest receivable	192	N/A	N/A	192
Total assets				\$ 539,874

A condensed statement of the investment pool’s net position and changes in net position follows:

Statement of Net Position

Assets held in trust for:	
Internal participants	\$ 466,945
External participants	72,929
Total assets	539,874
Total liabilities	
Total net position held in trust	\$ 539,874

Statement of Changes in Net Position

Total additions	\$ 5,757,192
Total deductions	(5,749,812)
Net increase	7,380
Net position held in trust:	
July 1, 2017	532,494
June 30, 2018	\$ 539,874

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

Fair Value Measurement—The County’s investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<u>Investment by fair value level</u>	<u>Amount</u>	<u>Fair value measurement using</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Corporate bonds	139,875	\$ 106,933	\$ 32,942
Federal Farm Credit Bank	29,851		29,851
Federal Home Loan Bank	67,586	27,894	39,692
Federal Home Loan Mortgage Corporation	89,861	5,103	84,758
Federal National Mortgage Association	14,353		14,353
Money market mutual fund	34,354	34,354	
Total investments by fair value level	<u>\$ 375,880</u>	<u>\$ 174,284</u>	<u>\$ 201,596</u>
External investment pools measured at fair value			
State Treasurer’s investment pools	490,451		
Total investments measured at fair value	<u>\$ 866,331</u>		

The investments categorized as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The investments categorized as Level 2 of the fair value hierarchy are valued using prices quoted for those investments in markets that are not active.

Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 4: Fund Balance Classification of the Governmental Funds

The table below details the fund balance categories and classifications:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:					
Nonspendable:					
Inventory				\$ 1,564	\$ 1,564
Prepaid expenditures	\$ 4,550			1,067	5,617
Loan receivable	16				16
Permanent fund principal				45	45
Total nonspendable	<u>4,566</u>			<u>2,676</u>	<u>7,242</u>
Restricted for:					
Community and economic development		\$ 1,029		1,795	2,824
Flood Control District		10,049		9,119	19,168
Health				7,871	7,871
Judicial activities				21,025	21,025
Law enforcement				4,693	4,693
Library District		1,012		14,494	15,506
Municipal facilities		19,971			19,971
Parks and recreation		295		997	1,292
Pima animal care		1,869		1,926	3,795
Sanitation		918		1,710	2,628
School reserve				256	256
Sports promotion (Stadium)		1,124			1,124
Streets and highways		99,405		26,293	125,698
Other purposes		1,217		745	1,962
Total restricted		<u>136,889</u>		<u>90,924</u>	<u>227,813</u>
Committed to:					
Parks and recreation				1,520	1,520
School reserve				239	239
Sports promotion (Stadium)				213	213
Total committed				<u>1,972</u>	<u>1,972</u>
Assigned to:					
Community and economic development				558	558
Debt service reserve			\$ 5,004		5,004
Judicial activities				93	93
Health				1,474	1,474
Law enforcement	99				99
Municipal facilities		9,031		255	9,286
Parks and recreation	2			1,977	1,979
Other purposes		461		390	851
Total assigned	<u>101</u>	<u>9,492</u>	<u>5,004</u>	<u>4,747</u>	<u>19,344</u>
Unassigned:					
	108,825			(7,690)	101,135
Total Fund Balance	<u>\$ 113,492</u>	<u>\$ 146,381</u>	<u>\$ 5,004</u>	<u>\$ 92,629</u>	<u>\$ 357,506</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 7/1/2017*	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 532,583	\$ 9,834	\$ (5,029)	\$ 537,388
Construction in progress	57,280	78,837	(93,222)	42,895
Total capital assets not being depreciated	<u>589,863</u>	<u>88,671</u>	<u>(98,251)</u>	<u>580,283</u>
Capital assets being depreciated:				
Buildings and improvements	874,573	33,436	(768)	907,241
Infrastructure	1,424,175	26,444	(15,867)	1,434,752
Equipment	223,249	17,179	(14,194)	226,234
Total capital assets being depreciated	<u>2,521,997</u>	<u>77,059</u>	<u>(30,829)</u>	<u>2,568,227</u>
Less accumulated depreciation for:				
Buildings and improvements	(284,505)	(25,602)	295	(309,812)
Infrastructure	(764,938)	(40,323)	6,103	(799,158)
Equipment	(115,830)	(16,399)	11,455	(120,774)
Total accumulated depreciation	<u>(1,165,273)</u>	<u>(82,324)</u>	<u>17,853</u>	<u>(1,229,744)</u>
Total capital assets being depreciated, net	<u>1,356,724</u>	<u>(5,265)</u>	<u>(12,976)</u>	<u>1,338,483</u>
Governmental activities capital assets, net	<u>\$ 1,946,587</u>	<u>\$ 83,406</u>	<u>\$ (111,227)</u>	<u>\$ 1,918,766</u>

*Beginning balances were restated to remove land, infrastructure, and other improvements that were contributed to other governments in a prior year (see Note 2).

	Balance 7/1/2017	Increases	Decreases	Balance June 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 14,998	\$ 474		\$ 15,472
Construction in progress	70,705	49,396	\$ (45,943)	74,158
Total capital assets not being depreciated	<u>85,703</u>	<u>49,870</u>	<u>(45,943)</u>	<u>89,630</u>
Capital assets being depreciated:				
Buildings and improvements	768,844	1,630	(75)	770,399
Sewage conveyance systems	798,450	44,705	(3,898)	839,257
Equipment	149,785	6,734	(1,158)	155,361
Total capital assets being depreciated	<u>1,717,079</u>	<u>53,069</u>	<u>(5,131)</u>	<u>1,765,017</u>
Less accumulated depreciation for:				
Buildings and improvements	(191,410)	(27,262)	75	(218,597)
Sewage conveyance systems	(321,238)	(16,163)	3,364	(334,037)
Equipment	(59,241)	(10,765)	878	(69,128)
Total accumulated depreciation	<u>(571,889)</u>	<u>(54,190)</u>	<u>4,317</u>	<u>(621,762)</u>
Total capital assets being depreciated, net	<u>1,145,190</u>	<u>(1,121)</u>	<u>(814)</u>	<u>1,143,255</u>
Business-type activities capital assets, net	<u>\$ 1,230,893</u>	<u>\$ 48,749</u>	<u>\$ (46,757)</u>	<u>\$ 1,232,885</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	17,709
Public safety		12,806
Highways and streets		36,953
Sanitation		415
Health		430
Welfare		16
Culture and recreation		7,173
Education and economic opportunity		833
Internal service funds		5,989
Total governmental activities depreciation expense	\$	<u>82,324</u>

Business-type activities:

Parking Garages	\$	791
Regional Wastewater Reclamation Department		53,399
Total business-type activities depreciation expense	\$	<u>54,190</u>

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	\$ 9		\$ (9)	
Total capital assets not being depreciated	<u>9</u>		<u>(9)</u>	
Capital assets being depreciated:				
Buildings and improvements	9,290	\$ 843	(76)	\$ 10,057
Equipment	2,658	130	(155)	2,633
Total capital assets being depreciated	<u>11,948</u>	<u>973</u>	<u>(231)</u>	<u>12,690</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,502)	(481)	76	(4,907)
Equipment	(2,321)	(109)	155	(2,275)
Total accumulated depreciation	<u>(6,823)</u>	<u>(590)</u>	<u>231</u>	<u>(7,182)</u>
Total capital assets being depreciated, net	<u>5,125</u>	<u>383</u>		<u>5,508</u>
SFC capital assets, net	<u>\$ 5,134</u>	<u>\$ 383</u>	<u>\$ (9)</u>	<u>\$ 5,508</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 6: Claims, Judgments and Risk Management

Self-Insurance Trust Fund (SIT Fund)

The SIT Fund, an internal service fund, accounts for the financing of the insured risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. The SIT Fund is liable for any single general or automobile liability claim up to \$2,500 per occurrence, any workers' compensation claim up to \$1,000 per occurrence, and any single medical malpractice claim up to \$1,000 per occurrence. The County purchases commercial insurance for claims in excess of the self-insurance retention provided by the SIT Fund. Settled claims have not exceeded insurance coverage in any of the last three fiscal years. Any current unemployment claims and environmental claims are self-funded.

All of the County's departments participate in the SIT Fund. Charges are based on actuarial estimates, loss history, and other factors as appropriate to determine amounts needed to pay prior and current year claims.

At June 30, 2018, claims liabilities for each insurable category are as follows:

Auto liability	\$	191
General liability		15,467
Workers' compensation		17,789
Medical malpractice		110
Environmental liability		1,500
		\$ 35,057

The above amounts, excluding the environmental liability, are reported at their present value using an expected future investment yield assumption of 2 percent.

Changes in the unpaid claims liability reported in the SIT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2016-17	\$ 41,124	\$ 626	\$ (6,279)	\$ 35,471
2017-18	35,471	7,139	(7,553)	35,057

Health Benefits Trust Fund (HBT Fund)

The HBT Fund, an internal service fund, accounts for the financing of the County's self-insured medical/pharmacy plan for employees and their dependents. The HBT Fund is responsible for collecting employer and employee premiums through payroll deductions and reimbursing Aetna, acting as a third-party administrator, for the payment of claims.

The plan consists of two options, a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA), or an HDHP without an HSA. The County purchases commercial stop-loss insurance coverage for claims in excess of coverage provided by the HBT Fund.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 6: Claims, Judgments and Risk Management (continued)

Claim liabilities are computed using a combination of two actuarial methods: the completion factor approach and the exposure approach. Accrued actuarial liabilities for the HBT Fund at June 30, 2018, are primarily for the HDHP plans and include an actuarially estimated residual liability related to the former PPO plan. The liability amounts for each plan option are as follows:

High-Deductible Health Plan:		
Medical	\$	3,112
Pharmacy		1,378
Preferred Provider Organization Plan:		
Medical		5
Pharmacy		5
	<u>\$</u>	<u>4,500</u>

Changes in the unpaid claims liabilities reported in the HBT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2016-17	\$ 4,600	\$ 51,353	\$ (51,753)	\$ 4,200
2017-18	4,200	52,892	(52,592)	4,500

Litigation

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Pollution Remediation

The County has estimated and reported an environmental liability of \$236 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at one County site: El Camino del Cerro.

Remediation efforts continue at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and El Camino del Cerro Road on the south. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

The estimated liability was calculated based upon the expected future outlays associated with the estimate of one pump-and-treat system for one year. There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction and injection wells, and/or changes in the estimated extent of contamination.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activities for the year ended June 30, 2018.

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>1 year</u>
Governmental activities:					
General obligation bonds	\$ 321,285		\$ 45,295	\$ 275,990	\$ 48,655
Unamortized premium/discount	15,669		3,477	12,192	2,955
Total general obligation bonds	<u>336,954</u>		<u>48,772</u>	<u>288,182</u>	<u>51,610</u>
Transportation revenue bonds	84,435	\$ 11,000	15,105	80,330	14,820
Unamortized premium/discount	5,254	1,684	1,760	5,178	1,542
Total transportation revenue bonds	<u>89,689</u>	<u>12,684</u>	<u>16,865</u>	<u>85,508</u>	<u>16,362</u>
Certificates of participation	134,205	62,660	35,605	161,260	64,875
Unamortized premium/discount	6,989	937	2,569	5,357	1,915
Total certificates of participation	<u>141,194</u>	<u>63,597</u>	<u>38,174</u>	<u>166,617</u>	<u>66,790</u>
Capital lease payable	88		50	38	38
Installment note payable	3,597		1,519	2,078	1,511
Net pension/OPEB liabilities (Note 10) *	741,704	42,680		784,384	
Reported but unpaid losses (Note 6)	23,286	221	1,730	21,777	4,502
Incurred but not reported losses (Note 6)	16,385	2,740	1,345	17,780	6,050
Landfill closure and post-closure care costs (Note 8)	9,787	191		9,978	
Pollution remediation (Note 6)	596		360	236	
Compensated absences payable	33,363	754	539	33,578	21,157
Total governmental activities long-term liabilities	<u>\$ 1,396,643</u>	<u>\$ 122,867</u>	<u>\$ 109,354</u>	<u>\$ 1,410,156</u>	<u>\$ 168,020</u>

* There was a restatement of net position as a result of the implementation of GASB Statement No. 75 (see Note 2).

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Business-type activities:					
Sewer revenue bonds	\$ 20,505		\$ 17,645	\$ 2,860	\$ 1,395
Unamortized premium/discount	30		27	3	3
Total revenue bonds payable	<u>20,535</u>		<u>17,672</u>	<u>2,863</u>	<u>1,398</u>
Sewer revenue obligations	513,430	\$ 38,205	42,565	509,070	44,585
Unamortized premium/discount	61,056	7,210	11,628	56,638	11,188
Total revenue obligations payable	<u>574,486</u>	<u>45,415</u>	<u>54,193</u>	<u>565,708</u>	<u>55,773</u>
Regional Wastewater Reclamation					
Loan payable	4,630		1,075	3,555	557
Total loan payable	<u>4,630</u>		<u>1,075</u>	<u>3,555</u>	<u>557</u>
Net pension and other postemployment benefits liability (Note 10) *	44,520		2,891	41,629	
Contracts and notes	1,564	1,420	2,221	763	
Compensated absences payable	3,187	45	77	3,155	2,015
Total business-type activities long-term liabilities	<u>\$ 648,922</u>	<u>\$ 46,880</u>	<u>\$ 78,129</u>	<u>\$ 617,673</u>	<u>\$ 59,743</u>

* There was a restatement of net position as a result of the implementation of GASB Statement No. 75 (see Note 2).

The County's debt consists of various issues of general obligation bonds, transportation revenue bonds, certificates of participation, and sewer revenue bonds, loan, and obligations that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The County repays general obligation bonds from voter-approved property taxes. Transportation revenue bonds are repaid from net highway user revenues in the Transportation fund. Certificates of participation are repaid from General fund and other various funds' revenues. Sewer revenue bonds, obligations, and loan are repaid from the charges for services in the Regional Wastewater Reclamation fund.

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2018, consisted of the outstanding general obligation bonds presented below.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2008	\$ 100,000	4.00%	2019	July 1, 2018	\$ 7,500
Series of 2009	75,000	3.75 - 4.00%	2019-20	July 1, 2019	6,000
Series of 2009A	90,000	3.50%	2019-21	July 1, 2019	19,195
Series of 2011	75,000	3.00 - 5.00%	2019-22	July 1, 2021	14,360
Series of 2012A	60,000	3.00 - 4.00%	2019-27	July 1, 2022	32,880
Series of 2013A	50,000	2.00 - 4.00%	2019-28	July 1, 2023	35,175
Series of 2013B Refunding	38,575	3.00%	2019-20		10,400
Series of 2014	10,000	1.50 - 5.00%	2019-28	July 1, 2023	7,390
Series of 2015	15,000	2.25 - 4.00%	2019-29	July 1, 2025	9,690
Series of 2016 Refunding	122,070	2.00 - 4.00%	2019-26		114,005
Series of 2017	25,680	1.83%	2019-21		19,395
G.O. bonds outstanding					275,990
Plus unamortized premium/discount:					12,192
			Total G.O. bonds outstanding		<u>\$ 288,182</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 48,655	\$ 9,471
2020	52,425	8,093
2021	40,945	6,647
2022	40,350	5,173
2023	28,810	3,561
2024-2028	63,820	6,170
2029	985	30
Total	<u>\$ 275,990</u>	<u>\$ 39,145</u>

During fiscal year 2016-17, the County issued General Obligation Refunding Bonds, Series 2016 to defease certain General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of the defeased debts. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. At June 30, 2018, \$22,185 of General Obligation Bonds Series 2009, \$21,600 of Series 2009A, and \$17,380 of Series 2011 were considered defeased.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

TRANSPORTATION BONDS PAYABLE

Governmental Activities

(Payments made from street and highway revenues)

Pima County transportation revenue bonds were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, \$62,375 from the November 4, 1997 bond election remains unissued.

On April 12, 2018, the County issued Transportation Bonds, Series 2018 for \$11,000 to finance various street and highway improvements within the County.

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2008	\$ 25,000	4.25%	2019	July 1, 2018	\$ 2,600
Series of 2009	15,000	4.00%	2019-20	July 1, 2019	3,445
Series of 2009 Refunding	8,420	4.00%	2019-20	July 1, 2019	1,610
Series of 2012	18,425	3.00 - 4.00%	2019-27	July 1, 2022	12,275
Series of 2014	16,000	3.00 - 5.00%	2019-28	July 1, 2023	12,500
Series of 2015 Refunding	13,685	5.00%	2019-20		10,250
Series of 2016 Refunding	28,315	1.75 - 5.00%	2019-24		26,650
Series of 2018	11,000	2.00 - 5.00%	2019-33	July 1, 2028	11,000
Transportation bonds outstanding					80,330
Plus unamortized premium/discount:					5,178
Total transportation bonds outstanding					<u>\$ 85,508</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 14,820	\$ 3,354
2020	14,405	2,749
2021	11,200	2,079
2022	10,605	1,544
2023	6,095	1,027
2024-2028	19,040	2,776
2029-2033	4,165	645
Total	<u>\$ 80,330</u>	<u>\$ 14,174</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

Pima County has pledged future street and highway revenues, to repay \$80,330 in transportation revenue bonds issued between 2008 and 2018. Proceeds from the bonds provide financing for construction of various highways and streets within Pima County. The bonds are payable from transportation revenues and are payable through 2033. Total principal and interest remaining to be paid on the bonds is \$94,504. It is expected that approximately 10 percent of total future revenues will be used to pay annual principal and interest on the bonds. Prior year street and highway revenues are required to be greater than two times the maximum annual debt service payment. Principal and interest paid for bonds in the current year, and total current year street and highway revenues were \$18,703 and \$61,552, respectively.

During fiscal year 2016-17, the County issued Transportation Bonds, Series 2016 to defease certain Transportation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. At June 30, 2018, \$11,385 of Transportation Bonds Series 2009 were considered defeased.

CERTIFICATES OF PARTICIPATION

Governmental Activities

(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose.

On April 4, 2018, the County issued Certificates of Participation Series 2018A for \$23,265 to finance the costs to renovate, construct and equip the Historic Courthouse facility of the County. The County also issued Certificates of Participation Series 2018B for \$39,395 for various road improvements and other capital projects in the county.

The following schedule details outstanding Certificates of Participation payable at June 30, 2018.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2010	\$ 20,000	4.13%	2019		\$ 2,625
Series of 2013A	80,175	5.00%	2019-23		13,150
Series of 2014	52,160	5.00%	2019-29	December 1, 2023	42,315
Series of 2015	57,025	5.00%	2019		12,025
Series of 2016A	19,110	5.00%	2019		5,610
Series of 2016A Refunding	9,640	5.00%	2019-22		9,135
Series of 2016B	15,185	1.73 - 4.04%	2019-31	June 1, 2026	13,740
Series of 2018A	23,265	3.00 - 5.00%	2019-21		23,265
Taxable Series 2018B	39,395	2.35 - 2.70%	2019-21		39,395
Certificates of participation outstanding					161,260
Plus unamortized premium/discount:					5,357
Total certificates of participation outstanding					\$ 166,617

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 64,875	\$ 5,678
2020	21,960	3,845
2021	22,080	2,924
2022	9,995	2,203
2023	7,370	1,792
2024-2028	26,410	5,148
2029-2031	8,570	345
Total	<u>\$ 161,260</u>	<u>\$ 21,935</u>

On February 4, 2010, the County issued Certificates of Participation Series 2010 for \$20,000 to finance the replacement computer enterprise system composed of servers and other hardware, computer terminals, software and system training. The new enterprise system will serve the County with finance, budget, procurement, human resources, and material management systems.

On May 22, 2013, the County issued Certificates of Participation Series 2013A for \$80,175. The County intends to use \$60,000 of the proceeds from that issue for projects related to its sewer system. Although no sewer revenues are pledged for the repayment of the Certificates, the County intends to transfer available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects.

On February 12, 2014, the County issued Certificates of Participation Series 2014 for \$52,160 to finance the costs of completing the Public Service Center and Office Tower. The County may also use a portion of the funds for other capital projects.

On April 15, 2015, the County issued Certificates of Participation Series 2015 for \$57,025 to expand and improve the County's existing sewer system facilities. The County may also use a portion of the funds for other capital projects.

On April 14, 2016, the County issued Certificates of Participation Series 2016A for \$28,750, \$9,640 to refund a portion of Certificates of Participation Series 2007A, and \$19,110 of the proceeds to expand and improve the County's existing sewer system facilities. Although no specific sewer revenues are pledged for the repayment of the Certificates, the County anticipates using available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects. In addition, the County issued Certificates of Participation Series 2016B for \$15,185 to develop, design, and construct a manufacturing and administrative headquarters to be used by World View Enterprises, Inc., which will lease the facility from the County over a 20-year period.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

INSTALLMENT NOTE PAYABLE
Governmental Activities

In prior years, the County acquired Painted Hills property under contract agreements at a total purchase price of \$7,500 and acquired the open space generally in the area of Greasewood Road and West 36th Street under contract agreements at a total purchase price of \$2,075. The following schedule details debt service requirements to maturity for the County's installment note payable at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Land</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,511	\$ 54
2020	567	
Total	<u>\$ 2,078</u>	<u>\$ 54</u>

CAPITAL LEASE
Governmental Activities

In prior years, the County acquired computer network storage arrays under a long-term capital lease agreement. The carrying value of assets acquired through capital lease consists of \$82 of equipment.

The debt service requirement to maturity for the County's capital lease payable at June 30, 2018 was \$38, payable in fiscal year 2019.

SEWER REVENUE BONDS, OBLIGATIONS AND LOAN
Business-type Activities
(Payments made from user charges received in the RWR)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation system.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2009	\$ 18,940	3.75%	2019-20	July 1, 2019	\$ 2,860
Sewer revenue bonds outstanding					2,860
Plus unamortized premium/discount:					<u>3</u>
Total sewer revenue bonds outstanding					<u>\$ 2,863</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,395	\$ 107
2020	<u>1,465</u>	<u>55</u>
Total	<u>\$ 2,860</u>	<u>\$ 162</u>

During the year ended June 30, 2018, the County defeased \$16,320 of Sewer Revenue Bonds, Series 2008 with existing resources to reduce the debt service costs and help eliminate the need for future sewer rate increases. Accordingly, the related liabilities are not included in the County's financial statements. The County placed \$16,637 of existing cash in an irrevocable trust to provide resources for the future debt service payments of \$16,646 on the defeased debt.

On June 17, 2010, Pima County issued Sewer Revenue Obligations Series 2010 for \$165,000 primarily to pay a portion of the capital project costs associated with the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the county-wide sewer system, including the Agua Nueva (previously known as Roger Road) and Tres Rios (previously known as Ina Road) Wastewater Reclamation Facilities.

In December 2011, the County issued Sewer Revenue Obligations Series 2011B for \$189,160 to provide additional funding for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

In December 2012, the County issued Sewer Revenue Obligations Series 2012A for \$128,795. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System, including the Agua Nueva and Tres Rios Wastewater Reclamation Facilities.

In February 2014, the County issued Sewer Revenue Obligations Series 2014 for \$48,500. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

In February 2017, the County issued Sewer Revenue Obligations Series 2017 for \$45,000. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

In April 2018, the County issued Sewer Revenue Obligations Series 2018 for \$38,205. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

In prior years, the County defeased certain Sewer Revenue Bonds and Sewer Revenue Obligations by placing the proceeds of Sewer Revenue Refunding Obligations Series 2016 in an irrevocable trust to provide for all future debt service payments on the defeased debts. Accordingly, the trust account assets and the liability for these defeased bonds and obligations are not included in the County's financial statements. At June 30, 2018, \$6,725 of Sewer Revenue Bonds Series 2009, \$85,495 of Sewer Revenue Obligations Series 2010, and \$71,000 of Sewer Revenue Obligations Series 2011B were considered defeased.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following table presents amounts outstanding for sewer revenue obligations by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2010	\$ 165,000	3.75 - 5.00%	2019-21	July 1, 2020	\$ 43,830
Series of 2011B	189,160	5.00%	2019-22	July 1, 2021	48,920
Series of 2012A	128,795	2.00 - 5.00%	2019-27	July 1, 2022	88,550
Series of 2014	48,500	5.00%	2019-28	July 1, 2023	37,740
Series 2016 Refunding	211,595	5.00%	2019-26		209,500
Series 2017	45,000	2.77%	2019-31		42,325
Series 2018	38,205	5.00%	2026-33	July 1, 2028	38,205
Sewer revenue obligations outstanding					509,070
Plus unamortized premium/discount:					56,638
Total sewer revenue obligations outstanding					<u>\$ 565,708</u>

The following schedule details sewer revenue obligation debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 44,585	\$ 24,281
2020	54,565	22,116
2021	57,600	19,516
2022	59,840	16,781
2023	62,805	13,936
2024-2028	192,940	29,709
2029-2033	36,735	4,587
Total	<u>\$ 509,070</u>	<u>\$ 130,926</u>

In October 2009, the County entered into a loan agreement for the funding of construction of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

The following table presents the loan payable outstanding amount.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2018</u>
2009 Loan payable	\$ 8,002	0.96%	2019-24	\$ 3,555
Total loan payable				<u>\$ 3,555</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details loan payable debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 557	\$ 88
2020	571	74
2021	585	60
2022	599	45
2023	614	31
2024	629	15
Total	<u>\$ 3,555</u>	<u>\$ 313</u>

Pima County has pledged future user charges, net of specified operating expenses, to repay \$2,860 in sewer revenue bonds issued in 2009, \$509,070 in sewer revenue obligations issued between 2010 and 2018, and \$3,555 in sewer revenue loan issued in 2009. Proceeds from the bonds, obligations and loan provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds, obligations and loan are payable from total customer net revenues and are payable through fiscal year 2033. It is expected that approximately 74 percent of total customer net revenues will be used to pay annual principal and interest payments on the bonds and obligations and approximately 2 percent of total customer net revenues will be used to pay annual principal and interest on the loan. Total principal and interest remaining to be paid on the bonds, obligations and loan are \$3,022, \$639,996 and \$3,868, respectively. Principal and interest paid in the current year on the bonds and obligations, and on the loan, and total customer net revenues were \$69,160 \$1,232, and \$101,622, respectively.

All sewer revenue bonds were issued and the loan agreements were executed with a first lien on the pledge of the RWR net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the RWR to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies in amounts set by each debt issue. At June 30, 2018 the RWR met the requirements of the debt covenants. The County is also authorized to issue for the RWR additional parity bonds or revenue obligations if certain conditions are met, primarily that net revenues for parity bonds and pledged revenues for revenue obligations for the fiscal year immediately preceding issuance of the new debt exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

CONTRACTS AND NOTES

Business-type Activities

(Payments made from restricted assets in the RWR)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, with voter approval, debt may be incurred up to 15 percent of the value of taxable property. Pima County has received voter approval for all general obligation debt. The legal debt margin at June 30, 2018, is as follows:

Net assessed valuation	\$	8,508,990
<u>Debt limit (15% of net assessed valuation):</u>	\$	1,276,349
<u>Less amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$	275,990
Less fund balance in debt service fund available for payment of general obligation bond principal		273,079
		<u>(2,911)</u>
Legal debt margin available		<u><u>\$ 1,003,270</u></u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

NOTE 8: Landfill Liabilities

Solid Waste Landfill Closure and Post-Closure Care Costs:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The \$9,978 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$4,175 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2018; actual costs may change due to inflation, changes in technology, or changes in regulations.

<u>Landfill Site</u>	<u>Capacity Used June 30, 2018</u>	<u>Estimated Remaining Service Life</u>
Ajo	75%	35 Years
Sahuarita*	59%	25 Years
Tangerine	100%	Closed

*The Sahuarita Landfill stopped accepting waste from the public in February 2016 but remains open for internal County waste disposal needs.

The County plans to fund the estimated closure and post-closure care costs with General Fund monies.

According to State and Federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$11,608 when closure occurs and plans to fund the costs with General Fund monies. At this time, there is no closure date available.

On June 1, 2013 Tucson Recycling and Waste Services was contracted to operate the remaining open landfill and transfer stations on behalf of Pima County in an agency capacity. The closure and post closure costs remain the liability of Pima County.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 9: Operating Leases

The County leases land, buildings, parking spaces, machinery, and office equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$10,018 for the year ended June 30, 2018. These operating leases have remaining lease terms from one to thirty-seven years. Also, they provide renewal options and are contingent on budgetary appropriations each fiscal year. The future estimated maximum rental payments under these operating leases as of June 30, 2018, are as follows:

Year ending June 30	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 15,505	\$ 200
2020	4,596	200
2021	1,178	200
2022	831	200
2023	337	200
2024-28	126	1,000
2029-33	42	1,000
2034-38		1,000
2039-43		1,000
2044-48		1,000
2049-53		1,000
2054-55		350
Total maximum lease payments	<u>\$ 22,615</u>	<u>\$ 7,350</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan (CORP), the Corrections Officer Retirement Plan – Administrative Office of the Courts (CORP AOC), the Public Safety Personnel Retirement System (PSPRS), consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan (EORP), all component units of the State of Arizona.

At June 30, 2018, the County reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ 3,293	\$ 146	\$ 3,439
Net pension and OPEB liability	784,384	41,629	826,013
Deferred outflows of resources related to pensions and OPEB	121,311	5,086	126,397
Deferred inflows of resources related to pensions and OPEB	45,863	3,595	49,458
Pension and OPEB expense	107,019	(106)	106,913

The County’s accrued payroll and employee benefits includes \$3,227 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the County reported \$52,045 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The ASRS, CORP, CORP AOC, PSPRS - Pima County Sheriffs, and EORP pension plans are described below. The PSPRS, Pima County - County Attorney Investigators pension plan and all (OPEB) plans are not described due to their relative insignificance to the County's financial statements.

A. Arizona State Retirement System

Plan description—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Benefits provided—The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions— In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.26 percent for retirement of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2018, were \$25,552.

During fiscal year 2018, the County paid for ASRS pension contributions as follows: 60 percent from the General Fund, 9 percent from major funds, and 31 percent from other funds.

Liability—At June 30, 2018, the County reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension liability
Pension	\$375,197

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The net pension liability was measured as of June 30, 2017. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The County's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

ASRS	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	2.41	(0.03)

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net liability as a result of these changes is not known.

Expense—For the year ended June 30, 2018, the County recognized the following pension expense.

ASRS	Pension expense
Pension	\$4,958

Deferred outflows/inflows of resources— At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 11,250
Changes of assumptions or other inputs	\$ 16,296	11,219
Net difference between projected and actual earnings on pension plan investments	2,693	
Changes in proportion and differences between county contributions and proportionate share of contributions	24	8,455
County contributions subsequent to the measurement date	25,552	
Total	\$ 44,565	\$ 30,924

The \$25,552 reported as deferred outflows of resources related to ASRS pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expense as follows:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Year ending June 30	
2019	\$ (20,999)
2020	13,402
2021	4,316
2022	(8,630)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		Long-term expected arithmetic real rate of return
Asset class	Target allocation	
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.84%
Total	<u>100%</u>	

Discount rate— The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Sensitivity of the County’s proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
County’s proportionate share of the net pension liability	\$ 481,572	\$ 375,197	\$ 286,313

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan for county detention officers and a cost-sharing multiple-employer defined benefit pension plan for AOC officers. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	
CORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service	

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

CORP	<u>Initial membership date:</u>	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
Ordinary disability retirement	2.5% per year of credited service	
Survivor benefit		
Retired members	80% of retired member's pension benefit	
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation for PSPRS and excess investment earnings for CORP. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Sheriff</u>	<u>CORP Detention</u>
Inactive employees or beneficiaries currently receiving benefits	394	198
Inactive employees entitled to but not yet receiving benefits	115	143
Active employees	462	487
Total	<u>971</u>	<u>828</u>

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active member— pension</u>	<u>County—pension</u>
PSPRS Sheriff	7.65% - 11.65%	63.07%
CORP Detention	8.41%	24.86%
CORP AOC	8.41%	22.51%

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

	<u>Pension</u>
PSPRS Sheriff	46.18%
CORP Detention	18.15%
CORP AOC	15.27%

The County's contributions to the plans for the ended June 30, 2018, were:

	<u>Pension</u>
PSPRS Sheriff	\$18,771
CORP Detention	5,155
CORP AOC	3,003

During fiscal year 2018, the County paid for PSPRS and CORP pension contributions as follows: 94 percent from the General Fund and 6 percent from other non-major funds.

Liability —At June 30, 2018, the County reported the following liabilities:

	<u>Net pension liability</u>
PSPRS Sheriff	\$ 231,783
CORP Detention	76,705
CORP AOC (County's proportionate share)	47,929

The net pension liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP and CORP AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS and CORP—Pension

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price Inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP	Long-term expected	
<u>Asset class</u>	<u>Target allocation</u>	<u>geometric real rate of return</u>
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rates— At June 30, 2017, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Changes in the net pension liability PSPRS – Sheriff	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability / (asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2017	\$ 355,423	\$ 136,979	\$ 218,444
Changes for the year:			
Service cost	8,078		8,078
Interest on the total pension liability	26,186		26,186
Changes of benefit terms	4,033		4,033
Differences between expected and actual experience in the measurement of the pension liability	(1,177)		(1,177)
Changes of assumptions or other inputs	12,797		12,797
Contributions—employer		16,871	(16,871)
Contributions—employee		3,900	(3,900)
Net investment income		16,189	(16,189)
Benefit payments, including refunds of employee contributions	(20,634)	(20,634)	
Administrative expense		(144)	144
Other changes		(238)	238
Net changes	29,283	15,944	13,339
Balances at June 30, 2018	\$ 384,706	\$ 152,923	\$ 231,783
CORP – Detention	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability / (asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2017	\$ 109,504	\$ 49,774	\$ 59,730
Changes for the year:			
Service cost	3,235		3,235
Interest on the total pension liability	8,091		8,091
Changes of benefit terms	15,675		15,675
Differences between expected and actual experience in the measurement of the pension liability	(1,044)		(1,044)
Changes of assumptions or other inputs	3,566		3,566
Contributions—employer		4,871	(4,871)
Contributions—employee		1,814	(1,814)
Net investment income		5,953	(5,953)
Benefit payments, including refunds of employee contributions	(6,489)	(6,489)	
Administrative expense		(52)	52
Other changes		(38)	38
Net changes	23,034	6,059	16,975
Balances at June 30, 2018	\$ 132,538	\$ 55,833	\$ 76,705

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

CORP AOC	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	11.95	(0.47)

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rate of 7.4 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<u>1% Decrease (6.4%)</u>	<u>Current discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PSPRS Sheriff			
Net pension liability	\$ 281,801	\$ 231,783	\$ 190,732
CORP Detention			
Net pension liability	\$ 96,171	\$ 76,705	\$ 61,009
CORP AOC			
County's proportionate share of the net pension liability	\$ 61,954	\$ 47,929	\$ 36,587

Plan fiduciary net position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension expense—For the year ended June 30, 2018, the County recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Sheriff	\$ 33,082
CORP Detention	23,940
CORP AOC (County's proportionate share)	18,812

Pension deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS – Sheriff	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 8,223
Changes of assumptions or other inputs	\$ 29,163	
Net difference between projected and actual earnings on pension plan investments	2,153	
County contributions subsequent to the measurement date	18,771	
Total	<u>\$ 50,087</u>	<u>\$ 8,223</u>
CORP – Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 3,391
Changes of assumptions or other inputs	\$ 8,387	
Net difference between projected and actual earnings on pension plan investments	668	
County contributions subsequent to the measurement date	5,155	
Total	<u>\$ 14,210</u>	<u>\$ 3,391</u>
CORP – AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 439	\$ 1,646
Changes of assumptions or other inputs	4,654	
Net difference between projected and actual earnings on pension plan investments	571	
Changes in proportion and differences between county contributions and proportionate share of contributions	21	917
County contributions subsequent to the measurement date	3,003	
Total	<u>\$ 8,688</u>	<u>\$ 2,563</u>

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP AOC
Year ending June 30			
2019	\$ 8,577	\$ 2,400	\$ 1,526
2020	9,188	2,024	1,411
2021	3,307	936	452
2022	1,521	233	(267)
2023	500	71	
	<u>\$ 23,093</u>	<u>\$ 5,664</u>	<u>\$ 3,122</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

C. Elected Officials Retirement Plan

Plan description— Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This EORP pension plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

Benefits provided—The EORP provides retirement and survivor benefits. State statute establishes benefit terms. Retirement, disability and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2018, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County's required contributions to ASRS for these elected officials and judges. In addition, statute required the County to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County's contributions to the pension plan for the year ended June 30, 2018, was \$1,508.

During fiscal year 2018, the County paid for EORP pension contributions entirely from the General Fund.

Liability—At June 30, 2018, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 90,478
State's proportionate share of the EORP net pension liability associated with the County	29,292
Total	\$ 119,770

The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known.

The County's proportion of the net pension liability was based on the County's actual contributions to the pension plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

EORP	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	7.42	(0.48)

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Expense—For the year ended June 30, 2018, the County recognized pension expense for EORP of \$24,557 and revenue of \$4,111 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 784
Changes of assumptions or other inputs	\$ 3,532	
Net difference between projected and actual earnings on pension plan investments	555	
Changes in proportion and differences between county contributions and proportionate share of contributions	931	340
County contributions subsequent to the measurement date	1,508	
Total	\$ 6,526	\$ 1,124

The amounts reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	
2019	\$ 3,152
2020	774
2021	147
2022	(179)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

EORP	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The long-term expected rate of return on EORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP		
Asset class	Target allocation	Long-term expected geometric real rate of return
Short-term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rates—At June 30, 2017, the discount rates used to measure the EORP total pension liability was 3.91 percent, which was an increase of 0.23 from the discount rates used as of June 30, 2016. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rates noted above, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

EORP	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
County’s proportionate share of the net pension liability	\$ 106,878	\$ 90,478	\$ 77,102

Plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued EORP financial report.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 11: Due from Other Governments

Governmental activities:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
Federal government:					
Grants and contributions	\$ 57		\$ 3,964		\$ 4,021
State of Arizona:					
Taxes and shared revenues	20,132	\$ 4,888	5,457		30,477
Grants and contributions			5,461		5,461
Cities:					
Reimbursement for services	1,177	8,227	1,016	\$ 4	10,424
Other governments:					
Reimbursement for services	105	183	18	2	308
Total due from other governments fund based statements	<u>\$ 21,471</u>	<u>\$ 13,298</u>	<u>\$ 15,916</u>	<u>\$ 6</u>	<u>\$ 50,691</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 12: Interfund Transactions

A. Interfund Assets/Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due to:

Amounts recorded as due from:	General	Other Governmental	Regional Wastewater Reclamation	Internal Services	Total
General	\$ 6,828	\$ 6		\$ 6,834	
Capital Projects		120	65		185
Other Governmental	\$ 344	32	28	\$ 107	511
Other Enterprise		12	11		23
Total	\$ 344	\$ 6,992	\$ 110	\$ 107	\$ 7,553

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	General	Capital Projects	Other Governmental	Regional Wastewater Reclamation	Other Enterprise	Internal Services	Total
General	\$ 16	\$ 3,357	\$ 236	\$ 750	\$ 34	\$ 4,393	
Capital Projects	\$ 10,896	24,102			15	50	35,063
Debt Service	14,104	395	19,075	23,553	654	2,243	60,024
Other Governmental	20,516	160	1,335	183	2	134	22,330
Regional Wastewater Reclamation					14		14
Other Enterprise				97			97
Internal Service	568						568
Total	\$ 46,084	\$ 571	\$ 47,869	\$ 24,069	\$ 1,435	\$ 2,461	\$ 122,489

The table above does not include transfers of capital assets from the proprietary funds to the governmental activities because these are not reported in the governmental funds.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 13: Construction and Other Significant Commitments

At June 30, 2018, Pima County had the following major contractual commitments:

Community Services

The Community Services Department had contractual commitments related to service contracts of \$16,259. Funding for these expenditures will be provided from reimbursements on intergovernmental grant awards, including federal and state entities.

Facilities Management

The Facilities Management Department had construction contractual commitments of \$12,028 and other contractual commitments related to service contracts of \$9,998. Funding for these expenditures will be provided from general fund revenues and general obligation bonds.

General Government

The Office of Medical Services had commitments related to service contracts of \$32,292. Funding for these expenditures will be provided from general fund revenues.

Natural Resources, Parks and Recreation

The Natural Resources, Parks and Recreation Department had construction contractual commitments of \$6,292 and other contractual commitments related to service contracts of \$3,032. Funding for these expenditures will be provided from general fund revenues.

Regional Wastewater Reclamation

The Regional Wastewater Reclamation enterprise fund had construction contractual commitments of \$24,682 and other contractual commitments related to services of \$23,585. Funding for these expenses will be primarily from the Sewer Revenue Obligations and sewer user fees.

Transportation

The Transportation Department had construction commitments of \$95,090 and other contractual commitments related to services of \$2,085. Funding for these expenditures will be primarily provided from Transportation Revenue bonds, federal grants funding and state Highway User Tax Revenue, which is the primary source of revenue for the Transportation Department.

Note 14: Deficit Fund Balances/Net Position

At June 30, 2018, the following nonmajor funds reported deficits in fund balance or net position:

Fund	Deficit
Governmental Funds:	
Other Grants	\$ 3,447
Stadium District	3,487
Proprietary funds:	
Development Services	\$ 175

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

SUMMARY OF LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Financing Documents together with certain definitions in the Financing Documents not defined elsewhere in the Official Statement. These summaries are not intended to be definitive. Reference is made to the complete documents for the complete terms thereof. Copies of the documents are available as set forth in the Official Statement under the heading “INTRODUCTORY STATEMENT.”

CERTAIN DEFINITIONS

“2010 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2010, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Second Supplement.

“2013A Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2013A, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Third Supplement.

“2014 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2014, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Fourth Supplement.

“2016 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2016, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Sixth Supplement.

“2018 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2018A and Taxable Series 2018B, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Seventh Supplement.

“2019 Certificates” shall mean the \$21,125,000* principal amount of Certificates of Participation, Series 2019, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Eighth Supplement.

“Acquisition Fund” shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Additional Certificates” shall mean additional certificates issued subsequent to the 2019 Certificates pursuant to the Trust Agreement.

“Additional Rent” shall mean any payments required to be made by the County pursuant to the Lease, in addition to the Lease Payments.

“Adult Detention Center” shall mean certain maximum and medium security detention facilities of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

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

* Preliminary, subject to change.

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

“Certificates” shall mean the 2010 Certificates, the 2013 Certificates, the 2014 Certificates, the 2016 Certificates, the 2018 Certificates, the 2019 Certificates and any Additional Certificates.

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

“Deed” shall mean the Special Warranty Deed from the County, as grantor, to the Trustee, as grantee, conveying the Public Works Building, the Legal Services Building and the Adult Detention Center to the Trustee.

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

“Eighth Amendment” means the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019*, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment.

“Eighth Supplement” means the Eighth Supplement to Trust Agreement, dated as of May 1, 2019*, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement.

“Event of Default” shall mean (a) an event of default under the Lease, as defined in Section 9.1 thereof, (b) if the Lease has been terminated because the County fails to obtain proper budgeting and appropriation of the full amount of funds necessary to make all Lease Payments for any fiscal period, as described in the Lease, and the Lease has not been reinstated as provided therein, or (c) the failure of the Trustee to receive from the County an amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due.

“Fifth Amendment” means the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment.

“Fifth Supplement” means the Fifth Supplement to Trust Agreement, dated as of April 1, 2015, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement and the Fourth Supplement.

“First Amendment” means the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009, between the Trustee and the County, amending the Original Lease-Purchase Agreement.

“First Supplement” means the First Supplement to Trust Agreement, dated as of June 1, 2009, between the Trustee and the County, supplementing and amending the Original Trust Agreement.

* Preliminary, subject to change.

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

“Fourth Amendment” means the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment and the Third Amendment.

“Fourth Supplement” means the Fourth Supplement to Trust Agreement, dated as of January 1, 2014, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement and the Third Supplement.

“Ground Lease” shall mean, collectively, the Ground Lease, dated as of June 1, 2008, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the Public Works Parking Garage to the Trustee, the Ground Lease, dated as of January 1, 2014, between the County, as lessor, and the Trustee, as lessee, together with any amendments therefor or supplements thereto, leasing the Public Service Center Office Tower and Parking Garage to the Trustee and the Ground Lease, dated as of May 1, 2019*, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the Justice Building.

“Interest Payment Date” shall mean each of the dates on which interest is due and payable with respect to the Certificates as provided in the Trust Agreement.

“Justice Building” shall mean the justice building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Lease” shall mean the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, the Seventh Amendment, the Eighth Amendment and as subsequently amended from time to time.

“Lease Payment” shall mean all payments required to be paid by the County pursuant to the Lease which are applied to the payment of the principal and interest represented by the Certificates.

“Leased Property” shall mean that certain real property located in Pima County, Arizona, and generally described as the Public Works Building, the Legal Services Building, the Public Works Parking Garage, the Adult Detention Center, the Public Service Center Office Tower and Parking Garage and the Justice Building.

“Legal Services Building” shall mean the legal services building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Moody’s” shall mean Moody’s Investors Service, Inc. or any successor nationally recognized securities rating agency.

“Net Proceeds” shall mean any insurance proceeds (other than proceeds of any insurance policy resulting from liability to a third person for damages for bodily and personal injury, death or property damage connected with the construction or operation of the Leased Property) or condemnation award in excess of \$100,000, paid with respect to the Leased Property, or any proceeds resulting from the sale of the Leased Property following an Event of Default, remaining after payment therefrom of all expenses incurred in the collection thereof.

“Original Lease-Purchase Agreement” shall mean the Lease-Purchase Agreement, dated as of June 1, 2008, between the Trustee and the County.

“Original Purchaser” shall mean Citigroup Global Markets Inc., as the original purchaser of the 2019 Certificates.

* Preliminary, subject to change.

“Original Trust Agreement” shall mean the Trust Agreement, dated as of June 1, 2008, between the Trustee and the County.

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

- (a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
- (b) Certificates which are deemed paid and no longer Outstanding as provided in the Trust Agreement;
- (c) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions of the Trust Agreement relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and
- (d) Certificates owned or held by or for the account of the Lessee or by any person directly or indirectly controlled by, or under direct or indirect common control with the Lessee (except any Certificates held in any pension or retirement fund), for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement.

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

“Permitted Encumbrances” shall mean, as of any particular time (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Lease, permit to remain unpaid, (ii) the Lease, (iii) the Ground Lease, (iv) the Trust Agreement, (v) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist as of the date of issuance of the Certificates and which the County certifies in writing shall not materially impair the use of the Leased Property for purposes of the Lease or the security granted to the Trustee in the Trust Agreement, and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor and the County consent in writing.

“Permitted Investments” shall mean and include the following investments only relating to the 2019 Certificates (to the extent permitted by law):

- (a) Defeasance Obligations.
- (b) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: (A) the Export Import Bank of the United States, (B) the Rural Economic Community Development Administration (formerly the Farmers Home Administration), (C) the U.S. Maritime Administration, (D) the Small Business Administration, (E) the U.S. Department of Housing and Urban Development (PHA’s), (F) the Federal Housing Administration, and (G) the Federal Financing Bank.
- (c) Direct obligations of any of the following federal agencies which are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by Fannie Mae or Freddie Mac, (B) obligations of the Resolution Funding Corporation (REFCORP), and (C) senior debt obligations of the Federal Home Loan Bank System.
- (d) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

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

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

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

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

(B) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of obligations described in clause (B) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally-recognized independent certified public accountant or firm of such accountants, to pay principal of and interest and redemption premium, if any, on the 2019 Certificates or other obligations described in this clause (vii) on the maturity or redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

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

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

“Prepayment” shall mean any payment applied towards the prepayment of the Lease Payments, in whole or in part, pursuant to the Lease.

“Public Service Center Office Tower and Parking Garage” shall mean the public service center office tower and adjacent parking garage of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Public Works Building” shall mean the County-utilized portion of the public works building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Public Works Parking Garage” shall mean that certain parking garage located next to the Public Works Building in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

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

“S&P” shall mean S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, or any successor nationally recognized securities rating agency.

“Second Amendment” means the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment.

“Second Supplement” means the Second Supplement to Trust Agreement, dated as of February 1, 2010, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement.

“Seventh Amendment” means the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment and the Sixth Amendment.

“Seventh Supplement” means the Seventh Supplement to Trust Agreement, dated as of April 1, 2018, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement and the Sixth Supplement.

“Sixth Amendment” means the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment.

“Sixth Supplement” means the Sixth Supplement to Trust Agreement, dated as of April 1, 2016, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement and the Fifth Supplement.

“Special Counsel” shall mean any law firm, acceptable to the County, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

“State” shall mean the State of Arizona.

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

“Term of the Lease” shall mean the time during which the Lease is in effect, as provided therein.

“Third Amendment” means the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment and the Second Amendment.

“Third Supplement” means the Third Supplement to Trust Agreement, dated as of May 1, 2013, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement and the Second Supplement.

“Trust Agreement” shall mean the Original Trust Agreement, as supplemented by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement, the Seventh Supplement, the Eighth Supplement and as subsequently amended from time to time.

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

LEASE

Lease of Leased Property

The Lessor has agreed to lease the Leased Property to the County pursuant to the Lease. The term of the Lease continues until December 1, 2033, unless terminated prior thereto as provided therein.

Upon the County's failure to obtain, on or prior to the last date on which the County is required or permitted to adopt its budget for a fiscal year of the full amount of funds necessary to make all Lease Payments coming due during the fiscal period for which such budgeting and appropriation are made all of the County's right, title and interest in and future obligations under the Lease and to all of the Leased Property shall terminate (subject to reinstatement within 45 days of such terminate date), effective as of the last day of the last fiscal period for which such budgeting and appropriation were properly obtained.

Lease Payments; Additional Rent; Reduction of Rental

The County has agreed to pay the Lease Payments as rental for the use and occupancy of the Leased Property, which shall be paid in arrears on May 15 and November 15 of each year.

The amount of Lease Payments shall be reduced upon the redemption of Certificates resulting from Prepayment of Lease Payments, including those resulting from damage or destruction (other than by eminent domain which is hereinafter discussed), of the Leased Property causing substantial interference with the use and occupancy thereof by the County. The Lease Payments shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates (after any redemption of Certificates resulting from such Prepayments made with the Net Proceeds of insurance coverage for such damage or destruction), which resulting Lease Payments are deemed to represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. In the event of any such reduction, the Lease shall continue in full force and effect and the County shall waive any right to terminate the Lease by virtue of any damage and destruction of the Leased Property causing such reduction in Lease Payments.

In addition to Lease Payments, the County has agreed to pay when due as Additional Rent (a) all costs and expenses of the Lessor or the Trustee to comply with the provisions of the Trust Agreement, (b) payments required to be deposited into the Rebate Fund pursuant to the Trust Agreement to make certain arbitrage rebate payments to the federal government, (c) compensation and expenses of the Trustee, (d) certain indemnification amounts (e) all costs and expenses of auditors, engineers and legal counsel, and (f) all rent for any holdover period during which the County stays in possession of the Leased Property after termination of the Lease.

Maintenance, Utilities, Taxes and Modifications

The County, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Lessor has no responsibility for such repair. The County has the power to make additions, modifications and improvements to the Leased Property which do not damage or reduce their value to a value substantially less than that which existed prior to such modification or improvement. Any such additions, modifications or improvements shall automatically become subject to the Lease. The County must pay or cause to be paid all taxes, other governmental charges and utility charges with respect to the Leased Property, as well as any taxes and assessments, if any, which it is legally obligated to pay.

Insurance

The Lease requires the County to maintain or cause to be maintained the following insurance against risk or physical damage to the Leased Property and other risks for the protection of the Certificate Owners and the Trustee:

(i) General Liability. The County shall maintain or cause to be maintained, throughout the term of the Lease through Qualified Self-Insurance or a standard commercial general insurance policy or policies with a responsible insurance company or companies authorized under the laws of the State to assume such risks, of such

types and in such amounts as are then customary for similar institutions carrying on similar activities to those carried on the Leased Property.

(ii) Fire and Extended Coverage, Vandalism and Malicious Mischief. The County shall maintain or cause to be maintained, throughout the term of the Lease, insurance or Qualified Self-Insurance against loss or damage to any structure or equipment constituting any part of the Leased Property by fire and lightning, with extended coverage and malicious mischief insurance. Coverage shall be in an amount equal to 100% of the replacement cost of the Leased Property. Such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss.

The insurance described in paragraphs (i) and (ii) may be maintained as part of or in conjunction with any other liability or fire and extended coverage for insurance, respectively, carried or required to be carried by the County and may be maintained in the form of Qualified Self-Insurance by the County.

(iii) Title Insurance. The County provided a title insurance policy in the amount of the aggregate principal amount of the Certificates, insuring the Trustee's estate in the Leased Property, subject only to Permitted Encumbrances.

All policies of insurance (except the policy of general liability insurance) must provide that the Net Proceeds thereof shall be payable to the Trustee. The Net Proceeds of fire and extended coverage insurance shall be deposited in the Insurance and Condemnation Fund and applied to restore, replace, repair, modify or improve the Leased Property or to the prepayment of Lease Payments and the corresponding redemption of Certificates. See "TRUST AGREEMENT – Funds – Insurance and Condemnation Fund". The Net Proceeds of general liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The proceeds of title insurance shall be deposited in the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding redemption of Outstanding Certificates. The County has agreed to pay or cause to be paid when due the premiums on all insurance policies and furnish evidence of such payments promptly to the Trustee.

In the event the County maintains self-insurance for general liability insurance and fire and extended coverage insurance required under the Lease, the County shall cause to be delivered to the Trustee annually the documentation required for the determination that such self-insurance constitutes Qualified Self-Insurance. Additionally, to the extent the Trustee may not be named as an insured or loss payee under any insurance or Qualified Self-Insurance, the County assigns to the Trustee its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective rights under the Lease appear on the date of payment. The County shall furnish an annual certificate to the Trustee stating that the insurance in effect meets the requirements of the Lease.

Eminent Domain

If all of the Leased Property shall be taken permanently under the power of eminent domain, the term of the Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) the Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties thereto waive the benefit of any law to the contrary, and (ii) there shall be a partial reduction of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the Prepayment of the Lease Payments, which shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates, which represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. See "Lease – Lease Payments; Additional Rent; Reduction of Rental."

Option to Purchase Leased Property

The County has the option to purchase all of the Leased Property by prepaying the Lease Payments in whole at any time at the prices set forth in the Lease. In the event that the County elects to exercise its option prior

to the optional redemption dates of the Certificates, the County is required to make such Prepayment by depositing certain Permitted Investments and cash, if required, sufficient, together with earnings on the investment thereof to pay and redeem the appropriate amount of Certificates. The optional prepayment prices have been determined such that all of the Outstanding Certificates shall be retired in the event the County elects to purchase all of the Leased Property.

The County may on any date secure the payment of Lease Payments with respect to any element of the Leased Property by deposit with the Trustee of certain Permitted Investments and cash, if required, in such amount as shall, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Permitted Investments then on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund related to the Lease Payments with respect to such Leased Property, be fully sufficient to pay all unpaid Lease Payments and Additional Rent with respect to such Leased Property on the respective Lease Payment Dates or on the applicable date for Prepayment of Lease Payments, as the County instructs at the time of said deposit.

Assignment; Subleases

The County may not assign any of its rights in the Lease, and may not sublease all or a portion of the Leased Property without the written consent of the Trustee and only under the conditions contained in the Lease, including the condition that such sublease not adversely affect the exclusion of the interest components of the Lease Payments from federal gross income when paid to the Owners of the Certificates.

Events of Default

Each of the following constitutes an “event of default” under the Lease:

(i) Failure by the County to make any Lease Payment or other payment required under the Lease when due and continuation of such failure for two (2) days; or

(ii) Failure by the County to comply with any covenant, agreement or condition contained in the Lease or the Trust Agreement, other than the event of default described in (i) above, and the continuance of such failure or default for a period of 30 days after written notice thereof has been given to the County by the Trustee, the Lessor, or the Owners of not less than 5% in aggregate principal amount of Certificates then Outstanding; provided, if the failure stated in the notice can be corrected, but not within such 30 day period, the Trustee, the Lessor and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within such 30 day period and diligently pursued until the default is corrected; or

(iii) Any representation or warranty made by the County under the Lease shall be untrue in any material respect; or

(iv) Certain events relating to bankruptcy of the County or the inability of the County to pay its debts.

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

The term “Force Majeure” shall mean, without limitation: Acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or any of its departments, agencies, political subdivisions, courts or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lighting; earthquakes; fire; hurricanes; tornados;

storms; droughts; floods; arrests; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation.

Upon the occurrence and continuance of any event of default, the Lessor may at its option elect to terminate the Lease or, with or without such termination, to re-enter, take possession of the Leased Property, to the exclusion of the County, and sell, convey, re-rent or re-let the Leased Property. Any amounts collected by the Lessor from the sale or reletting of the Leased Property shall be credited towards the County's unpaid Lease Payments. Any net proceeds of sale, re-lease or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date. Pursuant to the Trust Agreement, the Lessor assigns all of its rights with respect to remedies in an event of default to the Trustee, so that all such remedies shall be exercised by the Trustee and the Certificate Owners as provided in the Trust Agreement.

TRUST AGREEMENT

Pledge and Security

Pursuant to the Trust Agreement, the Trustee is authorized and directed to acquire, to receive and to hold as security for the Owners of the Certificates, the following:

A. All right, title and interest of the Lessor in and to the Leased Property; subject, however, to the rights of the County under the Lease.

B. All right, title and interest of the Lessor in and to the Lease, the Deed and the Ground Lease and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement thereof, and (iii) do any and all things which the Lessor is or may become entitled to do thereunder.

C. All right, title and interest of the Lessor in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Trust Agreement (other than the Rebate Fund).

The Trust Agreement also represents a declaration by the Trustee that it holds the above rights and interests in trust for the benefit of the Owners of the Certificates.

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to execute and deliver the Certificates and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the County's instructions.

Funds

The Trust Agreement creates the Acquisition Fund, the Delivery Costs Fund, the Lease Payment Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

Acquisition Fund. There shall be deposited into the Acquisition Fund (after certain deposits are made to the Delivery Costs Fund) amounts necessary to acquire the Leased Property.

Delivery Costs Fund. There shall be deposited in the Delivery Costs Fund amounts necessary to pay costs relating to the execution, sale and delivery of Certificates, which amounts shall be disbursed by the Trustee, upon the written order of the County.

Lease Payment Fund. There shall be deposited into the Lease Payment Fund, when received by the Trustee, all Lease Payments and Prepayments. Moneys on deposit in the Lease Payment Fund shall be used to pay principal of, redemption premiums, if any, and interest on the Certificates.

Insurance and Condemnation Fund. Any Net Proceeds of insurance or condemnation awards in excess of \$100,000 shall be deposited in the Insurance and Condemnation Fund. Moneys on deposit, in the event of an insurance award, shall be used, as directed by the County, either to replace, repair or improve the Leased Property or be transferred to the Lease Payment Fund and applied to the Prepayment of the Certificates. However, if the Leased Property is destroyed in full, such Net Proceeds may only be used to prepay Lease Payments if they are sufficient, together with other available moneys, to fully prepay the Certificates. If such moneys are not so sufficient, they shall be used to replace, repair or improve the Leased Property.

Net Proceeds of a condemnation award shall be used as follows: (i) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such eminent domain proceedings have not materially affected the operation of any of the Leased Property or the County's ability to meet its obligations under the Lease, and if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the Lease Payment Fund as a credit against Lease Payments, (ii) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceedings have not materially affected the operations of any of the Leased Property or the County's ability to meet its obligations under the Lease and such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the order of the County such portion of the proceeds required for such repair, rehabilitation or replacement, (iii) to prepay Lease Payments and redeem Certificates if less than all of the Leased Property is taken and the Trustee determines that such proceedings have materially affected the operation of the Leased Property or the County's ability to meet its obligations under the Lease, or (iv) if all of the Leased Property is taken, to prepay Lease Payments and thereby redeem Certificates.

Any moneys in the Insurance and Condemnation Fund (including investment earnings) remaining after the repair, replacement or improvement of the Leased Property is completed shall be paid to the County.

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement upon order of a representative of the County in Permitted Investments for the Certificates. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, shall be repaid to the County,

Event of Default; Acceleration

Upon the occurrence of an Event of Default, the Trustee, shall take action to exclude the County from the Leased Property and, upon the request of the Owners of at least 5% in Outstanding principal amount of the Certificates, shall exercise any and all remedies available at law or pursuant to the Lease including declaring the Certificates then Outstanding to be immediately due and payable; provided however that no such acceleration shall change or otherwise affect the County's obligation to make Lease Payments and Additional Rent only during the term of the Lease and at the amounts and times provided therein. The Owner of any Certificate may institute any suit, action, or other proceedings in equity or at law for the protection or enforcement of any right under the Lease or Trust Agreement if and only if (i) such Owner has given written notice to the Trustee of such Event of Default, (ii) a majority of Certificate Owners have first notified the Trustee in writing of the event of default and made written request of the Trustee to exercise such powers, (iii) the Trustee shall have been offered reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (iv) the Trustee shall have refused or omitted to comply with such request 60 days following receipt of such written request and such tender of indemnity.

Amendment

The Trust Agreement or the Lease may be amended by agreement among the parties thereto, and without the consent of the Owners of the Certificates, but only (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trust Agreement to the Lessor or the County, (ii) to cure, correct or supplement any ambiguous or defective provision, (iii) in regard to questions arising thereunder, which shall not, in the judgment of the Trustee, materially adversely affect the interest of the Owners, or (iv) to provide additional terms and conditions in connection with the issuance of Additional Certificates, which

shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners. Any other amendment shall require the approval of a majority in principal amount of the Certificates then Outstanding; provided that no such amendment shall (i) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such owner's consent, (ii) reduce the percentage of Owners of Certificates required to consent to any amendment or modification, or (iii) modify any of the Trustee's rights or obligations without its consent.

Defeasance

Upon payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit of Permitted Investments of the type described in paragraph (a) of the definition of the term "Permitted Investments" (but not including any repurchase agreements), with the Trustee sufficient together with other available funds, without reinvestment, to retire the Certificates at or before maturity, the Trust Agreement shall be terminated, except for the obligations of the Trustee to make payments on the Certificates.

Any Certificate or portion thereof in authorized denominations may be paid as provided in the preceding paragraph; provided, however, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions of the Trust Agreement or the County shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; and provided further, that if any such Certificate or portion thereof shall not mature or be redeemed within 60 days of the deposit of the moneys or the respective Permitted Investments referred to in the preceding paragraph, the Trustee shall give notice of such deposit by first class mail to the Owners.

Additional Certificates

So long as the Lease remains in effect and no Event of Default under the Trust Agreement has occurred, the Trustee may execute and deliver, at the direction of the County, Additional Certificates from time to time to provide funds to pay any one or more of (i) the costs of refunding Outstanding Certificates or restructuring the County's Lease Payments under the Lease, or (ii) the costs of making any modifications or improvements to the Leased Property as the County may deem necessary or desirable.

Before the Trustee shall deliver any Additional Certificates executed, the following items shall have been received by the Trustee:

- (a) Original executed counterparts of any amendments or supplements to the Lease and of the Trust Agreement entered into in connection with the execution and delivery of the Additional Certificates, which are necessary or advisable, in the opinion of Special Counsel, to provide that the Additional Certificates will be executed and delivered in compliance with the provisions of the Trust Agreement.
- (b) A written opinion of Special Counsel to the effect that (i) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of the Trust Agreement, (ii) any filings required to be made under the Trust Agreement have been made, and (iii) all conditions precedent to the delivery of the Additional Certificates have been fulfilled.
- (c) A written opinion of Special Counsel (who also may be the counsel to which reference is made in subsection (b) above), to the effect that (i) when executed and delivered by the Trustee, those Additional Certificates will be valid and binding in accordance with their terms and will be secured hereunder equally and on a parity with all other Certificates at the time Outstanding under the Trust Agreement as to the assignment to the Trustee of the amounts pledged thereunder, and (ii) the execution and delivery of the Additional Certificates will not result in the portion of the Lease Payments designated as interest evidenced by the Certificates Outstanding immediately prior to that execution and delivery of such Additional Certificates becoming includable in gross income for purposes of federal income taxation.

- (d) A written opinion of Special Counsel (who also may be the counsel to which reference is made in subsection (b) above) to the effect that any amendments or supplements to the Lease entered into in connection with the execution and delivery of the Additional Certificates have been duly authorized, executed and delivered by the County, and that the Lease, as amended or supplemented, constitutes a legal, valid and binding obligation of the Lessee, enforceable in accordance with its terms, subject to exceptions reasonably satisfactory to the Trustee for bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.
- (e) Written confirmation from Moody's, if the Certificates are then rated by Moody's, from Fitch, if the Certificates are then rated by Fitch, and from S&P, if the Certificates are then rated by S&P, that the issuance of the Additional Certificates will not cause the then-assigned rating assigned to the Certificates to be reduced or withdrawn.

THE GROUND LEASE

The County leases the site for the Public Works Parking Garage, the Public Service Center Office Tower and Parking Garage and the Justice Building and all improvements and structures thereon, to the Trustee for the period commencing as of the date of the Ground Leases and terminating on December 1, 2033, provided that in no event shall the Ground Lease terminate before the termination of the Lease.

Title to the Public Works Parking Garage, the Public Service Center Office Tower and Parking Garage and the Justice Building shall at all times remain with the County.

The Trustee prepaid its rental payments under the Ground Lease upon execution and delivery of the Ground Lease in connection with the execution and delivery of the 2008 Certificates, the 2014 Certificates and the 2019 Certificates, as applicable.

The County shall have the right to terminate the Ground Lease upon written notice to the Trustee of (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

FORM OF SPECIAL COUNSEL OPINION

_____, 2019

Pima County, Arizona
Tucson, Arizona

Ladies and Gentlemen:

We have served as special counsel to our client Pima County, Arizona (the “County”) in connection with the execution and delivery of \$21,125,000* aggregate principal amount of Certificates of Participation, Series 2019 (the “2019 Certificates”) dated the date of this letter, pursuant to a Trust Agreement, dated as of June 1, 2008, as supplemented, including as supplemented by an Eighth Supplement to Trust Agreement, dated as of May 1, 2019* (collectively, the “Trust Agreement”), between the County and U.S. Bank National Association (the “Trustee”), as trustee, and relating to a Lease-Purchase Agreement, dated as of June 1, 2008, as amended, including as amended by an Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019* (collectively, the “Lease Agreement”), between the Trustee, as lessor, and the County, as lessee. Capitalized terms not defined in this letter are used as defined in the hereinafter County Documents.

The 2019 Certificates, together with other Certificates (as defined in the Trust Agreement) heretofore or hereafter executed and delivered pursuant to the Trust Agreement, represent undivided and proportionate interests in the obligations of the County under the Lease Agreement. The County has agreed to lease certain real and personal property from the Trustee, as lessor, under the Lease Agreement.

In our capacity as special counsel, we have examined the transcript of proceedings relating to the execution and delivery of the 2019 Certificates, including the Ground Lease, dated as of May 1, 2019* (the “Ground Lease” and, together with the Lease Agreement and the Trust Agreement, the “County Documents”), from the County as lessor, to the Trustee, as lessee, the Lease Agreement, the Trust Agreement, a copy of the executed 2019 Certificate of the first maturity, and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that, under existing law:

1. The County is a political subdivision existing under the laws of the State of Arizona, and has all requisite power to enter into and perform its obligations under the County Documents.
2. The County Documents each have been duly authorized, executed and delivered by the County and constitute legal, valid and binding obligations of the County enforceable in accordance with their terms.
3. The 2019 Certificates have been duly authorized, executed and delivered by the Trustee at the request and for the benefit of the County and are valid and binding limited and special obligations payable solely from the Lease Payments (as defined in the Lease Agreement) and certain funds held under the Trust Agreement as provided therein. The 2019 Certificates are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the County, the State of Arizona or any political subdivision thereof.

* Preliminary, subject to change.

4. The portion of each Lease Payment made by the County pursuant to the Lease Agreement and denominated as and comprising interest pursuant to the Lease Agreement and received by the owners of the 2019 Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax. The Interest Portion is exempt from Arizona state income tax so long as the Interest Portion is excluded from gross income for federal income tax purposes. We express no opinion as to any other tax consequences regarding the 2019 Certificates. We also express no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2019 Certificates in the event of termination of the Lease Agreement due to nonappropriation.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the County and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the County delivered in connection with this matter.

In rendering those opinions with respect to treatment of the Interest Portion under the federal tax laws and state tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the County. Failure to comply with certain of those covenants subsequent to the execution and delivery of the 2019 Certificates may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2019 Certificates.

The rights of the owners of the 2019 Certificates and the enforceability of the 2019 Certificates and the County Documents are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as special counsel in connection with the original execution and delivery of the 2019 Certificates is concluded upon delivery of this letter.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$21,125,000*
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (B)(5) OF RULE 15C2-12

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by Pima County, Arizona (the “County”), in connection with the execution and delivery of \$21,125,000* principal amount of Certificates of Participation, Series 2019 (the “Certificates”), pursuant to a Trust Agreement, dated as of June 1, 2008, as amended (the “Trust Agreement”), between the County and U.S. Bank National Association, as trustee.

In connection with the Certificates, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Certificates and in order to assist the Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“Annual Information” means the financial information and operating data set forth in Exhibit I.

“Annual Information Disclosure” means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 5.

“Audited Financial Statements” means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

* Preliminary, subject to change.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means the occurrence of any of the events with respect to the Certificates set forth in Exhibit II.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of Arizona.

“Underwriter” includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Certificates.

3. CUSIP Number. The base CUSIP Number of the Certificates is 721664.

4. Official Statement. The Final Official Statement relating to the Certificates is dated _____, 2019.

5. Annual Information Disclosure. Subject to Section 9 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

6. Listed Events Disclosure. Subject to Section 9 of this Undertaking, the County hereby covenants that it will disseminate notice of occurrence of a Listed Event to the MSRB through EMMA not later than ten business days after the occurrence of the Listed Event, in a format prescribed by the MSRB, except that for the events 2, 7, 10, 13, 14 and 15, listed in Exhibit II, the County will provide such notice if it determines that such event would be material under applicable federal securities laws.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Certificate may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Certificates. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived, if:

The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

The amendment does not materially impair the interests of the beneficial owners of the Certificates, as determined by an independent counsel or other entity unaffiliated with the County.

9. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to the MSRB through EMMA.

10. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Certificates or the Rule no longer applies to the Certificates. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

11. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

12. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Listed Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Listed Event.

13. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Certificates, and shall create no rights in any other person or entity.

14. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Listed Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

15. Assignment. The County shall not transfer its obligations under the Trust Agreement unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

16. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: _____
Michelle Campagne
Finance and Risk Management Director

Date: _____, 2019

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND AUDITED
FINANCIAL STATEMENTS

“Annual Financial Information” means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix B in the tables entitled “PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES,” “PIMA COUNTY, ARIZONA STATEMENT OF FUND BALANCES – ALL GOVERNMENTAL FUND TYPES” and “PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE.”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB through EMMA. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; and the Final Official Statement need not be available from the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2020. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles (“GAAP”), as applied to governmental units as modified by State law (“GAAP”), Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 5 of this Undertaking, the County will disseminate a notice of such change as required by Section 5, including changes in Fiscal Year or GAAP.

EXHIBIT II
EVENTS FOR WHICH NOTICE OF OCCURRENCE OF
LISTED EVENTS IS REQUIRED

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Certificate calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the County;

Note: for the purposes of the event identified in paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. The incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and
16. A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, SPECIAL COUNSEL, OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the 2019 Certificates. The 2019 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2019 Certificate certificate will be issued for each maturity of the 2019 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2019 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2019 Certificates ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Certificates, except in the event that use of the book-entry system for the 2019 Certificates is discontinued.

To facilitate subsequent transfers, all 2019 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2019 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2019 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2019 Certificates will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Certificates at any time by giving reasonable notice to the Trustee or the County. Under such circumstances, in the event that a successor depository is not obtained, 2019 Certificate certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Certificate certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2019 CERTIFICATES UNDER THE TRUST AGREEMENT; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2019 CERTIFICATES; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2019 CERTIFICATES; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2019 CERTIFICATES; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2019 Certificates, as nominee of DTC, references herein to owner of the 2019 Certificates (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2019 Certificates.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

CERTIFICATE PURCHASE CONTRACT

\$20,940,000

**CERTIFICATES OF PARTICIPATION
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019**

April 17, 2019

Pima County, Arizona
c/o Board of Supervisors
130 West Congress Street, 11th Floor
Tucson, Arizona 85701

The undersigned, on behalf of Citigroup Global Markets Inc. (the “*Underwriter*”), acting on its own behalf, offers to enter into this Certificate Purchase Contract (this “*Contract*”) with Pima County, Arizona (the “*County*”), which, upon written acceptance of this offer, will be binding upon the County and the Underwriter. This offer is made subject to written acceptance hereof by the County before 11:59 p.m., Arizona time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the County at any time prior to the acceptance hereof. Terms not defined in this Contract shall have the same meanings assigned to them in the Trust Agreement and the Official Statement (both defined herein).

1. *Purchase and Sale of the Certificates.*

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter shall purchase all, but not less than all, and the County shall cause U.S. Bank National Association, as trustee (the “*Trustee*”), to execute, sell and deliver to the Underwriter all of the \$20,940,000 principal amount of Certificates of Participation, Series 2019 (the “*Certificates*”), evidencing proportionate ownership interests in the Lease Payments to be made by the County.

(b) Inasmuch as this purchase and sale represents a negotiated transaction, the County acknowledges and agrees that: (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the County and the Underwriter and that the Underwriter has financial and other

interests that differ from those of the County; (ii) the Underwriter is not acting as a municipal advisor, financial advisor, or fiduciary to the County and has not assumed any advisory or fiduciary responsibility to the County with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the County on other matters); (iii) the only obligations the Underwriter has to the County with respect to the transaction contemplated hereby expressly are set forth in this Contract; and (iv) the County has consulted its own legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

(c) The principal amount of the Certificates to be executed and delivered, the dated date thereof and the maturities, redemption provisions and interest rates and yields per annum therefor are set forth in the Schedule hereto. The Certificates shall be as described in, and shall be executed, delivered and secured under and pursuant to the provisions of, a Trust Agreement, dated as of June 1, 2008, as supplemented by a First Supplement to Trust Agreement, dated as of June 1, 2009, a Second Supplement to Trust Agreement, dated as of February 1, 2010, a Third Supplement to Trust Agreement, dated as of May 1, 2013, a Fourth Supplement to Trust Agreement, dated as of January 1, 2014, a Fifth Supplement to Trust Agreement, dated as of April 1, 2015, a Sixth Supplement to Trust Agreement, dated as of April 1, 2016, a Seventh Supplement to Trust Agreement, dated as of April 1, 2018, and an Eighth Supplement to Trust Agreement, to be dated as of May 1, 2019 (as so supplemented, the “*Trust Agreement*”), between the County and the Trustee, and authorized by a Resolution of the Board of Supervisors of the County (the “*Board*”) adopted on May 15, 2018 (the “*Resolution*”).

(d) The Certificates represent undivided proportionate interests of the owners thereof in lease payments (the “*Lease Payments*”) to be received from the County pursuant to a Lease-Purchase Agreement, dated as of June 1, 2008, as amended by a First Amendment to Lease Agreement, dated as of June 1, 2009, a Second Amendment to Lease Agreement, dated as of February 1, 2010, a Third Amendment to Lease Agreement, dated as of May 1, 2013, a Fourth Amendment to Lease Agreement, dated as of January 1, 2014, a Fifth Amendment to Lease Agreement, dated as of April 1, 2015, a Sixth Amendment to Lease Agreement, dated as of April 1, 2016, a Seventh Amendment to Lease Agreement, dated as of April 1, 2018, and an Eighth Amendment to Lease Agreement, to be dated as of May 1, 2019 (as so amended, the “*Lease*”), by and between the County and the Trustee, as the rental price for certain real property and improvements thereto (the “*Leased Property*”). The obligations of the County under the Lease will be payable exclusively from appropriated funds and will not be a general obligation or indebtedness of the County for any purpose.

(e) The purchase price of the Certificates shall be \$24,722,576.99, which represents an aggregate principal amount of the Certificates of \$20,940,000.00, plus original issue premium of \$3,876,515.15, less an underwriting discount of \$93,938.16.

2. *Public Offering.* The Underwriter shall make a *bona fide* public offering of all of the Certificates at yields not less than the public offering yields set forth on the inside cover page of the Official Statement and may subsequently change such offering yields without any requirement of prior notice. The Underwriter may offer and sell Certificates to certain dealers

(including dealers depositing Certificates into investment trusts) and others at yields higher than the public offering yields stated on the inside cover of the Official Statement.

3. *Establishment of Issue Price.*

(a) The Underwriter agrees to assist the County in establishing the issue price of the Certificates and shall execute and deliver to the County at Closing (as defined herein) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the County and Squire Patton Boggs (US) LLP (“*Special Counsel*”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates.

(b) The County will treat the first price at which 10% of each maturity of the Certificates (the “*10% test*”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Contract, the Underwriter shall report to the County the price or prices at which it has sold to the public each maturity of Certificates. For purposes of this section, if Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Certificates.

(c) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “*public*” means any person other than an underwriter or a related party;

(2) “*underwriter*” means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public); and

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

ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

4. *The Official Statement.*

(a) The Preliminary Official Statement dated April 3, 2019 (including the cover page, the inside cover page and Appendices thereto, the “*Preliminary Official Statement*”), of the County relating to the Certificates, to be subsequently revised to reflect the changes resulting from the sale of the Certificates and including amendments or supplements thereto, is hereinafter called the “*Official Statement*.”

(b) The Preliminary Official Statement has been prepared for use by the Underwriter in connection with the public offering, sale and distribution of the Certificates. The County hereby deems the Preliminary Official Statement “final” as of its date, except for the omission of such information which is dependent upon the final pricing of the Certificates for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “*Rule*”).

(c) The County represents that appropriate officials of the County have reviewed and approved the information in the Official Statement and that the Board has authorized the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Certificates. The County shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the acceptance by the County of this Contract (but, in any event, not later than within seven (7) business days after the acceptance by the County of this Contract and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the “*MSRB*”).

(d) If, after the date of this Contract to and including the date the Underwriter is no longer required to provide the Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than twenty-five (25) days after the “end of the underwriting period” for the Certificates), the County becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or if it is necessary to amend or supplement the Official Statement to comply with law, the County will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request) and if, in the opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the County will forthwith prepare and furnish, at the expense of the County (in a form and manner approved

by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the County shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) Unless otherwise notified in writing by the Underwriter, the County can assume that the “end of the underwriting period” for purposes of the Rule is the hereinafter defined Closing Date.

5. *Representations, Warranties, and Covenants of the County.* The undersigned on behalf of the County, but not individually, represents and warrants to and covenants with, as applicable, the Underwriter that:

(a) The County is duly organized and validly existing as a political subdivision under the laws of the State of Arizona (the “*State*”) with powers specifically required for purposes of this Contract and has now and at the Closing Date will have full legal right, power and authority to cause the Resolution to be adopted and (i) to enter into, execute and deliver the Resolution, the Trust Agreement, the Lease, the 2019 Ground Lease, this Contract, and an Undertaking of the County which satisfies the requirements of Section (b)(5)(i) of the Rule (the “*Undertaking*” and such documents referred to in this clause (i) hereinafter collectively referred to as the “*County Documents*”), (ii) to cause the sale and execution and delivery of the Certificates as provided herein and (iii) to carry out and consummate the transactions contemplated by the County Documents and the Official Statement, and the County has complied, and will at the Closing Date be in compliance in all material respects, with the terms of the County Documents as they pertain to such transactions;

(b) By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly authorized all necessary action to be taken by it for (i) the adoption of the Resolution and the sale and execution and delivery of the Certificates, (ii) the approval, execution and delivery of, and the performance by the County of the obligations on its part contained in, the Certificates and the County Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the County Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the County in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The County Documents constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors’ rights and, in the case of the Undertaking, annual appropriation of amounts to pay for compliance therewith; the Certificates, when paid for and executed and delivered, in accordance with the Resolution, the Trust Agreement and this

Contract, will constitute legal, valid and binding obligations of the County entitled to the benefits of the Trust Agreement and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; and upon the execution and delivery of the Certificates as aforesaid, the Trust Agreement will provide, for the benefit of the holders, from time to time, of the Certificates, the legally valid and binding pledge of and lien it purports to create as set forth in the Trust Agreement;

(d) The County is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the County under any of the foregoing, and the execution and delivery of the Certificates and the County Documents and the adoption of the Resolution and compliance with the provisions on the part of the County contained herein and therein will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County pledged to secure the Certificates or under the terms of any such law, regulation or instrument, except as provided by the Certificates and the Trust Agreement;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the County of its obligations under the County Documents and the Certificates have been duly obtained, except such approvals, consents and orders as may be required under the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Certificates;

(f) The Certificates conform to the descriptions thereof contained in the Official Statement under the caption "THE 2019 CERTIFICATES"; the proceeds of the sale of the Certificates will be applied generally as described in the Official Statement under the caption "PLAN OF FINANCE" and the Undertaking conforms to the description thereof contained in the Official Statement in Appendix F – "FORM OF CONTINUING DISCLOSURE UNDERTAKING";

(g) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the County after due inquiry, threatened against the County, affecting the existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale or execution and delivery of the Certificates or the

appropriation of Lease Payments to pay the principal of and interest on the Certificates or in any way contesting or affecting the adoption of the Resolution or the validity or enforceability of the Certificates or the County Documents, or contesting the exclusion from gross income of interest on the Certificates for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or contesting the powers of the County or any authority for the execution and delivery of the Certificates, the adoption of the Resolution or the execution and delivery of the County Documents, nor, to the best knowledge of the County, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Certificates or the County Documents;

(h) As of the date thereof and hereof, the Preliminary Official Statement (excluding information under the headings “TAX MATTERS,” “RATINGS” and “UNDERWRITING” and in Appendix G) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) As of the date of the County’s acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 4 of this Contract) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement (excluding information under the headings “TAX MATTERS,” “RATINGS” and “UNDERWRITING” and in Appendix G) does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 4 of this Contract, at the time of each supplement or amendment thereto and (unless subsequently supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement as so supplemented or amended (excluding information under the headings “TAX MATTERS,” “RATINGS” and “UNDERWRITING” and in Appendix G) will not contain any untrue statement or a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The County will apply, or cause to be applied, the proceeds from the sale of the Certificates as provided in and subject to all of the terms and provisions of the Trust Agreement and not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Certificates;

(l) The County will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Certificates for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions in the United States as the

Underwriter may designate and (z) determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Certificates (provided, however, that the County will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the County of any notification with respect to the suspension of the qualification of the Certificates for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial statements of, and other financial information regarding, the County in the Official Statement fairly present the financial position and results of the County as of the dates and for the periods therein set forth in accordance with generally accepted governmental accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted governmental accounting principles consistently applied throughout the periods covered (except as otherwise disclosed in the Official Statement or financial statements);

(n) Except as otherwise disclosed in the Official Statement, since June 30, 2018, the County has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, result of operations or condition, financial or otherwise, of the County that are not described in the Official Statement, whether or not arising from transactions in the ordinary course of business;

(o) Prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the County and the County is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the County, would have a materially adverse effect on the financial condition of the County;

(p) Prior to the Closing, the County will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, except in the ordinary course of business, without the prior approval of the Underwriter which shall not be unreasonably withheld;

(q) Any certificate, signed by any official of the County authorized to do so in connection with the transactions contemplated by this Contract, shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein;

(r) The County has fully submitted the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the County pursuant to Section 35-501(B), Arizona Revised Statutes, and shall file the information relating to the Certificates required to be submitted pursuant to Section 35-501(B), Arizona Revised Statutes, within sixty (60) days of the Closing Date; and

(s) Except as otherwise indicated in the Official Statement, the County has been and is in compliance in all material respects during the last five years with the terms of all continuing disclosure undertakings previously executed by the County pursuant to the Rule.

6. *Closing.*

(a) Before 10:00 a.m., Arizona time, on May 7, 2019 (the “*Closing Date*”), or at such other time and date as shall have been mutually agreed upon by the County and the Underwriter, the County will, subject to the terms and conditions hereof, cause the Certificates to be delivered to the Underwriter duly executed, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Certificates as set forth in Section 1 of this Contract by wire transfer payable in immediately available funds to the order of the County (the “*Closing*”). Payment for the Certificates as aforesaid shall be made at the offices of Special Counsel, or such other place as shall have been mutually agreed upon by the County and the Underwriter and

(b) Delivery of the Certificates shall be made through the facilities of The Depository Trust Company, New York, New York (“*DTC*”), or, in the case of a “Fast Automated Securities Transfer” with the Trustee or by such other means as shall have been mutually agreed upon by the County and the Underwriter. The Certificates shall be prepared in definitive fully registered form, bearing CUSIP numbers without coupons, with one Certificate for each maturity of the Certificates, registered in the name of Cede & Co., all as provided in the Trust Agreement, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

7. *Closing Conditions.* The Underwriter has entered into this Contract in reliance upon the representations, warranties and agreements of the County contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the County and the Trustee of their obligations hereunder and thereunder, both as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Underwriter under this Contract to purchase, to accept delivery of and to pay for the Certificates shall be conditioned upon the performance by the County and the Trustee of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the County and the Trustee of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

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

(b) The County and the Trustee shall have performed and complied with all agreements and conditions required by this Contract to be performed or complied with by them prior to or at the Closing Date;

(c) At the time of the Closing, (i) the County Documents, the hereinafter defined Trustee Documents and the Certificates shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the County and the Trustee required to be taken by the County and the Trustee shall be performed and in full force and effect in order for Special Counsel and Counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At or prior to the Closing, the Resolution shall have been duly adopted and delivered by the County and the Trustee shall have duly executed and delivered the Certificates;

(e) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the County, from that set forth in the Official Statement that in the reasonable judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Certificates on the terms and in the manner contemplated in the Official Statement;

(f) At the Closing Date, no “event of default” shall have occurred or be existing under the County Documents or the Trustee Documents nor shall any event have occurred which, with the passage of time or the giving of notice, or both, shall constitute an event of default under the County Documents or the Trustee Documents;

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

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

(i) At or prior to the Closing, the Underwriter shall have received two copies of the transcript of all proceedings of the County relating to the authorization and delivery of the County Documents, executed and certified, as necessary, by appropriate officials of the County, and the Trustee relating to the authorization and delivery of the Trustee Documents, executed and certified, as necessary, by appropriate officials of the Trustee, including each of the following documents:

(1) the Official Statement, and each supplement or amendment thereto, if any, executed on behalf of the County by the Chairman of the Board and the County Administrator, or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) the County Documents and the Trustee Documents;

(3) the approving opinion of Special Counsel, dated the Closing Date, with respect to the Certificates, in substantially the form attached to the Official

Statement along with a reliance letter with respect thereto, dated the Closing Date and addressed to the Underwriter;

(4) a supplemental opinion of Special Counsel dated the Closing Date, addressed to the Underwriter, substantially to the effect that:

(i) the Resolution has been duly adopted and is in full force and effect;

(ii) it is not necessary, in connection with the offering and sale of the Certificates, to register the Certificates under the Securities Act of 1933, as amended (the "*1933 Act*") or to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended (the "*Trust Indenture Act*");

(iii) the information contained in the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of its date and as of the Closing Date, on the cover page thereof, under the headings entitled "INTRODUCTORY STATEMENT," "THE 2019 CERTIFICATES," "PLAN OF FINANCE," "SOURCES OF PAYMENT OF THE CERTIFICATES," "SECURITY FOR THE CERTIFICATES," "TAX MATTERS" and "CONTINUING SECONDARY MARKET DISCLOSURE" therein, and in Appendices D, E and F thereto, insofar as such information summarizes certain provisions of the Certificates, the County Documents and certain provisions of Arizona and federal law, including the federal and Arizona income status of interest on the Certificates, fairly present the information purported to be shown and nothing has come to the attention of such counsel which would lead them to believe that such information contains any untrue statement of a material fact or that such information, taken collectively, omits to state any material fact that is necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in their entirety by, the complete documents which are summarized;

(iv) this Contract has been duly authorized, executed and delivered by the County and (assuming due authorization and execution by the Underwriter) is a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy and judicial discretion;

(v) the Undertaking has been duly authorized, executed and delivered by the County and is a legal, valid and binding obligation of the County, enforceable in accordance with its terms; subject to customary exceptions for bankruptcy and judicial discretion;

(vi) the distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the County; and

(vii) no consent of any other party and no consent, license, approval or authorization of, exemption by, or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Lease, the Trust Agreement, the Undertaking and this Contract) is required in connection with the execution, delivery and performance by the County of the Lease, the Trust Agreement, the Undertaking and this Contract;

(5) An opinion of the Pima County Attorney's Office, dated the Closing Date, addressed to the Underwriter and Special Counsel, substantially in the form attached hereto as the Exhibit;

(6) An opinion of Counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter to the effect that:

(i) the Certificates are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Certificates, to register the Certificates under the 1933 Act and the Trust Agreement need not be qualified under the Trust Indenture Act;

(ii) the Undertaking meets the requirements of paragraph (b)(5)(i) of the Rule and

(iii) based upon their participation in the preparation of the Preliminary Official Statement and the Official Statement as Counsel to the Underwriter and their participation at conferences at which the Preliminary Official Statement and the Official Statement were discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement, as of its date and as of the date hereof, and the Official Statement, as of its date and as of the Closing Date, contain any untrue statement of a 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 (except for any information regarding the tax status of the Certificates or any financial, forecast, technical and statistical data included in the Official Statement and except for information regarding DTC and its book-entry system);

(7) A certificate, dated the Closing Date, of appropriate representatives of the County to the effect that, to the best knowledge, information and belief of those executing the certificate:

(i) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) except as otherwise described in the Official Statement, no litigation or proceeding against it is pending or threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the County to hold and exercise their respective positions, (b) contest the due organization and valid existence of the County, (c) contest the validity, due authorization and execution of the Certificates, the County Documents or the Trustee Documents, (d) attempt to limit, enjoin or otherwise restrict or prevent the County from functioning and appropriating Lease Payments or other amounts, including payments on the Certificates pursuant to the County Documents or (e) which if resolved adversely to the County, would have a material adverse effect on (I) the functioning of the County, the operations of the County, its revenues or its properties, or payment by the County of the amounts due under the Lease in the manner and time required thereby or (II) the validity or enforceability of the Lease or the financial condition of the County or its operations;

(iii) the Resolution has been duly adopted by the County, is in full force and effect and has not been modified, amended or repealed;

(iv) the audited financial statements included in the Official Statement were true and correct as of June 30, 2018, and the other financial statements and other financial statistical data included in the Official Statement are true and correct as of the date of such certificate;

(v) no event affecting the County has occurred since the respective dates of the Preliminary Official Statement and the Official Statement which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the date hereof with respect to the Preliminary Official Statement and as of the Closing Date with respect to the Official Statement, and the information contained in the Preliminary Official Statement and the Official Statement (excluding the information under the headings "TAX MATTERS," "RATINGS" and "UNDERWRITING" and in Appendix G) is correct in all material respects and, as of its date and as of the date hereof with respect to the Preliminary Official Statement and as of its date and as of the Closing Date with respect to the Official Statement, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(8) A certificate, dated the Closing Date, of appropriate representatives of the County in form and substance satisfactory to Special Counsel (a) setting forth the facts, estimates and circumstances in existence on the Closing Date, which establish that it is not expected that the proceeds of the Certificates will be used in a manner that would cause the Certificates to be “arbitrage bonds” within the meaning of section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code and (b) certifying that to the best of the knowledge and belief of the County there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(9) Any other certificates and opinions required by the Resolution or the Trust Agreement for the execution and delivery thereunder of the Certificates;

(10) Evidence satisfactory to the Underwriter that the Certificates have been rated “AA-” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC and “AA” by Fitch Ratings, Inc., and that such ratings are in effect as of the Closing Date;

(11) A certificate or certificates, dated the Closing Date, of an authorized officer of the Trustee that:

(i) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America with the power and authority to exercise corporate trust powers in the State and has full power and authority to (A) acquire and hold title to or a leasehold interest in, as applicable, the Leased Property and (B) execute and deliver and perform its obligations under the Certificates, the Lease, the 2019 Ground Lease and the Trust Agreement (such documents referred to in this clause (B) hereinafter collectively referred to as the “Trustee Documents”) and all other documents executed and delivered by the Trustee in connection with the issuance of the Certificates and the acquisition and the lease-purchase of the Leased Property;

(ii) The Trustee has by proper corporate action duly authorized (A) the acquisition of title to or a leasehold interest in, as applicable, the Leased Property and (B) the execution and delivery of, and the due performance of its obligations under the Trustee Documents and the taking of any and all other actions as may be required on the part of the Trustee to carry out, give effect to and consummate the transaction contemplated by such Trustee Documents;

(iii) The Trustee Documents (when executed and delivered by the other parties thereto) will be, legal, valid and binding obligations of the Trustee, enforceable in accordance with their terms, subject as to enforcement of remedies to applicable bankruptcy, insolvency, reorganization,

moratorium and similar laws in effect from time to time affecting the rights of creditors generally and to the availability of equitable relief;

(iv) No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained (other than any approvals that may be required under the “blue sky” laws of any jurisdiction) is required with respect to the Trustee in connection with the issuance and sale of the Certificates, the acquisition of title to or a leasehold interest in, as applicable, the Leased Property or the execution and delivery by the Trustee of, or the performance by the Trustee of its obligations under, the Trustee Documents;

(v) The execution and delivery by the Trustee of the Trustee Documents and the compliance by the Trustee with the provisions thereof do not and will not materially conflict with or result in a material breach or violation of any of the terms or provisions of, or constitute a default under any resolution, indenture, deed of trust, mortgage commitment, agreement or other instrument to which the Trustee is a party or by which the Trustee is bound, or any constitutional provision, existing law, administrative regulation, court order or consent decree to which the Trustee or its property is subject;

(vi) There is no litigation, action, suit or proceeding pending or threatened by or before any court, administrative agency, arbitrator or governmental body that challenges (A) the authority of the Trustee, its officers or its employees to acquire the Leased Property, (B) the proper authorization, execution and delivery of the Trustee Documents, (C) the assignment of its rights under the Lease, or (D) the ability of the Trustee to otherwise perform its obligations under the Trustee Documents and to carry out the transactions contemplated thereby and

(vii) The representations and warranties of the Trustee set forth in the Trustee Documents are, and as of the Closing Date will be, true, accurate and complete as if made on the Closing Date;

(12) The filing copy of the Information Return Form 8038-G (IRS) for the Certificates;

(13) The filing copy of the information required to be submitted pursuant to Section 35-501(B), Arizona Revised Statutes;

(14) Evidence of insurance or Qualified Self-Insurance required by the Lease to be maintained on the Leased Property; and

(15) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations and warranties of

the County contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the County on or prior to the Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the County.

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

If the County shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates contained in this Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Certificates shall be terminated for any reason permitted by this Contract, this Contract shall terminate and the Underwriter, the County shall not be under any further obligation hereunder, except that the respective obligations of the County and the Underwriter set forth in Section 9(c) hereof shall continue in full force and effect.

8. *Termination.* The Underwriter shall have the right to cancel its obligation to purchase the Certificates if, between the date of this Contract and time of the Closing, the market price or marketability of the Certificates shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or and order, ruling, regulation (final, temporary, or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Certificates or, with respect to State taxation, of the interest on the Certificates as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Certificates, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the

issuance, offering, or sale of obligations of the general character of the Certificates, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state “blue sky” or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Certificates as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so or a material disruption in commercial banking or securities settlement or clearances services shall have occurred;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Certificates or as to obligations of the general character of the Certificates, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(f) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the County, its property, income securities (or interest thereon), or the validity or enforceability of the Certificates;

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Contract any materially adverse change in the affairs or financial condition of the County;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the judgment of the Underwriter, requires or has required an amendment of or supplement to the Preliminary Official Statement or the Official Statement;

(k) there shall have occurred any withdrawal or downgrading, or any notice shall have been given of (A) any intended or potential withdrawal or downgrading or (B) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the obligations of the County (including the rating to be accorded the Certificates); and

(l) the purchase of and payment for the Certificates by the Underwriter, or the resale of the Certificates by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

9. *Expenses.*

(a) The Underwriter shall be under no obligation to pay, and the County shall pay, all expenses incident to the performance of the County's obligations hereunder, including, but not limited to: (i) the cost of preparation and printing of the Certificates, the Preliminary Official Statement and the Official Statement and any amendment or supplement thereto; (ii) the fees and disbursements of Special Counsel and Counsel to the Trustee; (iii) the fees and disbursements of U.S. Bank National Association, as the Trustee and the lessor pursuant to the Lease, and any engineers, accountants, and other experts, consultants or advisers retained by the County, if any; and (iv) the fees for bond ratings. The County shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter which are incidental to implementing this Contract and the execution and delivery of the Certificates, including miscellaneous closing costs.

(b) Except as provided for above, the Underwriter shall pay (from the expense component of the underwriting discount): (i) all advertising expenses in connection with the public offering of the Certificates; (ii) the fees and disbursements of Counsel to the Underwriter; and (iii) all other expenses incurred by it in connection with its public offering and distribution of the Certificates.

(c) If this Contract shall be terminated by the Underwriter because of any failure or refusal on the part of the County to comply with the terms or to fulfill any of the conditions of this Contract, or if for any reason the County shall be unable to perform its obligations under this Contract, the County will reimburse the Underwriter for all "out-of-pocket expenses" reasonably incurred by the Underwriter in connection with this Contract or the offering contemplated hereunder.

(d) The County acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the execution and delivery of the Certificates.

10. *Notice Concerning Cancellation.* To the extent applicable by provision of law, this Contract is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein.

11. *Notices.* Any notice or other communication to be given under this Contract must be given by delivering the same in writing to:

To the County: Pima County, Arizona
130 West Congress Street
Tucson, Arizona 85701
Attention: County Administrator

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

To the Underwriter: Citigroup Global Markets Inc.
388 Greenwich Street, 8th Floor
New York, New York 10013
Attention: Alexander Zaman, Director

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

13. *Effectiveness.* This Contract shall become effective upon the acceptance hereof by the County and shall be valid and enforceable at the time of such acceptance.

14. *Choice of Law.* This Contract shall be governed by and construed in accordance with the law of the State.

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

16. *Business Day.* For purposes of this Contract, “business day” means any day on which the New York Stock Exchange is open for trading.

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

18. *Counterparts; Electronic Signature.* This Contract may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document. The electronic signature of a party to this Contract shall be as valid as an original signature of such party and shall be effective to bind such party to this Contract. For purposes hereof: (i) “electronic signature” means a manually signed original signature that is then transmitted by electronic means; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (pdf) or other replicating image attached to an email or internet message.

[Signature page follows.]

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

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

By.....
Name:Alexander Zayran.....
Title:Director.....

Accepted and agreed at m.,
MST, this day of April, 2019

PIMA COUNTY, ARIZONA

By.....
Name: Michelle Campagne
Title: Finance and Risk Management Director

[Signature page to Certificate Purchase Contract]

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

Very truly yours,

CITIGROUP GLOBAL MARKETS INC.

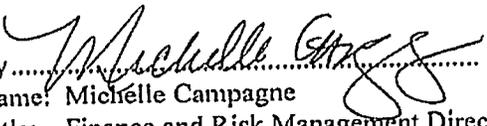
By.....

Name:

Title:

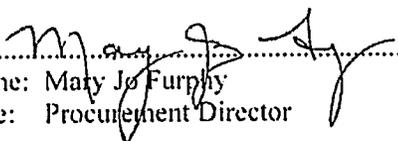
Accepted and agreed at 4:41 p.m.,
MST, this 17th day of April, 2019

PIMA COUNTY, ARIZONA

By.....
Name: Michelle Campagne
Title: Finance and Risk Management Director

The undersigned hereby approves the appointment of Citigroup Global Markets, Inc., as the underwriter of the Certificates pursuant to and subject to the terms, conditions and covenants of the State of Arizona's Solicitation #ADSP017-00006973 for "Underwriting Services".

PIMA COUNTY, ARIZONA

By 
Name: Mary Jo Furphy
Title: Procurement Director

[Signature page to Certificate Purchase Contract]

SCHEDULE

\$20,940,000
CERTIFICATES OF PARTICIPATION
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

DATED DATE: CLOSING DATE

Maturity Date (December 1)	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>
2019	\$ 575,000	5.00%	1.64%
2020	1,040,000	5.00	1.66
2021	1,090,000	5.00	1.70
2022	1,145,000	5.00	1.73
2023	1,205,000	5.00	1.78
2024	1,265,000	5.00	1.86
2025	1,325,000	5.00	1.92
2026	1,395,000	5.00	1.99
2027	1,460,000	5.00	2.07
2028	1,535,000	5.00	2.16
2029	1,610,000	5.00	2.25*
2030	1,695,000	5.00	2.34*
2031	1,775,000	5.00	2.42*
2032	1,865,000	5.00	2.48*
2033	1,960,000	5.00	2.52*

* Calculated to first optional redemption date, December 1, 2028

Optional Redemption. The Certificates maturing before or on December 1, 2028, are not subject to redemption prior to maturity. The Certificates maturing on or after December 1, 2029, are subject to redemption, in whole or in part on any date on or after December 1, 2028, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity by payment of the principal amount of each Certificate to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Extraordinary Redemption. The Certificates will be subject to redemption on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds of insurance or condemnation that are deposited in the Lease Payment Fund for such purpose as provided under the Lease, at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date.

EXHIBIT

FORM OF OPINION OF PIMA COUNTY ATTORNEY'S OFFICE

[Closing Date]

Citigroup Global Markets Inc.
Phoenix, Arizona

Re: Pima County, Arizona Certificates of Participation, Series 2019

This opinion is rendered in connection with the execution and delivery by Pima County, Arizona (the "County"), of each of the following (together, the "Documents"):

- An Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019, which amends a Lease-Purchase Agreement, dated as of June 1, 2008, as previously amended (as so amended, the "Lease-Purchase Agreement"), between the County, as lessee, and U.S. Bank National Association, as lessor.
- A Ground Lease, dated as of May 1, 2019, between the County, as lessor, and U.S. Bank National Association, as lessee.
- An Eighth Supplement to Trust Agreement, dated as of May 1, 2019, which supplements a Trust Agreement, dated as of June 1, 2008, as previously supplemented, between the County and U.S. Bank National Association, as trustee.
- A Continuing Disclosure Undertaking, dated the date hereof, executed by the County.
- A Certificate Purchase Contract, dated the date of sale of the captioned Certificates, between the County and Citigroup Global Markets Inc.

Each of the Documents was authorized by a resolution adopted by the Board of Supervisors of the County on May 15, 2018 (the "Authorizing Resolution"). We have examined the transcript of proceedings relating to the execution and delivery of the Documents and such other documents as we considered necessary to our opinion. As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the above-mentioned proceedings and other documents, and have relied upon certificates, covenants and representations furnished to us by the County without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of execution and delivery of the Documents, that:

1. The adoption of the Authorizing Resolution, and all other proceedings of the County relating to the authorization, approval and execution of the Documents, have been carried out in conformity with all applicable open meeting and other laws of the State of Arizona.

2. The authorization, execution and delivery of the Documents, and the County's compliance with the provisions of the Documents, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party, or of any existing law, administrative regulation, court order or consent decree to which the County or the Leased Property (as defined in the Lease-Purchase Agreement) is subject.

3. There are no lawsuits or administrative proceedings pending or, to the best of our knowledge, threatened, against the County that:

(i) in any way question the validity and the proper authorization, approval and execution of the Documents, or the ability of the County to perform its obligations under the Documents thereby, or

(ii) could result in an unfavorable decision, ruling or finding that would adversely affect the transactions contemplated by the Documents, the use of the Leased Property as contemplated by the Documents, or the financial condition of the County.

4. The statements in the Preliminary Official Statement and the Official Statement issued by the County in connection with the transaction contemplated by the Documents under the heading "LITIGATION" are true and correct in all material respects and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

PIMA COUNTY ATTORNEY

By.....
Regina L. Nassen
Deputy Pima County Attorney

OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: See "Ratings" herein

In the opinion of Squire Patton Boggs (US) LLP, Special Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, the portion of the Lease Payments paid and denominated as interest under the Lease and received by the owners of the 2019 Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (ii) the Interest Portion received by the owners of the related 2019 Certificates is exempt from Arizona state income tax so long as that Interest Portion is excluded from gross income for federal income tax purposes. Special Counsel expresses no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2019 Certificates in the event of termination of the related Lease (as defined herein) by nonappropriation. The Interest Portion may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

Dated: Date of Initial Delivery

Due: December 1, as shown on inside front cover page

The securities being offered hereby consist of Certificates of Participation, Series 2019 (the "2019 Certificates") in a Lease-Purchase Agreement, dated as of June 1, 2008, as amended, including as amended by an Eighth Amendment to Lease-Purchase Agreement to be dated as of May 1, 2019 (the original as so amended and as subsequently amended, the "Lease"), between U.S. Bank National Association, as trustee under the below-described Trust Agreement, as lessor (the "Trustee"), and Pima County, Arizona, as lessee (the "County"). The property being leased by the Trustee to the County consists of certain interests in the major portion of the public works building of the County, the legal services building of the County, a parking garage of the County, the public service office tower and parking garage of the County, certain adult detention (jail) facilities of the County and the Justice Building of the County (collectively, the "Leased Property"). See "PLAN OF FINANCE - The Leased Property" herein. The 2019 Certificates are being executed and delivered under a Trust Agreement, dated as of June 1, 2008, as supplemented, including as supplemented by an Eighth Supplement to Trust Agreement to be dated as of May 1, 2019 (the original as so supplemented and as subsequently supplemented, the "Trust Agreement"), between the Trustee and the County. Initially, the 2019 Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2019 Certificates. Purchases of beneficial interests in the 2019 Certificates will be made in book-entry-only form in amounts of \$5,000 of principal maturing on a specified date or any integral multiple thereof. Purchasers will not receive certificates representing the ownership interest in the 2019 Certificates purchased by them. See Appendix G - "BOOK-ENTRY-ONLY SYSTEM."

Interest represented by the 2019 Certificates will accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their dated date and will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2019, until maturity or prior redemption, and principal with respect to the 2019 Certificates will be payable annually in accordance with the schedule set forth on the inside front cover page. So long as the 2019 Certificates are registered in the name of DTC, or its nominee, payments of the principal and interest with respect to the 2019 Certificates will be made directly by the Trustee to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the 2019 Certificates, as described herein.

The 2019 Certificates will be subject to redemption prior to maturity as more fully described herein. See "THE 2019 CERTIFICATES - Redemption Provisions" herein.

The 2019 Certificates are being executed and delivered to (i) finance the acquisition by the Trustee of a leasehold interest in a portion of the Leased Property from the County and (ii) pay costs associated with the execution and delivery of the 2019 Certificates. See "PLAN OF FINANCE" herein.

MATURITY SCHEDULE AND ADDITIONAL INFORMATION ON INSIDE FRONT COVER PAGE

The 2019 Certificates, together with \$24,965,000 outstanding principal amount of Certificates of Participation, Series 2018; \$21,605,000 outstanding principal amount of Certificates of Participation, Series 2016; \$39,355,000 outstanding principal amount of Certificates of Participation, Series 2014; \$10,460,000 outstanding principal amount of Certificates of Participation, Series 2013A; \$2,625,000 outstanding principal amount of Certificates of Participation, Series 2010; and any Additional Certificates (defined herein) executed and delivered pursuant to the Trust Agreement (collectively, the "Certificates"), will evidence and represent undivided and proportionate interests of the registered Owners thereof in semiannual lease payments (the "Lease Payments") to be made by the County pursuant to the Lease. **The obligations of the County under the Lease will be payable exclusively from annually budgeted and appropriated funds and will not be a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease will be subject to termination as of the last day of each fiscal year, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. Upon such termination, there will be no assurance of payment of the principal or interest represented by the Certificates, including the 2019 Certificates, from funds available under the Trust Agreement as a result of the Trustee's re-leasing of the Leased Property or selling the Sellable Leased Property (defined herein).** See "SOURCES OF PAYMENT OF THE CERTIFICATES" and "SECURITY FOR THE CERTIFICATES" herein.

The Certificates will be payable solely from the Lease Payments to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make the Lease Payments will not be secured by a pledge of any funds, will not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation nor constitute a general obligation of the County nor an indebtedness of the County, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2019 Certificates are offered when, as and if certain conditions are satisfied and subject to the legal opinion of Squire Patton Boggs (US) LLP, Special Counsel. Certain legal matters will be passed upon solely for the benefit of the Underwriter by its counsel, Greenberg Traurig, LLP. It is expected that the 2019 Certificates will be available for delivery through the facilities of DTC, on or about May 7, 2019.

Citigroup

April 17, 2019

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

MATURITY SCHEDULE

<u>Maturity (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP (a) (721664)</u>
2019	\$575,000	5.00%	1.64%	FQ8
2020	1,040,000	5.00	1.66	FR6
2021	1,090,000	5.00	1.70	FS4
2022	1,145,000	5.00	1.73	FT2
2023	1,205,000	5.00	1.78	FU9
2024	1,265,000	5.00	1.86	FV7
2025	1,325,000	5.00	1.92	FW5
2026	1,395,000	5.00	1.99	FX3
2027	1,460,000	5.00	2.07	FY1
2028	1,535,000	5.00	2.16	FZ8
2029	1,610,000	5.00	2.25 (b)	GA2
2030	1,695,000	5.00	2.34 (b)	GB0
2031	1,775,000	5.00	2.42 (b)	GC8
2032	1,865,000	5.00	2.48 (b)	GD6
2033	1,960,000	5.00	2.52 (b)	GE4

(a) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the County, the Financial Advisor, the Underwriter, or the Trustee (each as defined herein) or their agents or counsel assume responsibility for the accuracy of such numbers.

(b) Yield calculated to December 1, 2028, the first optional redemption date.

**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS**

Richard Elías, *Chairman*

Sharon Bronson

Steve Christy

Ally Miller

Ramón Valadez

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara LaWall
County Attorney

APPOINTED OFFICIALS

C.H. Huckelberry
County Administrator

Thomas Burke
Deputy County Administrator

Michelle Campagne
Finance and Risk Management Director

FINANCIAL ADVISOR

RBC Capital Markets, LLC
Phoenix, Arizona

SPECIAL COUNSEL

Squire Patton Boggs (US) LLP
Phoenix, Arizona

TRUSTEE

U.S. Bank National Association
Phoenix, Arizona

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, does not constitute an offering of any security other than the original offering of the 2019 Certificates identified on the cover page hereof. No person has been authorized by Pima County, Arizona (the “County”), to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are “forward looking statements,” which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2019 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The issuance and sale of the 2019 Certificates have not been registered under the federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the issuance and sale of the 2019 Certificates been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

The County has undertaken to provide continuing disclosure with respect to the 2019 Certificates as required by Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING SECONDARY MARKET DISCLOSURE” and Appendix F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

U.S. Bank National Association, as trustee and lessor, assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE 2019 CERTIFICATES.....	3
General Provisions	3
Redemption Provisions	3
Notice of and Procedure for Redemption	4
Defeasance	4
PLAN OF FINANCE	4
General	4
The Leased Property.....	5
The Improvements.....	6
Sources of Lease Payments	6
SOURCES OF PAYMENT OF THE CERTIFICATES	6
SECURITY FOR THE CERTIFICATES	7
General	7
Non-appropriation; Other Termination Events.....	7
Damage, Taking or Removal of Leased Property	8
Release and Exchange of Property	9
Additional Certificates	9
RISK FACTORS.....	10
SOURCES AND USES OF FUNDS.....	12
CERTIFICATE PAYMENT REQUIREMENTS.....	13
LITIGATION	14
LEGAL MATTERS	14
TAX MATTERS	14
RATINGS.....	16
RELATIONSHIP AMONG PARTIES	17
FINANCIAL ADVISOR.....	17
CONTINUING SECONDARY MARKET DISCLOSURE	17
UNDERWRITING	17
FINANCIAL STATEMENTS.....	18
ADDITIONAL INFORMATION	18
CONCLUDING STATEMENT	18
Appendix A – PIMA COUNTY, ARIZONA – General Economic And Demographic Information	
Appendix B – PIMA COUNTY, ARIZONA – Financial Information	
Appendix C – EXCERPTS FROM PIMA COUNTY, ARIZONA COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018	
Appendix D – SUMMARY OF LEGAL DOCUMENTS	
Appendix E – FORM OF SPECIAL COUNSEL OPINION	
Appendix F – FORM OF CONTINUING DISCLOSURE UNDERTAKING	
Appendix G – BOOK-ENTRY-ONLY SYSTEM	

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and appendices hereto (the "Official Statement"), has been prepared on behalf of Pima County, Arizona (the "County"), in connection with the original execution, delivery and sale of \$20,940,000 principal amount of Certificates of Participation, Series 2019 (the "2019 Certificates").

Certain capitalized terms used herein but not defined elsewhere are defined under "SUMMARY OF LEGAL DOCUMENTS - Certain Definitions" in Appendix D hereto.

The 2019 Certificates, together with \$24,965,000 outstanding principal amount of Certificates of Participation, Series 2018 (the "2018 Certificates"); \$21,605,000 outstanding principal amount of Certificates of Participation, Series 2016 (the "2016 Certificates"); \$39,355,000 outstanding principal amount of Certificates of Participation, Series 2014 (the "2014 Certificates"); \$10,460,000 outstanding principal amount of Certificates of Participation, Series 2013A (the "2013 Certificates"); \$2,625,000 outstanding principal amount of Certificates of Participation, Series 2010 (the "2010 Certificates") and any Additional Certificates executed and delivered pursuant to the hereafter-described Trust Agreement (collectively, the "Certificates"), evidence and represent undivided and proportionate interests of the registered owners thereof in semiannual lease payments (the "Lease Payments") for the hereafter described Leased Property, to be made by the County pursuant to a Lease-Purchase Agreement, dated as of June 1, 2008 (the "Original Lease-Purchase Agreement"), as amended, including by an Eighth Amendment to Lease-Purchase Agreement to be dated as of May 1, 2019 (the "Eighth Amendment" and, together with the Original Lease-Purchase Agreement, as previously amended and as subsequently amended, the "Lease"), between U.S. Bank National Association, as trustee under the Trust Agreement, as lessor (the "Trustee"), and the County, as lessee. The property being leased by the Trustee to the County will consist of certain interests in the major portion of the public works building of the County, a parking garage adjacent to the public works building, the legal services building of the County, the public service center office tower and adjacent parking garage of the County, certain adult detention (jail) facilities of the County and the justice building of the County (collectively, the "Leased Property"). The Trustee will hold a fee title interest in the public works building, the legal services building and the adult detention (jail) facilities portions of the Leased Property (the "Sellable Leased Property") and a ground leasehold interest in the portion of the Leased Property consisting of the parking garage adjacent to the public works building, the public service center office tower and adjacent parking garage and the justice building (the "Ground Leased Property"). See "PLAN OF FINANCE - The Leased Property" herein. The 2019 Certificates are being executed and delivered under a Trust Agreement, dated as of June 1, 2008 (the "Original Trust Agreement"), as supplemented, including as supplemented by an Eighth Supplement to Trust Agreement to be dated as of May 1, 2019 (the "Eighth Supplement" and, together with the Original Trust Agreement, as previously supplemented and as subsequently supplemented, the "Trust Agreement"), between the Trustee and the County.

The 2019 Certificates are being executed and delivered to (i) finance the acquisition by the Trustee of a leasehold interest in a portion of the Ground Leased Property from the County and (ii) pay costs associated with the execution and delivery of the 2019 Certificates. The County may also use a portion of the funds received for other capital projects. See "PLAN OF FINANCE" herein. Fee title to the Sellable Leased Property will be held by the Trustee and a ground leasehold interest in the Ground Leased Property will be held by the Trustee pursuant to a Ground Lease, dated as of June 1, 2008 (the "2008 Ground Lease"), a Ground Lease dated as of January 1, 2014 (the "2014 Ground Lease") and a Ground Lease to be dated as of May 1, 2019 (the "2019 Ground Lease" and, together with the 2008 Ground Lease and 2014 Ground Lease, the "Ground Lease"), each between the County and the

Trustee with respect to the Ground Leased Property. Pursuant to the Lease, the Trustee has or will lease back to the County the Leased Property. See “PLAN OF FINANCE” herein.

The County expects to use the amounts received from the Trustee from the financing of the acquisition of a leasehold interest in a portion of the Leased Property to pay the costs of the herein-described Improvements, which are expected to consist of costs to expand and improve sports fields and facilities at the County’s Kino Sports Complex and for other capital improvement projects of the County. Proceeds of the financing will also be used to pay costs incurred in the execution and delivery of the 2019 Certificates. See “PLAN OF FINANCE – The Improvements” herein.

The obligations of the County under the Lease are payable exclusively from annually budgeted and appropriated funds of the County and will not be a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease will be subject to termination as of the last day of each Fiscal Period of the County, at the option of the County. If so terminated and not reinstated as provided in the Lease, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property to the Trustee. The Lease will also terminate upon the occurrence of an Event of Default thereunder by the County and the election of the Trustee to terminate the Term of the Lease and upon taking of all the Leased Property by eminent domain. In the event of any such termination, there is no assurance of payment of the principal or interest represented by the Certificates, including the 2019 Certificates, from funds available under the Trust Agreement or as a result of the Trustee’s selling the Sellable Leased Property or re-leasing of the Leased Property. See “SOURCES OF PAYMENT OF THE CERTIFICATES” and “SECURITY FOR THE CERTIFICATES” herein.

The Certificates will be payable solely from the Lease Payments required to be made by the County from the sources identified above and from funds available under the Trust Agreement. The obligation of the County to make Lease Payments under the Lease will not be secured by a pledge of any funds, will not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation and will not constitute a general obligation of the County, or an indebtedness of the County, the State of Arizona (“Arizona” or the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitations.

Under the Lease, the County will be required to pay base rent comprising the Lease Payments equal to the principal and interest requirements represented by the outstanding Certificates, unless the Lease is terminated as provided therein. Such base rent will be held in trust by the Trustee only for payment to the Owners of the Certificates. The County will also be required to pay Additional Rent, which includes payment of any taxes and assessments and the cost of maintenance and repair of the Leased Property, and to pay other fees and obligations. See “SUMMARY OF LEGAL DOCUMENTS - LEASE” in Appendix D hereto.

Unless and until discontinued, the 2019 Certificates will be held in book-entry form by The Depository Trust Company, a registered securities depository (“DTC”), and beneficial interests therein may only be purchased and sold, and payments of principal and interest represented by the 2019 Certificates will be made only to beneficial owners, through participants in the DTC system. Beneficial interests in the 2019 Certificates will be in amounts described on the cover page hereof. See Appendix G - “BOOK-ENTRY-ONLY SYSTEM.”

The Lease Payments will be subject to reduction to the extent of any Prepayments made with insurance or condemnation proceeds as a result of damage, destruction or condemnation of a portion of the Leased Property, which causes substantial interference with the County’s use of the Leased Property; provided that the revised Lease Payments shall be sufficient to pay principal and interest represented by the Certificates remaining Outstanding after the application of the Net Proceeds of the insurance or self-insurance coverage or condemnation award to redeem a portion of the Certificates. See “SUMMARY OF LEGAL DOCUMENTS – LEASE -- Lease Payments; Additional Rent; Reduction of Rental” in Appendix D hereto. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property in amounts required by the Lease. Proceeds from such self-insurance program and such condemnation awards will be applied either to repair or replace the Leased Property or to redeem all or a portion of the Certificates. See “THE 2019 CERTIFICATES - Redemption Provisions – *Extraordinary Redemption*” herein and “SUMMARY OF LEGAL DOCUMENTS – LEASE – Insurance” in Appendix D hereto.

This Official Statement contains descriptions of the 2019 Certificates, the Trust Agreement, the Ground Lease and the Lease. The descriptions of the 2019 Certificates, the Trust Agreement, the Ground Lease and the Lease and other documents described in this Official Statement (collectively, the “Financing Documents”) do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the complete documents, copies of which are available from Citigroup Global Markets Inc. (the “Underwriter”) prior to the delivery of the 2019 Certificates.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as shown by the financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes (“A.R.S.”) or uncodified, or of the Arizona Constitution, are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

THE 2019 CERTIFICATES

General Provisions

The 2019 Certificates will be dated their date of initial delivery and will mature on the dates and in the principal amounts and represent interest at the respective per annum rates, all as set forth on the inside front cover page of this Official Statement. Interest represented by the 2019 Certificates will accrue from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their dated date. Interest will be computed on the basis of a 360-day year of twelve 30-day months and be payable on each June 1 and December 1 of each year, commencing on December 1, 2019 (each, an “Interest Payment Date”).

The 2019 Certificates will be delivered in the form of fully registered certificates without coupons registered in the name of Cede & Co. as registered Owner and nominee of DTC. The Trustee shall treat Cede & Co., as the registered Owner, as the absolute owner of the 2019 Certificates for all purposes, including making payments and sending notices. So long as Cede & Co. is the registered Owner of the 2019 Certificates, as nominee of DTC, references herein to “Owners” or registered owners of the 2019 Certificates (other than under the caption “TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of such 2019 Certificates. When reference is made to any action which is required or permitted to be taken by the beneficial owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such beneficial owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only. See Appendix G - “BOOK-ENTRY-ONLY SYSTEM.”

Subject to the provisions summarized in Appendix G - “BOOK-ENTRY-ONLY SYSTEM,” the principal represented by each 2019 Certificate will be payable at the designated office of the Trustee. Interest represented by each 2019 Certificate will be paid on each Interest Payment Date by check drawn on the Trustee mailed on or before the Interest Payment Date to the registered owners as shown on the records of the Trustee as of the fifteenth day of the month immediately preceding such Interest Payment Date or, if such a day is not a business day, on the next succeeding business day or the Trustee may agree with a registered Owner of \$1,000,000 or more in aggregate principal amount of the 2019 Certificates for another form of payment.

Redemption Provisions

Optional Redemption. The 2019 Certificates maturing on or before December 1, 2028, are not subject to redemption prior to maturity. The 2019 Certificates maturing on or after December 1, 2029, are subject to redemption, in whole or in part on any date on or after December 1, 2028, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a

maturity by payment of the principal amount of each 2019 Certificate to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Extraordinary Redemption. The 2019 Certificates will be subject to redemption on any Interest Payment Date, in whole or in part, to the extent of any Net Proceeds of insurance or condemnation that are deposited in the Lease Payment Fund for such purpose as provided under the Lease (See “LEASE - Insurance” and “—Eminent Domain” in Appendix D hereto), at a redemption price equal to the principal amount thereof, without premium, plus interest accrued to the redemption date.

Selection of Certificates. Whenever less than all Outstanding 2019 Certificates are called for redemption, the maturities of the 2019 Certificates to be selected for redemption may be specified by the County or, if the County does not so specify, will be determined by the Trustee by lot, and within any maturity will be selected by lot.

Notice of and Procedure for Redemption

In the event any 2019 Certificates are called for redemption, notice thereof identifying the 2019 Certificates to be redeemed and specifying a redemption date and the redemption price will be required to be given by the Trustee in the form of a redemption notice to DTC not less than 30 nor more than 60 days prior to the date fixed for redemption. If moneys for the payment of the redemption price and accrued interest are not held in separate accounts by the County or by the Trustee prior to sending the notice of redemption, such redemption shall be conditional on such money being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect. See Appendix G – “BOOK-ENTRY-ONLY SYSTEM.”

All of the 2019 Certificates so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time, and will no longer be protected by and will not be deemed to be Outstanding under the provisions of the Trust Agreement.

Defeasance

If the County (i) pays the principal and interest of all Outstanding 2019 Certificates when the same becomes due and payable, or (ii) at or before maturity of all Outstanding 2019 Certificates, deposits money or Defeasance Obligations with the Trustee which, together with other available funds, are sufficient to pay the principal and interest of all Outstanding 2019 Certificates and any Additional Rent, the lien of the Trust Agreement and all covenants, agreements and obligations of the County and the Trustee securing or pertaining to the 2019 Certificates will terminate, except for the obligation of the Trustee to make payment on the 2019 Certificates. (See “SUMMARY OF LEGAL DOCUMENTS - TRUST AGREEMENT - Defeasance” in Appendix D hereto.)

PLAN OF FINANCE

General

The proceeds received by the Trustee from the sale of the 2019 Certificates, net of amounts deposited into the Delivery Costs Fund established under the Trust Agreement to pay costs related to the execution and delivery of the 2019 Certificates, will be used to finance the acquisition by the Trustee from the County a ground leasehold interest in the below-described Justice Building which will be a portion of the Leased Property, pursuant to the 2019 Ground Lease.

The County intends to use such amounts received from the Trustee to pay the costs of the Improvements described below, none of which are a part of the Leased Property.

The Leased Property

The Leased Property consists of the following property of the County:

Adult Detention Center. This portion of the Leased Property (the “Adult Detention Center”) consists of a fee ownership interest in the maximum security facility (a seven-story block building designed with a 732-bed capacity) and a medium security facility (a four-story block building designed with an approximately 400-bed capacity). The medium security facility is an annex to the maximum security facility. The maximum security facility has been retrofitted so that it now accommodates 1,892 beds. The Adult Detention Center currently provides the only maximum and medium detention facilities for the County.

The two-building complex is located on approximately 17 acres of land situated about 3 miles southwest of downtown Tucson, Arizona.

Pima County Public Works Building Portion of Leased Property. This portion of the Leased Property consists of a fee ownership interest in the south 137,938 square feet of a 9-story building, located at 201 North Stone in Tucson, Arizona, which serves as the Public Works Building of the County. *(The north 63,000 square feet of the building are leased to the City of Tucson, Arizona, by the County and are not part of the Leased Property.)* The 9-story site contains 15,524 square feet of land. The building was constructed in the 1960s; it was subsequently gutted back to the concrete floors and ceilings. By 1991, the building was completely rebuilt and immediately occupied by the County.

Public Works Building Parking Garage. This portion of the Leased Property consists of a ground leasehold interest in a 785-space parking garage located adjacent to the Pima County Public Works Building in downtown Tucson, Arizona, and includes the site for the facility and related entry and exit ramps and the parking facility itself, which is located above the downtown Tucson branch of the YMCA. The YMCA is located on a portion of the same site, beneath the first level of the parking garage, pursuant to a lease granted by the County in 1990. *The Leased Property does not include any portion of the YMCA facilities located on the site or elsewhere.*

The parking facility was constructed in 1991 and has been in continuous operation since its opening. The majority of the facility is used as parking for County employees and public parking during normal business hours and for users of the downtown YMCA facility.

The term of the 2008 Ground Lease associated with the parking facility extends through December 1, 2033, but is subject to earlier termination on any date upon (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

Legal Services Building Portion of Leased Property. This portion of the Leased Property consists of a fee ownership interest in a 20-story, single-tenant office building constructed in 1966, located at 32 North Stone in Tucson, Arizona. The gross square footage of the tower is 209,187 square feet. The tower site contains 10,636 square feet of land. The 15th floor of the tower was specifically gutted to a shell condition in order to accommodate the record file storage requirements of the Legal Services Division of the County.

Public Service Center Office Tower and Parking Garage. This portion of the Leased Property consists of a 288,363 square foot multi-story building, half of which has 14 courtrooms along with supporting administrative and detention accommodations for use by the Pima County Justice Courts, and space to accommodate an additional 7 courtrooms. The balance of the building is office space for the County Recorder, County Treasurer and County Assessor. The Public Service Center also includes a multi-story, 700 car, precast parking garage with one-half level below grade for secured judicial parking. At grade level, the parking garage includes 8,800 square feet of multi-tenant retail.

The term of the 2014 Ground Lease associated with the parking facility extends through June 1, 2039, but is subject to earlier termination on any date upon (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

Justice Building. This portion of the Leased Property consists of a 22-story office tower containing approximately 193,000 square feet of space, situated on a site of approximately 0.91 acres or 39,699 square feet, located in downtown Tucson, Arizona. The Justice Building, originally constructed in 1975 and previously known as the “Bank of America Plaza,” is currently occupied primarily by the Pima County Public Defender’s office and by the County’s Information Technology staff. In addition, communications antennae are located on the roof of the tower with related equipment closets in the basement, under leases or license agreements. The Justice Building contains 32 on-site parking spaces and has a 50-year lease for 200 parking spaces in a City of Tucson-owned garage located within one block from the building.

The term of the 2019 Ground Lease associated with the Justice Building extends through May 1, 2044, but is subject to earlier termination on any date upon (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

Pursuant to the Lease, the Trustee will lease back to the County the Leased Property. The County has not undertaken an appraisal of the Leased Property but believes the market value of the Leased Property is at least \$185.4 million.

The Improvements

The County intends to use the amounts received from the Trustee from the financing of the acquisition of or a portion of the Ground Leased Property, net of the amounts used to pay the costs incurred in issuing the 2019 Certificates, to fund the expansion and improvement of sports fields and facilities at the County’s Kino Sports Complex and for other capital improvement projects of the County that are approved by the Board. All such capital projects are collectively referred to herein as the “Improvements”. None of the Improvements will be part of the Leased Property.

Sources of Lease Payments

Although no specific revenue sources will be pledged to or secure the Certificates, the County anticipates using monies from the County’s General Fund for making the Lease Payments on the 2019 Certificates, subject to annual appropriation by the Board of Supervisors of the County.

See “SOURCES OF PAYMENT OF THE CERTIFICATES” and “SECURITY FOR THE CERTIFICATES.”

SOURCES OF PAYMENT OF THE CERTIFICATES

Under the terms of the Trust Agreement, the 2019 Certificates will be payable on a parity with the outstanding 2010 Certificates, the 2013 Certificates, the 2014 Certificates, the 2016 Certificates, the 2018 Certificates and any Additional Certificates executed and delivered pursuant to the Trust Agreement, solely from: (1) Lease Payments received by the Trustee from the County under the Lease, subject to termination of the Lease as provided under the Lease, (2) amounts from time to time deposited in the funds created under the Trust Agreement and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States in order to continue the exclusion of the interest represented by the Certificates from gross income for federal income tax purposes) and (3) any Net Proceeds from insurance coverage or condemnation awards received by the Trustee from the damage, destruction or taking of the Leased Property or portion thereof pursuant to the Lease and the Trust Agreement or from exercise by the Trustee of any remedies under the Lease and the Trust Agreement upon default thereunder. See “SECURITY FOR THE CERTIFICATES” as well as “SUMMARY OF LEGAL DOCUMENTS – LEASE -- Events of Default,” “-- Eminent Domain” and “-- Insurance” and “SUMMARY OF LEGAL DOCUMENTS - TRUST AGREEMENT -- Events of Default; Acceleration” in Appendix D hereto.

The County will be required under the Lease to make Lease Payments semiannually in amounts sufficient to make interest and principal payments represented by the Certificates on November 15, 2019, and each May 15 and November 15 thereafter. The County's obligation under the Lease to pay Lease Payments during the term of the Lease will be absolute and unconditional, but subject to (1) the County's right each year to terminate the Lease as of the end of each Fiscal Period by failing to budget and appropriate the full amount necessary to make all Lease Payments come due in the next Fiscal Period, (2) reduction of Lease Payments in the event of damage, destruction or condemnation of any portion of the Leased Property, and (3) termination of the Lease upon taking of all of the Leased Property by eminent domain, all as described below under "SECURITY FOR THE CERTIFICATES" and under "SUMMARY OF LEGAL DOCUMENTS - LEASE -- Lease of Leased Property" and "-- Lease Payments; Additional Rent; Reduction of Rental" in Appendix D hereto.

IN THE EVENT OF TERMINATION OF OR DEFAULTS UNDER THE LEASE, THERE IS NO ASSURANCE THAT THE TRUSTEE WILL HAVE ADEQUATE FUNDS UNDER THE TRUST AGREEMENT TO PAY INTEREST AND PRINCIPAL REPRESENTED BY THE CERTIFICATES. See "RISK FACTORS - Limitations on Remedies."

SECURITY FOR THE CERTIFICATES

General

Each Certificate will evidence an undivided and proportionate interest in Lease Payments under the Lease. The County's obligations to make Lease Payments and any other obligation under the Lease will be subject to and dependent upon an annual budgeting and appropriation being made by the Board of Supervisors of the County to make such Lease Payments. The term of the Lease will continue through and including December 1, 2033, unless terminated prior thereto. If the Board of Supervisors of the County (the "Board") does not budget and appropriate funds sufficient to pay Lease Payments in any succeeding Fiscal Period, the Lease will terminate as of the last day of the Fiscal Period for which Lease Payments were made, and the County will be required to vacate and return possession of the Leased Property to the Trustee, all in accordance with and subject to the terms of the Lease and the Trust Agreement. See "SECURITY FOR THE CERTIFICATES - Non-appropriation; Other Termination Events" herein. In that event, the Trustee will be entitled to exercise all available remedies, which could include selling the Sellable Leased Property or re-leasing the Ground Leased Property. See "RISK FACTORS - Limitations on Remedies" below.

The County's obligation to make Lease Payments will not constitute a debt or liability of the County, the State or any political subdivision thereof within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the County, the State or any political subdivision thereof will be pledged to pay the principal or interest evidenced by the Certificates. Payments with respect to the Certificates will be made solely from amounts derived under the terms of the Lease, including the Lease Payments, and available amounts from time to time on deposit under the terms of the Trust Agreement. No funds will be pledged by the County to pay Lease Payments.

Non-appropriation; Other Termination Events

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

The budget officials of the County have covenanted in the Lease that they will include in the budget presented to the Board sufficient funds for payment of all Lease Payments and Additional Rent when due, provided, however, pursuant to Arizona law, the budgeting and appropriation of money by the Board is a legislative act of the Board and is beyond the control of the budgeting officials of the County.

If the Lease terminates as described above and if within forty-five (45) days after such date of termination amounts described above are determined to be available which would have permitted the Lease to have continued in effect with respect to the Leased Property if such amounts had been determined to be available prior to the termination date, then the Lease will be reinstated with respect thereto and deemed renewed as of the day following the date of such termination.

In the event the County terminates the Lease, the County will have no further obligations under the Lease. Upon termination, the County will be required by the Lease to surrender possession of the Leased Property to the Trustee. Such termination will constitute an Event of Default under the Trust Agreement, if the Lease has not been reinstated, but such termination will not be a default under the Lease. Upon such Event of Default under the Trust Agreement, the Trustee may exercise one or more of the remedies provided in the Trust Agreement, subject to receipt of indemnity satisfactory to it, including an option to sell the Sellable Leased Property or re-lease its interest in the Ground Leased Property, and to apply the proceeds of such disposition, if any, along with the moneys in the Lease Payment Fund established under the Trust Agreement, to the payment of the Certificates. See "SUMMARY OF LEGAL DOCUMENTS - TRUST AGREEMENT -- Event of Default; Acceleration" in Appendix D hereto. However, there is no assurance that net revenues received by the Trustee from any such sale of the Sellable Leased Property or re-lease of the Ground Leased Property would be sufficient to pay in full all Outstanding Certificates. Should such a shortfall occur, the interest and principal represented by the Certificates would be paid by the Trustee to the extent of moneys, if any, held by the Trustee under the Trust Agreement.

Upon an Event of Default under the Trust Agreement, the Trustee will be required to take action to force the County to surrender possession of the Leased Property. However, the exercise by the Trustee of any other subsequent or additional remedies may be affected by the environmental condition of the Leased Property, and the Trustee may decline to exercise such other remedies unless it is indemnified and obtains assurances to its satisfaction that it will not become responsible for environmental liabilities. See "RISK FACTORS - Limitations on Remedies."

Damage, Taking or Removal of Leased Property

The Leased Property will be required to be insured or self-insured to the extent set forth herein under "SUMMARY OF LEGAL DOCUMENTS – LEASE -- Insurance" in Appendix D hereto, which includes property insurance equal to the full replacement cost of the Leased Property. As permitted under the Lease, the County will be self-insured for damage or destruction of the Leased Property and other liabilities in amounts required by the Lease.

Under the Lease, the Net Proceeds of any insurance recoveries and proceeds of self-insurance resulting from any damage or destruction of the Leased Property by fire or other casualty must be deposited in the Insurance and Condemnation Fund established under the Trust Agreement. Moneys in the Insurance and Condemnation Fund will be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County, provided, however, that if the County notifies the Trustee within 90 days of such deposit of its determination that the replacement, repair, restoration, modification or improvement of the damaged portion of the Leased Property is not economically feasible or in the best interests of the County, then such Net Proceeds will be promptly transferred by the Trustee to the Lease Payment Fund and applied to effect extraordinary redemption of Outstanding Certificates as follows: in the event of damage or destruction of the Leased Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause redemption of all Outstanding Certificates, and in the event of damage or destruction of the Leased Property in part, if such Net Proceeds are sufficient, together with all other funds available therefor to redeem all Outstanding Certificates, such amounts will be applied to the extraordinary redemption, in whole, of all Outstanding Certificates, or if such Net Proceeds, together with such other funds, are not sufficient to redeem all Outstanding Certificates, then the County shall have the option to either use such Net Proceeds to repair the Leased Property or to

extraordinarily redeem the Certificates in part. See “THE 2019 CERTIFICATES - Redemption Provisions – *Extraordinary Redemption.*”

In the event of such partial redemption, the Lease Payments will be reduced to an amount sufficient to pay interest and principal represented by the Certificates Outstanding after such partial redemption.

Under the Lease, the County will waive any right to terminate the Lease because of damage or destruction to the Leased Property, but retains the right to determine annually whether to appropriate Lease Payments for the next Fiscal Period.

If all the Leased Property is taken by eminent domain, the Net Proceeds of the condemnation award will be deposited in the Insurance and Condemnation Fund and used to extraordinarily redeem Certificates to the extent of such Net Proceeds and the Lease shall terminate as of the date possession is taken from the County.

If a part of the Leased Property is taken by eminent domain, or if all of the Leased Property is taken temporarily, then the Lease will continue in effect and the Net Proceeds will be deposited in the Insurance and Condemnation Fund and applied as follows: if the Trustee determines that either (1) such taking does not materially adversely affect the operation of the Leased Property and the Net Proceeds are not needed to replace the Leased Property, or (2) such taking does not materially adversely affect remaining portions of the Leased Property or the ability of the County to meet any of its obligations under the Lease, then the Net Proceeds will be used to extraordinarily redeem Certificates in part; otherwise, such Net Proceeds will be used to replace the taken Leased Property. See “THE 2019 CERTIFICATES - Redemption Provisions – *Extraordinary Redemption.*”

If there is a partial taking of the Leased Property, the Lease Payments will be reduced to an amount sufficient to pay interest and principal represented by Certificates Outstanding after such partial redemption.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not used to redeem Certificates will be required to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property by the County. Any balance of the Net Proceeds remaining after such work has been completed will be required to be deposited in the Lease Payment Fund and applied as a credit against the next subsequent Lease Payments.

Release and Exchange of Property

All of any portion of the Leased Property may be acquired by the County unencumbered by the terms and conditions of the Lease, if certain conditions are met as provided in the Lease, which may include: the replacement value for insurance purposes of the remaining properties comprising the Leased Property shall not be less than the Outstanding principal amount of the Certificates, the release of property shall not cause any decrease in the total Lease Payments required to be made under the Lease or any change in the interest component or principal component thereof, and an opinion of Special Counsel acceptable to the Trustee that the release of property will not adversely affect the exclusion of the interest payable on the Certificates from the federal gross income of the owners thereof.

Additional Certificates

Subject to certain conditions provided in the Trust Agreement, the Trustee may execute and deliver, at the direction of the County, Additional Certificates from time to time to provide funds to pay the costs of refunding Outstanding Certificates or to restructure the County’s Lease Payments under the Lease, or to pay the costs of making any modifications or improvements to the Leased Property or to finance additional property as the County deems necessary or desirable. Such conditions include, but are not limited to, that the Lease remains in effect, that no Event of Default has occurred under the Trust Agreement, that such Additional Certificates do not affect the tax-exempt status of the Outstanding Certificates then bearing tax-exempt interest or result in the reduction or withdrawal of the assigned ratings on the Outstanding Certificates. The County currently expects to execute and deliver Additional Certificates in the amount of \$61 million in fiscal year 2020 and \$25 million in fiscal year 2021.

RISK FACTORS

The purchase of the 2019 Certificates involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective 2019 Certificate purchaser should make an independent evaluation of all the information presented herein. Certain of these investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect relative importance of risks. The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the 2019 Certificates.

Limited Obligation. The obligation of the County to pay Lease Payments will not be secured by the levy or pledge of any tax or any other funds and will not constitute a debt or indebtedness of the County or the State within the meaning of any constitutional or statutory debt limitation or restriction. See “SECURITY FOR THE CERTIFICATES.” The Lease Payments are payable by the County, subject to annual appropriation by the Board of Supervisors of the County, from monies of the County.

No Pledge of County Funds. No funds or revenues of the County will be pledged, obligated or restricted for the payment of the Lease Payments, including, without limitation, the funds and revenues described under “PLAN OF FINANCE - Sources of Lease Payments” and “SOURCES OF PAYMENT OF THE CERTIFICATES.” In addition, the County will have the right to refuse to budget and appropriate funds, and thus terminate the Lease, for any reason including inadequacy of the Leased Property. Were the County to refuse to appropriate funds and thereby terminate the Lease, there will be no assurance that the Trustee would have adequate funds under the Trust Agreement to pay interest and principal represented by the Certificates.

Other Obligations of County. The County has existing obligations, including lease-purchase obligations, and has the capacity to enter into other obligations which are payable from amounts in the General Fund or other monies of the County, which is the same source it will use to make Lease Payments. See “PIMA COUNTY, ARIZONA – FINANCIAL INFORMATION - Lease, Lease-Purchase and Purchase Agreements” and “- Certificates of Participation” in Appendix B. To the extent that the County’s current or future obligations are paid from the General Fund or other County monies, the funds available to make Lease Payments may be decreased. The Lease will not impose any restrictions upon the ability of the County to incur additional obligations.

Termination of Lease. In addition to termination of the Lease upon non-appropriation of funds as described under the heading “SECURITY FOR THE CERTIFICATES - Non-appropriation; Other Termination Events”, several other events may lead to a termination of the Lease:

- (1) an Event of Default on the part of the County and an election by the Trustee to terminate the Lease as described under the heading “SUMMARY OF LEGAL DOCUMENTS – LEASE - Events of Default” in Appendix D hereto;
- (2) the taking of all of the Leased Property under the power of eminent domain, described below; and
- (3) violation of certain State statutes pertaining to conflicts of interest, described below.

If an Event of Default under the Lease occurs, the Trustee may terminate the Lease and sell or relet the Leased Property. The Net Proceeds from the sale of the Sellable Leased Property or re-leasing of the Ground Leased Property, together with other moneys then held by the Trustee under the Trust Agreement, will be required to be used under the Trust Agreement to pay principal and interest represented by the Certificates as it becomes due, to the extent of such moneys. No assurance can be given that the amount of such funds would be sufficient to pay all the Certificates when due.

In the event that the Leased Property has been taken in whole pursuant to eminent domain proceedings, all Net Proceeds, together with funds, if any, then on hand in funds held by the Trustee will be applied to the extraordinary redemption of the Certificates and the Lease shall terminate on the date possession is taken from the

County. No assurance can be given that the Net Proceeds of eminent domain and other moneys available under the Trust Agreement will be sufficient to redeem all of the Outstanding Certificates.

As required by the provisions of A.R.S. Section 38-511, the County may, within three years after its execution, cancel any contract (including the Financing Documents), without penalty or further obligation, made by the County if any person significantly involved in initiating, negotiating, securing, drafting, or creating the Financing Documents on behalf of the County (a "County Representative") is, at any time while the Financing Documents or any extension thereof are in effect, an employee of any other party to the Financing Documents in any capacity or a consultant to any other party of the Financing Documents with respect to the subject matter thereof. The cancellation shall be effective when written notice from the Board is received by all other parties to the Financing Documents unless the notice specifies a later time. The Trustee will agree in the Lease not to employ as an employee or an agent, or with respect to the subject matter of the Financing Documents, as a consultant any County Representative within three years from execution of the Financing Documents unless a waiver of Section 38-511 is provided by the Board.

Squire Patton Boggs (US) LLP, Special Counsel with respect to the execution and delivery of the 2019 Certificates ("Special Counsel"), will not render an opinion with respect to the tax-exempt status of payments made to Owners of the 2019 Certificates from sources made available by the County as a result of the termination of the Lease for any reason (including termination upon nonappropriation of funds by the County). If the Lease is terminated while 2019 Certificates are Outstanding, there will be no assurance that after such termination, payments made to Owners (from sources other than funds made available by the County) with respect to interest will be excludable from gross income of the Owners thereof for federal or Arizona income tax purposes.

In addition, neither Special Counsel nor counsel to the Underwriter will render an opinion as to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to the transfer of any 2019 Certificates in the event payments are received from sources made available by the County as a result of termination of the Lease for any reason. If the Lease is terminated while the 2019 Certificates are Outstanding, there will be no assurance that after such termination 2019 Certificates may be transferred by a 2019 Certificate Owner without compliance with the registration provisions of the Securities Act of 1933, as amended, or that an exemption from such registration is available.

Limitations on Remedies. Due to the specialized configuration of the Leased Property and the limited number of potential users of the Leased Property, no assurance can be given that the proceeds from any sale of the Sellable Leased Property or re-leasing of the Leased Property will be sufficient to pay in full the 2019 Certificates. The enforcement of any remedies provided in the Lease and the Trust Agreement could prove both expensive and time consuming. In addition, the enforceability of the Lease and the Trust Agreement is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of the Leased Property upon termination of the Lease or exercise of remedies upon default by the County may result in delays in payment of the Certificates.

Although the Lease and the Trust Agreement provide that the Trustee may take possession of the Leased Property and sell the Sellable Leased Property or re-lease the Ground Leased Property if there is a default by the County thereunder or if the County terminates the Lease, and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, no assurance can be given that revenues from the Trustee's sale or reletting of the Leased Property would be sufficient to pay in full all Outstanding Certificates.

Upon the termination of the Lease or if the County defaults in its obligation to make Lease Payments thereunder, the Trustee will be required to take action to force the County to surrender possession of the Leased Property. However, under the terms of the Trust Agreement, the Trustee will not be under any obligation to take any other action if the Trustee determines that to do so exposes the Trustee to a risk of financial liability (including environmental liability) for which it reasonably believes it is not adequately indemnified. Prior to taking other actions under the Trust Agreement, the Trustee may request assurances, such as an additional environmental audit, that it will not incur liability by reason of any other action taken by the Trustee pursuant to the Trust Agreement.

SOURCES AND USES OF FUNDS

The sources and uses of funds derived from the sale of the 2019 Certificates are as follows:

Sources of Funds

Par Amount of the 2019 Certificates	\$20,940,000.00
Original Issue Premium	<u>3,876,515.15</u>
Total Sources	<u><u>\$24,816,515.15</u></u>

Uses of Funds

2019 Acquisition Fund (a)	\$24,500,000.00
Costs of Issuance (Including Underwriter's Discount)	<u>316,515.15</u>
Total Uses	<u><u>\$24,816,515.15</u></u>

- (a) This amount will be paid to the County to acquire a leasehold interest in the Justice Building upon execution and delivery of the 2019 Certificates. The County will use such amount to pay for the Improvements. See "PLAN OF FINANCE – The Improvements" herein.

[Remainder of page intentionally left blank.]

CERTIFICATE PAYMENT REQUIREMENTS

The Lease requires that Lease Payments be paid on the fifteenth day of the month preceding each Interest Payment Date and in the following amounts. The Trust Agreement provides that such amounts be deposited in the Lease Payment Fund and applied, on a semiannual basis, to pay amounts due with respect to the Certificates.

Interest Payment Date	Lease Payments on Outstanding Certificates	2019 Certificates		Total Lease Payments on Certificates
		Principal	Interest ^(a)	
06/01/2019	\$4,820,347			\$4,820,347
12/01/2019	24,101,206	\$575,000	\$593,300	25,269,506
06/01/2020	1,703,565		509,125	2,212,690
12/01/2020	23,783,565	1,040,000	509,125	25,332,690
06/01/2021	1,220,713		483,125	1,703,838
12/01/2021	11,215,713	1,090,000	483,125	12,788,838
06/01/2022	982,599		455,875	1,438,474
12/01/2022	8,352,599	1,145,000	455,875	9,953,474
06/01/2023	809,173		427,250	1,236,423
12/01/2023	5,614,173	1,205,000	427,250	7,246,423
06/01/2024	699,144		397,125	1,096,269
12/01/2024	5,729,144	1,265,000	397,125	7,391,269
06/01/2025	582,838		365,500	948,338
12/01/2025	5,852,838	1,325,000	365,500	7,543,338
06/01/2026	460,049		332,375	792,424
12/01/2026	5,980,049	1,395,000	332,375	7,707,424
06/01/2027	330,475		297,500	627,975
12/01/2027	6,115,475	1,460,000	297,500	7,872,975
06/01/2028	193,722		261,000	454,722
12/01/2028	6,253,722	1,535,000	261,000	8,049,722
06/01/2029	49,717		222,625	272,342
12/01/2029	1,279,717	1,610,000	222,625	3,112,342
06/01/2030	25,824		182,375	208,199
12/01/2030	1,305,824	1,695,000	182,375	3,183,199
06/01/2031			140,000	140,000
12/01/2031		1,775,000	140,000	1,915,000
06/01/2032			95,625	95,625
12/01/2032		1,865,000	95,625	1,960,625
06/01/2033			49,000	49,000
12/01/2033		1,960,000	49,000	2,009,000

(a) The first Interest Payment Date on the 2019 Certificates is December 1, 2019.

LITIGATION

No Litigation Relating to the Certificates. To the knowledge of appropriate representatives of the County, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin, the issuance or delivery of the 2019 Certificates, the Trust Agreement, the Ground Lease or the Lease, or in any way contesting or affecting any authority for the execution and delivery of the 2019 Certificates, or the validity of the 2019 Certificates, the proceeds from the execution and delivery thereof or any agreements entered into in connection therewith, or in any way contesting the existence or powers of the County with regard to the 2019 Certificates, the Trust Agreement, the Ground Lease or the Lease or any agreement, document, duty or covenant pertaining thereto.

Other Litigation; Self-Insurance or Commercial Insurance Coverage. The County has been named as a defendant in several lawsuits for which the County believes either that it has adequate self-insurance or commercial insurance coverage in the event of liability, or that such liability would not otherwise materially and adversely affect the financial condition of the County. In one such matter, the County is currently defending a lawsuit filed against it, and others, in federal court in April 2016 by a plaintiff who claims his constitutional rights were violated and he was wrongfully incarcerated for 42 years. The plaintiff is seeking damages in excess of \$40 million. The County is vigorously defending the lawsuit. The District Court ruled that plaintiff cannot recover compensatory damages for his 42-year incarceration. That issue is being addressed in an interlocutory appeal currently in front of the Ninth Circuit Court of Appeals. The County does not have any commercial liability insurance policies that would cover this claim if plaintiff is successful, so any damages awarded would be paid from the County's self-insurance trust.

LEGAL MATTERS

The 2019 Certificates will be sold with the understanding that the County will furnish the Underwriter with an approving opinion of Squire Patton Boggs (US) LLP, Special Counsel. Form of such opinion is included in Appendix E hereto. Said attorneys have been retained by the County as Special Counsel and in such capacity will render their opinion only upon the legality of the 2019 Certificates under Arizona law and on the exclusion of the interest portion related to the 2019 Certificates from gross income for purposes of calculating federal income taxes and of the exemption of the interest portion related to the 2019 Certificates from State income taxes. (See "TAX MATTERS" herein.) Fees of Special Counsel will be paid from 2019 Certificate proceeds.

Certain legal matters will be passed upon solely for the benefit of the Underwriter by Greenberg Traurig, LLP.

TAX MATTERS

General. In the opinion of Squire Patton Boggs (US) LLP, Special Counsel, under existing law: (i) the portion of the Lease Payments paid and denominated as interest under the Lease and received by the Owners (the "Interest Portion") of the 2019 Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax, (ii) the Interest Portion relating to the 2019 Certificates is exempt from Arizona state income tax so long as that Interest Portion is excluded from gross income for federal income tax purposes. Under certain circumstances, interest paid for periods following termination of the Lease by nonappropriation may not be excludable from gross income for federal income tax or Arizona state income tax purposes. Special Counsel expresses no opinion on the federal income tax or Arizona state income tax treatment of amounts paid to Owners of the 2019 Certificates in the event of termination of the Lease by nonappropriation or as to any other tax consequences regarding the 2019 Certificates. See also "SECURITY FOR THE 2019 CERTIFICATES – Non-appropriation; Other Termination Events." Special Counsel expresses no opinion as to any other tax consequences regarding the 2019 Certificates.

The opinion on tax matters for the 2019 Certificates will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2019 Certificates are and will remain obligations the interest on which is excluded from gross income for federal

income tax purposes. Special Counsel will not independently verify the accuracy of the County's certifications and representations or the continuing compliance with the County's covenants.

The opinion of Special Counsel for the 2019 Certificates is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Special Counsel's legal judgment as to exclusion of the Interest Portion of the 2019 Certificates from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Special Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the County may cause loss of such status and result in the Interest Portion relating to the 2019 Certificates being included in gross income for federal income tax purposes retroactively to the date of issuance of the 2019 Certificates. The County has covenanted to take the actions required of it for the Interest Portion relating to the 2019 Certificates to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Notwithstanding the previous sentence, in the event of termination of the Lease by nonappropriation, use of the Leased Property in a manner that would cause the Lease, if such Leased Property had originally been used in such manner, to constitute a "private activity bond" under Section 141 of the Code may prompt the IRS to take the position that the Interest Portion related to the 2019 Certificates is not excluded from gross income for federal income tax purposes, retroactive to the date of execution and delivery of the 2019 Certificates. After the date of issuance of the 2019 Certificates, Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of the Interest Portion or the market value of the 2019 Certificates.

The Interest Portion may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2019 Certificates. Special Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 2019 Certificates, are generally subject to IRS Form 1099-INT information reporting requirements. If a 2019 Certificate owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Special Counsel's engagement with respect to the 2019 Certificates ends with the execution and delivery of the 2019 Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the County or the owners of the 2019 Certificates regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2019 Certificates, under current IRS procedures, the IRS will treat the County as the taxpayer and the beneficial owners of the 2019 Certificates will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2019 Certificates for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the 2019 Certificates.

Prospective purchasers of the 2019 Certificates upon their original issuance at prices other than the respective prices indicated on the inside front cover page of this Official Statement, and prospective purchasers of the 2019 Certificates at other than their original issuance, should consult their own tax advisors regarding other tax

considerations such as the consequences of market discount, as to all of which Special Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the 2019 Certificates. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2019 Certificates will not have an adverse effect on the tax status of the Interest Portion or the market value or marketability of the 2019 Certificates. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the 2019 Certificates from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax and eliminated the tax-exempt advance refunding of tax-exempt bonds, among other things. Additionally, investors in the 2019 Certificates should be aware that future legislative actions might increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the Interest Portion for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the 2019 Certificates may be affected and the ability of holders to sell their 2019 Certificates in the secondary market may be reduced.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Original Issue Premium. The 2019 Certificates (for purposes of this section, the “Premium Certificates”) were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes certificate premium. For federal income tax purposes, certificate premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually. No portion of that certificate premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner’s tax basis in the Premium Certificate is reduced by the amount of certificate premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate. A purchaser of a Premium Certificate in the initial public offering who holds that Premium Certificate to maturity (or, in the case of a callable Premium Certificate, to its earlier call date that results in the lowest yield on that Premium Certificate) will realize no gain or loss upon the retirement of that Premium Certificate.

Owners of Premium Certificates should consult their own tax advisors as to the determination for federal income tax purposes of the existence of certificate premium, the determination for federal income tax purposes of the amount of certificate premium properly amortizable in any period with respect to the Premium Certificates, other federal tax consequences in respect of certificate premium, and the treatment of certificate premium for purposes of state and local taxes on, or based on, income.

RATINGS

Fitch Ratings, Inc. (“Fitch”) and S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) have assigned the 2019 Certificates ratings of “AA” and “AA-”, respectively. Such ratings reflect only the views of Fitch and S&P, and any desired explanation of the significance of these ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch at One State Street Plaza, New York, New York 10004 and S&P at 55 Water Street, 38th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings may subsequently be revised downward or withdrawn entirely by Fitch and S&P, respectively, if in their respective judgment, circumstances warrant. Any subsequent downward revision or

withdrawal of such ratings may have an adverse effect on the market price and marketability of the 2019 Certificates.

RELATIONSHIP AMONG PARTIES

Special Counsel has previously represented the Underwriter with respect to other financings and has acted or is acting as bond or special counsel with respect to other obligations underwritten by the Underwriter and may do so in the future. Counsel to the Underwriter has previously represented the County with respect to other financings of the County and has acted or is acting as bond, special counsel or underwriter's counsel with respect to other obligations underwritten by the Financial Advisor or the Underwriter and may do so in the future.

FINANCIAL ADVISOR

RBC Capital Markets, LLC is serving as Financial Advisor to the County in connection with the issuance of the 2019 Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the 2019 Certificates is contingent upon the issuance and delivery of the 2019 Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the 2019 Certificates to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2020 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices"). The Annual Reports and the Notices will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system as described in Appendix F - "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The specific nature of the information to be contained in the Annual Reports and the Notices is set forth in Appendix F - "FORM OF CONTINUING DISCLOSURE UNDERTAKING."

These covenants have been made in order to assist the Underwriter of the 2019 Certificates in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Pursuant to Arizona law, the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and mailing the Annual Reports and the Notices to the MSRB. A failure by the County to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2019 Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2019 Certificates and their market price.

UNDERWRITING

The 2019 Certificates will be purchased by the Underwriter at an aggregate purchase price of \$24,722,576.99, pursuant to a certificate purchase contract (the "Certificate Purchase Agreement") entered into by the County and the Underwriter. If the 2019 Certificates are sold to produce the yields shown on the inside front cover page, the Underwriter's compensation will be \$93,938.16. The Certificate Purchase Agreement will provide that the Underwriter will purchase all of the 2019 Certificates so offered if any are purchased. The Underwriter may offer and sell the 2019 Certificates to certain dealers (including dealers depositing 2019 Certificates into unit investment trusts) and others at yields lower than the public offering prices stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter.

Citigroup Global Markets Inc., the Underwriter of the 2019 Certificates, has entered into a retail distribution agreement with Fidelity Capital Markets, a Division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal

securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

FINANCIAL STATEMENTS

Included as Appendix C of this Official Statement are excerpts of the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The County has not requested or obtained the consent of the Office of the Arizona Auditor General to include such excerpts in the Official Statement and the Office of the Arizona Auditor General has performed no procedures subsequent to rendering its opinion on such Comprehensive Annual Financial Report.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement may be obtained from RBC Capital Markets, LLC, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016 or Pima County, Director of Finance and Risk Management, 130 West Congress, Tucson, Arizona 85701.

CONCLUDING STATEMENT

To the extent that any statement made in this Official Statement involves matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has been identified by source and has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing are to be construed as part of a contract with the Underwriter or subsequent owners of the 2019 Certificates.

The County has approved and authorized the distribution and use of this Official Statement.

By /s/ Richard Elías
Chairman, Board of Supervisors

By /s/ C.H. Huckelberry
County Administrator

**PIMA COUNTY, ARIZONA
General Economic and Demographic Information**

General Information

Pima County, Arizona (the “County”) is located in the southern portion of the State of Arizona (“Arizona” or the “State”), with a section of its southern boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,184 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State’s four original counties, the County is today the second most populous county in Arizona with an estimated 2018 population of 1,034,201. Approximately 52% of the County’s population resides in the City of Tucson, Arizona (“Tucson”), the County seat of government and southern Arizona’s largest city.

**TABLE 1
Population Statistics For Pima County,
the City of Tucson and the State of Arizona**

	<u>Pima County</u>	<u>City of Tucson</u>	<u>State of Arizona</u>
2018 Estimate (a)	1,034,201	543,505	7,076,199
2010 Census	980,263	520,116	6,392,017
2000 Census	843,746	486,699	5,130,632
1990 Census	666,880	405,390	3,665,228
1980 Census	531,443	330,537	2,716,546
1970 Census	351,667	262,933	1,775,399

(a) Population estimates as of July 1, 2018 (released December 2018) provided by the Office of Employment and Population Statistics, Arizona Department of Administration.

Source: Except as otherwise described, U.S. Census Bureau.

Organization

The County is governed by a five-member Board, each member of which is elected for a four-year term to represent one of the designated districts within the County. The chair is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints a County Administrator who is responsible for the general administration and overall operations of the various departments of the County.

Mr. Charles H. Huckelberry was appointed County Administrator in December 1993. From 1987 to 1993, Mr. Huckelberry served as an Assistant County Manager with responsibility for the administration of public works. He served as the Director of Pima County’s Department of Transportation and the Flood Control District from 1979 to 1987; as Deputy Director of the Wastewater Department from 1976 to 1979; and as the Wastewater Department’s Manager of Field Engineering from 1974 to 1976. He was self-employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from The University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Deputy County Administrator in April 2015. He was the Finance and Risk Management Director from 2005 through 2015 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County’s Department of Natural

Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments including the County Assessor, County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with the County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from The University of Arizona, and is licensed as an attorney in the State.

Ms. Michelle Campagne was appointed Finance and Risk Management Director in June 2018 after serving as Deputy Director for eight years and as the Financial Management & Audit Division Manager from November 2004. Ms. Campagne served as the Controller of Pima County's Kino Community Hospital, and for a short time as the Controller of the Regional Wastewater Reclamation Department, between 2000 and 2004. Prior to her work with the County, Ms. Campagne was an auditor with the Office of the Auditor General whose duties included auditing the County. Ms. Campagne has been a Certified Public Accountant since 1995 and holds a Bachelor of Science in Business Administration with a major in Accounting and Finance from the University of Arizona.

Transportation

Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is traversed by Interstates 10 and 19, as well as State Highways 77, 83, 85 and 86. Interstate 10 passes through Tucson and connects Tucson with the City of Phoenix, Arizona, to the north and Los Angeles, California, to the west and New Mexico and Texas to the east. Interstate 19 provides access to the City of Nogales, Arizona and Mexico to the south, while U.S. Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of the Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has an 11,000-ft. lighted, paved primary runway, a 9,100-ft. paved secondary runway and a 7,000-ft paved runway, all of which can accommodate all major types of carriers. The County is also served by Greyhound bus lines and Amtrak.

[Remainder of this page intentionally left blank.]

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Administration, Office of Employment and Population Statistics indicate that 384,600 persons were employed, on average (not including the agricultural industry), in the County in 2018. The following table presents the County's average annual total employment by industry for the periods indicated.

TABLE 2
Pima County
Average Annual Employment
Number of Persons Employed 2014-2018

Industry	2014	2015	2016	2017	2018
Goods Producing					
Mining and Construction	17,100	16,900	16,600	17,500	18,700
Manufacturing	22,500	22,600	23,300	24,200	25,100
Service Providing					
Trade, Transportation and Utilities	60,600	60,500	60,500	61,000	61,700
Information	4,400	4,500	5,100	5,300	5,400
Financial Activities	17,500	17,200	17,200	17,500	17,700
Professional and Business Services	50,000	50,500	51,000	51,600	53,000
Education and Health Services	61,500	62,700	64,700	65,200	66,900
Leisure and Hospitality	41,600	42,900	44,000	44,600	45,400
Other Services	13,500	14,600	13,000	13,000	13,000
Government					
Total Wage & Salary Employment	<u>365,700</u>	<u>368,600</u>	<u>371,800</u>	<u>377,100</u>	<u>384,600</u>

Source: U.S. Department of Labor, Bureau of Labor Statistics and Arizona Office of Economic Opportunity.

The average annual unemployment rate for the County in 2018 was 4.4%. The average annual unemployment rates for 2017 and 2016 were 4.2% and 4.9%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States for the periods indicated.

TABLE 3
Pima County
Comparative Employment Statistics (a)

Calendar Year	Pima County		Average Unemployment Rate		
	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2018	471,255	23,676	4.4%	5.1%	3.9%
2017	456,774	20,140	4.2%	4.9%	4.4%
2016	448,937	23,078	4.9%	5.2%	4.9%
2015	441,243	25,306	5.4%	5.9%	5.3%
2014	434,481	27,846	6.0%	6.7%	6.2%

(a) Data shown in table includes all employment, including agriculture, and is not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics and Arizona Department of Administration, Office of Employment and Population Statistics.

The following table indicates the major employers in southern Arizona, which includes the County.

TABLE 4
Southern Arizona
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
University of Arizona	Higher Education	12,531
Davis-Monthan Air Force Base	Military and Defense	11,769
Raytheon Missile Systems	Military and Defense	11,471
State of Arizona	Government	8,585
Tucson Unified School District	Education	6,879
Banner Healthcare -UMC	Health Care	6,476
Pima County	Government	5,921
Wal-Mart Stores Inc.	Retailers	4,341
City of Tucson	Government	4,093
Tucson Medical Center	Health Care	4,051

Source: *2018 Comprehensive Annual Financial Report*, Pima County For the Fiscal Year Ended June 30, 2018.

Mining

According to the Arizona Geological Survey, Arizona leads the nation in copper production, accounting for approximately 68% of the total U.S. mine production. However, the cyclical nature of this industry has caused consolidation of its resources to improve production. In the early 1980's, the Arizona copper industry's direct economic impact on the Arizona economy regularly exceeded \$1.0 billion, peaking in 1981 at approximately \$1.612 billion when the industry employed roughly 25,000 persons. Average employment in the mining industry within the County is approximately 1,600 in 2017 and 1,700 in 2018.

Manufacturing

The manufacturing sector in the County continues to be dominated by the high technology industries of aerospace and electronics. Major employers in the manufacturing sector in the County include: Raytheon Missile Systems, the largest manufacturing company and soon to be largest employer in the County is a major supplier of advanced munitions; civilian aviation products and services are provided by Bombardier, which has an aircraft finishing and maintenance facility in Tucson; Honeywell Aerospace which manufactures air data solutions, auxiliary power units, flight management systems and sensors; Paragon Space Development Corporation which manufactures a wide range of life support and thermal control systems that are utilized extensively in space exploration and hazardous industrial conditions; Vector Space which manufactures small, affordable rockets and virtual cube satellites for space exploration; World View which manufactures balloons and multi-use platforms for low cost, low impact, stratospheric exploration; CAID Industries which is a leading company in design and innovative manufacturing technology that fabricates very large scale products for mining, materials handling (pipes and barges), defense, astronomy, biotech and chemical/plastics clients around the world; Ventana Medical Systems which provides computerized medical laboratory equipment; IBM Corp. which manufactures and develops the software for "Cloud" storage hardware; and Texas Instruments which designs and produces electronic circuitry and data storage devices.

Average annual employment in the manufacturing sector within the County in 2018 was 25,100, representing 6.5% of the County’s total wage and salary employment base. The County’s proximity to Mexico makes twin plant “maquiladora” operations practical. Components are manufactured in Tucson and transported duty-free to Nogales, Sonora, Mexico, 65 miles south of Tucson, for assembly. These manufacturers contribute to the County’s economy in many ways, including the support of numerous suppliers and peripheral industries. The proximity of the Mexican border is more significant to manufacturing concerns given the existence of the U.S.-Mexico-Canada Agreement (“USMCA”) between Canada, the United States and Mexico. However, the uncertainty of the U.S. and Mexican economies, as well as any changes to USMCA, may negatively impact the employment of the previously described manufacturing concerns.

Service Providing

The average annual employment in the service-providing categories in 2018 was 263,100, representing 68.4% of the County’s total wage and salary employment base. It is anticipated that as the County continues to grow in population and economic activity, service-providing employment will continue to provide the primary source of jobs in the County. As detailed in TABLE 2, employment in the Education and Health Services and Trade, Transportation and Utilities industries have been the primary areas of employment in the service-providing industry.

Wholesale and Retail Trade

Wholesale and retail trade includes restaurants, hotels, taverns, service stations, automobile repair shops, shopping malls and wholesale dealers. The largest individual employers in the retail sector (companies with more than 1,000 employees) are Wal-Mart Stores, Fry’s Food Stores, Target Corp., Circle K Stores Inc., Walgreen Co., Bashas’ Inc. and Home Depot.

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within the County generally levy a 2% to 4% sales tax. The County Regional Transportation Authority levies a county-wide 0.5% sales tax.

The following table sets forth retail sales figures in the County for the periods indicated.

TABLE 5
Pima County Retail Sales (a)

<u>Year</u>	<u>Amount</u>	<u>% Change</u>
2018	\$9,313,421,511	5.54%
2017	8,824,508,568	3.50%
2016	8,525,846,754	1.33%
2015	8,413,970,122	6.96%
2014	7,866,774,190	3.40%

(a) Excludes food and gasoline sales.

Source: Arizona Department of Revenue.

Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC-insured institutions within the County for the past five fiscal years. As of June 30, 2018, there were 19 institutions with 161 offices in the County, with a deposit balance of approximately \$15.717 billion.

TABLE 6
Pima County
Bank Deposits
(\$000)

<u>June 30</u>	<u>Amount</u>
2018	\$15,716,917
2017	15,226,977
2016	14,654,142
2015	13,760,260
2014	13,002,311

Source: Federal Deposit Insurance Corporation.

Education

The University of Arizona (the “University”) provides approximately 12,531 jobs to the area and is an important link to the economic growth of the County. Its presence as a research university has assisted in attracting new business enterprises over the years. The academic organization of the University is comprised of twelve undergraduate colleges, four graduate and professional colleges and a number of interdisciplinary programs. Enrollment figures for the fall semester of 2018 were estimated at 45,217 undergraduate and graduate full-time students. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Pima County Community College offers two-year programs in vocational and technical education. Total student enrollment for Pima County Community College for 2017-18 was 41,987 students.

Source: The University of Arizona and Pima County Community College.

Tourism

Tourism is an important economic mainstay in the County and the Tucson area. The County’s climate, historical and cultural sites, location and proximity to vacation areas in California, Mexico, and other Southwest destinations attract vacationers, conventioners and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimated that 357 convention bookings creating 182,855 room nights in the Tucson area in fiscal year 2017-18, the most recent data available (representing convention sales and sporting events). In the Tucson area, the Bureau estimated that there were approximately 149 hotels and resorts with 15,677 rooms. Points of interest, recreational sites and sight-seeing attractions include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Pima Air and Space Museum, Titan Missile Museum, Saguaro National Park, Mission San Xavier del Bac, Mount Lemmon, Sabino Canyon, Biosphere 2, and numerous resorts and golf courses.

The figures in the following table include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies for 2014 through 2018, which is the most current data available as of the date of this Official Statement.

TABLE 7
Total Tourist Expenditures
(\$ in millions)

<u>Year</u>	<u>Pima County</u>	<u>State of Arizona</u>
2018	\$1,869	\$14,569
2017	1,768	13,584
2016	1,679	12,855
2015	1,647	12,303
2014	1,540	11,311

Source: Arizona Hospitality Research & Resources Center, The W.A. Franke College of Business, Northern Arizona University.

Government

Government employment plays an important role in the County with federal, State and local government employees averaging 77,700 in 2018, representing 20.2% of the County’s total wage and salary employment base. The State, Davis-Monthan Air Force Base and the City of Tucson are significant contributors to government employment in the County. (See “Southern Arizona - Major Employers” listed in TABLE 4.) Davis-Monthan Air Force Base is a major training ground for active duty members on the A-10 “Warthog” aircraft. The facility is also responsible for the education of tactical missile crews. There is an onsite storage facility located on Davis-Monthan Air Force Base for B-29 and C-47 aircraft with more than 4,400 aircraft and 13 aerospace vehicles from the Air Force, Navy-Marine Corps, Army, Coast Guard and several federal agencies, including NASA.

Agriculture

Agriculture plays a less significant role in the economy of the County as a whole, but a small portion of the County relies on agriculture as its leading economic source. Principal crops harvested are cotton, wheat and hay, as well as vegetables.

[Remainder of page intentionally left blank.]

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

**PIMA COUNTY, ARIZONA
Financial Information**

Introduction

The fiscal year for the County is from July 1 through June 30. The County’s budget process is an ongoing function. Each fiscal year’s process starts with the issuance in December of guidelines to all departments within which budgets must be developed. Department budget requests are submitted in February. A review process then takes place culminating with the County Administrator’s submission of a proposed budget to the Board in time for budget hearings in mid-June. State statutes require that a tentative budget be adopted by the Board no later than the third Monday in July. At the time the final budget is adopted, which can be no later than the first Monday in August of each year, the Board holds a public hearing and meeting to determine the tax levy needed to support the budget. Taxes are then assessed and levied no later than the third Monday in August.

Expenditure Limitation

Beginning in fiscal year 1981-82, the County became subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County’s annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitutional provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation.

The County’s expenditure limitation for the 2017-18 fiscal year was \$559,403,353. The County’s expenditures for the 2017-18 fiscal year did not exceed the limit. The County’s 2018-19 fiscal year expenditure limitation is \$576,640,443, and the County anticipates that its expenditures for such year will not exceed the limit.

PROPERTY TAX INFORMATION

Recent Constitutional and Statutory Changes Affecting Property Taxes

Beginning in fiscal year 2015-16 and for each fiscal year thereafter, a voter-approved constitutional amendment and related enabling legislation imposes additional limits on the growth in taxable value of most real property and improvements, including mobile homes, used for levying ad valorem property taxes, including both primary and secondary ad valorem taxes. Primary ad valorem taxes are levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and certain special taxing districts as described below. Secondary ad valorem taxes are levied for debt retirement, voter-approved budget overrides and the maintenance and operation of special service districts as described below.

Prior to fiscal year 2015-16, the value of real property and improvements, including mobile homes, used for levying primary ad valorem taxes was based on a limited property value described below (“Primary Property Tax Value”) and the value used for levying secondary ad valorem taxes (“Secondary Property Tax Value”) was based on full cash value (“Full Cash Value”) described below. The Primary Property Tax Value for property increased by the greater of either 10% of the prior year’s Primary Property Tax Value or 25% of the difference between the prior year’s Primary Property Tax Value and the current year’s Full Cash Value. There was no limit on the growth of Full Cash Value or Secondary Property Tax Value. See “Tax Procedure – Determination of Full Cash Value” herein. As more fully described below, property assessment ratios were then applied against these respective values, and property exempt from taxation was netted out of the valuation, to arrive at “Net Assessed Primary Value” and “Net Assessed Secondary Value”. The tax rate imposed for primary tax and secondary tax purposes was then applied against the respective Net Assessed Primary Value or Net Assessed Secondary Value to determine the respective primary and secondary tax levy amounts.

Beginning with fiscal year 2015-16 and thereafter, both primary ad valorem taxes and secondary ad valorem taxes are levied based upon a revised limited property value (the “Limited Property Value”), which (i) for locally assessed property (as described below) in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is equal to the lesser of (a) the Full Cash Value of the property or (b) an amount five percent greater than the Limited Property Value of such property determined for the prior year and (ii) for centrally valued property (as described below) is equal to the Full Cash Value. Property that is subject to an equalization order that the State Legislature exempts from the above property tax limitation is also valued at Full Cash Value. There is no limit on the growth of Full Cash Value of such exempted or centrally assessed property. The property tax assessment ratios are then applied against the Limited Property Value, and property exempt from taxation is netted out of the Limited Property Value, to arrive at “Net Assessed Limited Property Value.” The tax rates imposed for both primary tax and secondary tax purposes are then applied against the Net Assessed Limited Property Value to determine the respective primary and secondary tax levy amounts.

Because fiscal year 2015-16 was the first year for implementation of the constitutional amendment and use of Limited Property Values and Net Assessed Limited Property Values, there is currently limited comparative data for such property values from prior fiscal years to present in this Official Statement. Accordingly, information prior to fiscal year 2014-15 is presented using the then-applicable, but now replaced valuation rules, including Net Assessed Primary Values and Net Assessed Secondary Values.

Additional changes may be made to the manner in which properties are valued for tax purposes and taxes are levied. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

Ad Valorem Taxes

General

For tax purposes in Arizona, real property is either valued by the Assessor of the County or by the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Arizona Department of Revenue is referred to as “centrally valued” property and includes: (1) property used in the business of patented or unpatented producing mines, mills and smelters; (2) producing oil, gas and geothermal interests; (3) real property and improvements used for operation of telephone, telegraph, gas, water and electric utilities; (4) aircraft regularly scheduled and operated by an aircraft company; (5) standing timber; (6) pipelines; and (7) personal property, except mobile home.

Primary Taxes

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts, certain special taxing districts, and the State are primary taxes. These taxes are levied against the Net Assessed Limited Property Value of the taxing jurisdiction. The State does not currently levy ad valorem taxes but the State currently requires a county (including the County) to levy a “State equalization assistance property tax” to provide equalization assistance to school districts in such county which is used to offset the cost of State equalization to those school districts.

The amount of primary taxes levied by a county (including the County), city, town and community college district is constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit amount plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). Each taxing entity’s maximum allowable property tax levy limit amount was rebased to the amount of actual 2005 primary property taxes levied (plus amounts levied against property not subject to taxation in the prior year). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property.

Secondary Taxes

Taxes levied for debt retirement, voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts are secondary taxes. These taxes are levied against the Net Assessed Limited Property Value. There is no limitation on annual levies for voter-approved bond indebtedness and certain special district assessments are also unlimited. Debt service on general obligation bonds is payable solely from secondary property taxes.

Tax Procedures

Tax Year

The Arizona tax year is defined as the calendar year, although tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year, when payment of the second installment of property taxes for the prior tax year becomes delinquent.

Determination of Full Cash Value

The first step in the tax process is the determination of the Full Cash Value of each parcel of real property within the State. Full Cash Value is statutorily defined to mean “that value determined as prescribed by statute” or if no statutory method is prescribed it is “synonymous with market value.” “Market value” means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally includes the market approach, the cost approach and the income approach. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the county assessor’s valuations by providing evidence of a lower value, which may be based upon another valuation approach.

The Assessor of the County, upon meeting certain conditions, may value residential, agricultural and vacant land at the same Full Cash Value for up to three years. The Assessor of the County currently values existing properties on a two-year cycle.

Arizona law provides for a property valuation “freeze” on Full Cash Value for certain residential property owners 65 years of age and older. Owners of residential property may obtain such freeze against valuation increases (the “Property Valuation Protection Option”) if the owners’ total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the “Social Security Income Benefit Rate.” The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its then-current Full Cash Value. Any freeze on increases in Full Cash Value will translate to the assessed value of the affected property as hereinafter described.

Following the determination of the Full Cash Value, the Assessor of the County then determines the Limited Property Value by applying any applicable property growth limitations as described under “Recent Constitutional and Statutory Changes Affecting Property Taxes” above.

Assessment Ratios

All property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) that is multiplied by the applicable Limited Property Value to obtain the assessed valuation. The appropriate property classification ratio is applied to the Limited Property Value of each property parcel according to its classification to determine the assessed valuation for such parcel. The current assessment ratios for each class of property are set forth in the following table.

**Property Tax Assessment Ratios
Tax Years 2014 through 2019**

Property Classification (a)	2014	2015	2016	2017	2018	2019
Mining, Utility, Commercial and Industrial (b)	19.0%	18.5%	18.0%	18.0%	18.0%	18.0%
Agriculture and Vacant Land (b)	16.0	16.0	15.0	15.0	15.0	15.0
Owner Occupied Residential	10.0	10.0	10.0	10.0	10.0	10.0
Lease or Rented Residential	10.0	10.0	10.0	10.0	10.0	10.0
Railroad, Private Car Company and Airline Flight Property (c)	16.0	15.0	14.0	15.0	15.0	15.0

- (a) Additional classes of property exist, but seldom amount to a significant portion of a taxing jurisdiction’s total valuation.
- (b) For tax year 2019, Full Cash Values, up to an amount established by law for each tax year, on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the Full Cash Value in excess of that amount will be assessed at the applicable rate.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total Limited Property Value of all mining, utility, commercial, industrial, and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total Full Cash Value of such properties.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue

On or before the third Monday in August of each year, the Board of Supervisors of the County prepares the tax roll that sets forth the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer. With the various budgetary procedures having been completed by the governmental entities, the appropriate primary and secondary tax rate for each jurisdiction is then applied to the Net Assessed Limited Property Value of each parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the fiscal year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

The State Legislature, from time to time, may change the manner in which taxes are levied, including changing the assessment ratios and property classifications. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

Delinquent Tax Procedures

The property taxes due the County are billed, along with State, County, and other taxes, in September of each year and are payable in two installments on the subsequent October 1 and March 1. The delinquent tax dates are November 1 and May 1 and delinquent taxes are subject to a penalty of 16% per annum unless the full year’s taxes are paid by December 31. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year’s tax bill by December 31.) At the close of the tax collection period, the Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer's deed to the certificate holder as prescribed by law.

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are over secured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a bankrupt taxpayer within the County. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial condition of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. Neither the County nor the Underwriter have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the Treasurer is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the County's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

Property Valuations

The following tables list the property valuations for the County for fiscal year 2018-19. As used herein, "Estimated Net Full Cash Value" is the Full Cash Value net of the estimated Full Cash Value of property exempt from taxation. For more information on constitutional and statutory changes in the taxable values of property beginning in fiscal year 2018-19 and thereafter, see "Recent Constitutional and Statutory Changes Affecting Property Taxes" above.

Property Valuations for Fiscal Year 2018-19

Estimated Net Full Cash Value (a)	\$78,338,559,102
Net Assessed Limited Property Value	\$8,333,892,906

(a) Actual full cash value net of estimated value of property exempt from taxation.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association; *Abstract of the Assessment Roll*, Arizona Department of Revenue.

Net Assessed Valuation Comparisons and Trends

The tables shown below indicate (a) for fiscal years 2015-16 through 2018-19, the Net Assessed Limited Property Value for the City of Tucson (the “City”), the County and the State of Arizona, utilizing new constitutional and statutory property valuation requirements, and (b) for fiscal years 2013-14 through 2014-15, changes in the then-applicable, but now-replaced Net Assessed Secondary Values of the City, the County and the State of Arizona.

**Fiscal Years 2015-16 through 2018-19
Net Assessed Limited Property Values**

<u>Fiscal Year</u>	<u>City of Tucson</u>	<u>Percent Increase/ (Decrease)</u>	<u>Pima County</u>	<u>Percent Increase/ (Decrease)</u>	<u>State of Arizona</u>	<u>Percent Increase/ (Decrease)</u>
2018-19	\$3,414,161,333	2.65%	\$8,333,892,906	3.21%	\$62,328,439,592	4.92%
2017-18	3,326,014,485	4.41%	8,074,957,717	3.30%	59,406,279,473	4.98%
2016-17	3,185,432,195	1.98%	7,816,699,760	2.58%	56,589,592,481	3.19%
2015-16(a)	3,123,670,375	(0.26%)	7,620,360,873	0.53%	54,838,548,829	(0.93%)

(a) Percent increase/(decrease) shown for fiscal year 2015-16 reflects the change from fiscal year 2014-15 Net Assessed Secondary Values.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

**Fiscal Years 2013-14 through 2014-15
Changes in Net Assessed Secondary Values**

<u>Fiscal Year</u>	<u>City of Tucson</u>	<u>Percent Change</u>	<u>Pima County</u>	<u>Percent Change</u>	<u>State of Arizona</u>	<u>Percent Change</u>
2014-15	\$3,131,952,246	(0.61%)	\$7,579,898,868	(0.57%)	\$55,352,051,074	5.24%
2013-14	3,151,042,287	(6.70%)	7,623,691,280	(6.70%)	52,594,377,492	(6.54%)

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

County Net Assessed Valuation and Estimated Net Full Cash Value Comparison

The following tables indicate (a) for fiscal years 2015-16 through 2018-19, the ratio between Net Assessed Limited Property Value and estimated Net Full Cash Value for the County, utilizing new constitutional and statutory property valuation requirements, and (b) for fiscal years 2013-14 through 2014-15, the ratio between Net Assessed Secondary Values and estimated Net Full Cash Values for the County, using the then-applicable but now-replaced Net Assessed Secondary Values of the County. As used herein, “Estimated Net Full Cash Value” is the Full Cash Value net of the estimated Full Cash Value of property exempt from taxation.

**Fiscal Years 2015-16 through 2018-19
Ratio Between Net Assessed Limited Property Value and Estimated Net Full Cash Value**

<u>Fiscal Year</u>	<u>Net Assessed Limited Property Value</u>	<u>Estimated Net Full Cash Value (a)</u>	<u>Percent of Net Assessed Limited Property Value to Estimated Net Full Cash Value</u>
2018-19	\$8,333,892,906	\$78,338,559,102	10.64%
2017-18	8,074,957,717	73,567,864,241	10.98%
2016-17	7,816,699,760	71,496,784,504	10.93%
2015-16	7,620,360,873	67,373,304,653	11.31%

(a) Actual full cash value net of estimated value of property exempt from taxation.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association; *Abstract of the Assessment Roll*, Arizona Department of Revenue.

**Fiscal Years 2013-14 through 2014-15
Ratio Between Net Assessed Secondary Values and
Estimated Net Full Cash Values**

<u>Fiscal Year</u>	<u>Net Secondary Assessed Value</u>	<u>Estimated Net Full Cash Value (a)</u>	<u>Percent of Net Assessed Secondary Value to Estimated Net Full Cash Value</u>
2014-15	\$7,579,898,868	\$63,492,262,442	11.94%
2013-14	7,623,691,280	63,198,953,329	12.06%

(a) Actual full cash value net of estimated value of property exempt from taxation.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association; *Abstract of the Assessment Roll*, Arizona Department of Revenue.

Net Assessed Property Values of Major Taxpayers

The table shown indicates the major property taxpayers located within the County, an estimate of their 2018-19 Net Assessed Limited Property Value, utilizing new constitutional and statutory property valuation requirements, and their relative proportion of the total Net Assessed Limited Property Value for the County.

**Fiscal Year 2018-19
Major Taxpayers**

<u>Taxpayer (a)</u>	<u>Use of Property</u>	<u>2018-19 Net Assessed Limited Property Values</u>	<u>As % of County's Net Assessed Limited Property Values</u>
Unisource Energy Corporation	Utility	\$217,567,270	2.61%
Southwest Gas Corporation	Utility	92,374,580	1.11
Phelps Dodge Sierrita Inc / Sierrita Mine	Mining	71,721,583	0.86
Asarco LLC / Mission Mine	Mining	36,334,794	0.44
Centurylink Communications LLC / Qwest	Telecommunications	35,335,437	0.42
Northwest / Oro Valley Hospital LLC	Healthcare	33,046,586	0.40
Sierrita Gas Pipeline LLC	Utility	28,750,653	0.34
Smsj Tucson Holdings LLC	Healthcare	25,005,191	0.30
DND Neffson Co	Shopping Mall	23,149,725	0.28
Wal-Mart Stores Inc	Retail	23,020,291	0.28
		<u>\$586,306,110</u>	<u>7.04%</u>

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR data base at <http://www.sec.gov>. No representative of the County, Special Counsel, the Financial Advisor, the Underwriter or Underwriter's Counsel has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.

Source: Pima County Assessor.

Record of Real and Secured Property Taxes Levied and Collected

Property taxes are levied and collected on property within the County and certified by the Treasurer of the County. The following table sets forth the tax collection record of the County for the current fiscal year and past five fiscal years.

Fiscal Year	Real and Secured Personal Property Tax Levy (a)	Fiscal Year Collections (b)		Total Collections (c)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2018-19	\$383,919,840	(d)	(d)	\$214,120,789	55.77%
2017-18	382,610,679	\$373,936,069	97.73%	379,437,172	99.17%
2016-17	378,248,910	369,473,180	97.68%	377,118,479	99.70%
2015-16	374,101,317	361,343,121	96.59%	373,095,676	99.73%
2014-15	359,297,850	347,288,004	96.66%	358,213,809	99.70%
2013-14	323,026,354	311,703,395	96.49%	321,735,555	99.60%

- (a) Reflects the Primary Tax Levy and the Secondary Debt Service Levy.
- (b) Reflects collections made through June 30th, the end of the fiscal year, on such year’s levy. Property taxes are payable in two installments. The first installment is due on October 1 and becomes delinquent on November 1, but is waived if the full tax year’s taxes are paid in full by December 31. The second installment is due on March 1 and becomes delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.
- (c) Reflects collections made through January 31, 2019 against the current and prior levies.
- (d) In the process of collection.

Source: Pima County Treasurer.

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the County. As such, the rates are the sum of the primary tax rate and the secondary tax rate, which are levied against the Net Assessed Limited Property Value within the County, the County Library District, the County Fire District Assistance Tax and the County Flood Control District (except in the case of the Flood Control District, which excludes the value of personal property).

Fiscal Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2018-19	\$4.0696	\$1.5829	\$5.6525
2017-18	4.4596	1.5647	6.0243
2016-17	4.2896	1.5956	5.8852
2015-16	4.3877	1.5755	5.9632
2014-15	4.2779	1.4860	5.7639
2013-14	3.6665	1.4644	5.1309

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Foundation.

Debt Limitation

Pursuant to the Arizona Constitution and Arizona statutes, outstanding general obligation debt for county purposes may not exceed 15% of a county’s Net Assessed Full Cash Value. “Net Assessed Full Cash Value” as set forth in Arizona law is the County’s Full Cash Value after the application of property assessment ratios and net of property exempt from taxation. See “PROPERTY TAX INFORMATION – Ad Valorem Taxes – Tax Procedures” in this Appendix B. The following indicates the County's current bonding capacity.

Net Assessed Full Cash Value (FY 2018-19)	\$9,030,168,554
15% Constitutional Limitation	1,354,525,283
Net Direct General Obligation Bonds Outstanding	275,990,000
Unused 15% Limitation	<u><u>\$1,078,535,283</u></u>

General Obligation Bonded Debt Outstanding

The following chart lists the outstanding general obligation bonded debt of the County.

Date of Issue	Original Amount	Original Purpose	Original Maturity Dates	Remaining Balance Outstanding
02-15-08	\$100,000,000	Various Improvements	7-1-08/22	\$7,500,000
04-22-09	75,000,000	Various Improvements	7-1-09/23	6,000,000
12-02-09	113,535,000	Various Improvements and Refunding	7-1-10/24	19,195,000
05-25-11	75,000,000	Various Improvements	7-1-12/26	14,360,000
06-13-12	76,225,000	Various Improvements and Refunding	7-1-13/27	32,880,000
06-05-13	88,575,000	Various Improvements and Refunding	7-1-14/28	45,575,000
01-30-14	10,000,000	Various Improvements	7-1-15/28	7,390,000
04-14-15	15,000,000	Various Improvements	7-1-15/29	9,690,000
07-06-16	122,070,000	Refunding	7-1-18/26	114,005,000
02-01-17	25,680,000	Various Improvements	7-1-17/21	19,395,000
Total General Obligation Bonded Debt Outstanding				<u><u>\$275,990,000</u></u>

[Remainder of page intentionally left blank.]

Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

The following chart indicates the general obligation debt service requirements of the County.

Fiscal Year June 30	General Obligation Bonded Debt Outstanding		Total Debt Service Requirement
	Principal	Interest	
2019	\$48,655,000	\$9,470,672	\$58,125,672
2020	52,425,000	8,092,617	60,517,617
2021	40,945,000	6,646,987	47,591,987
2022	40,350,000	5,173,294	45,523,294
2023	28,810,000	3,561,281	32,371,281
2024	20,215,000	2,448,181	22,663,181
2025	13,630,000	1,692,981	15,322,981
2026	14,160,000	1,164,281	15,324,281
2027	9,910,000	609,419	10,519,419
2028	5,905,000	255,569	6,160,569
2029	985,000	29,550	1,014,550

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the Treasurer of the County and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, Net Assessed Limited Property Value and combined tax rate per \$100 of Net Assessed Limited Property Value follows. Outstanding bonded debt is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. The applicable percentage of each municipality's Net Assessed Limited Property Value which lies within the County's boundaries (see the "Approximate Percent" column below) was derived from information obtained from the Treasurer of the County.

Direct and Overlapping Jurisdiction	2018-19 Net Assessed Limited Property Value	General Obligation Bonded Debt Outstanding (a)(f)(g)	Portion Applicable to the County		2018-19 Combined Tax Rate Per \$100 Net Assessed Limited Property Value(e)
			Approx. Percent	Net Debt Amount	
State of Arizona	\$62,328,439,592	None	100%	None	\$0.0000
Pima County	8,333,892,906	\$275,990,000	100%	\$275,990,000	6.8260 (b)
Pima County Flood Control District (c)	7,576,148,151	None	100%	None	0.3335
Pima County Community College District	8,333,892,906	None	100%	None	1.3983
Joint Technical Education District	8,193,060,106	None	100%	None	0.0500
Avra Valley Fire District	30,119,589	2,585,000	100%	2,585,000	4.1000
Northwest Fire District	1,136,805,280	32,810,000	100%	32,810,000	3.0501
Rincon Valley Fire District	118,646,980	3,410,000	100%	3,410,000	3.2719
Three Points Fire District	38,177,680	745,000	100%	745,000	4.7500
Gladden Farms Community Facilities District	22,384,644	7,540,000	100%	7,540,000	2.4400
Quail Creek Community Facilities District	18,097,544	9,425,000	100%	9,425,000	3.3000
Elementary School Districts	406,427,001	13,860,000	100%	13,860,000	3.0290 (d)
Unified School Districts	7,908,901,610	604,405,000	100%	604,405,000	6.2456 (d)
Cities and Towns	4,850,562,476	174,640,000	100%	174,640,000	1.0442 (d)
Total				\$1,125,410,000	

<u>Jurisdiction</u>	<u>2018-19 Net Assessed Limited Property Value</u>	<u>General Obligation Bonded Debt Outstanding (a)(f)(g)</u>	<u>2018-19 Combined Tax Rate Per \$100 Net Assessed Limited Property Value (e)</u>
State of Arizona	\$62,328,439,592	None	\$0.0000
Pima County	8,333,892,906	\$275,990,000	6.8260 (b)
Pima County Flood Control District (c)	7,576,148,151	None	0.3335
Pima County Community College District	8,333,892,906	None	1.3983
Joint Technical Education District	8,193,060,106	None	0.0500
Avra Valley Fire District	30,119,589	2,585,000	4.1000
Northwest Fire District	1,136,805,280	32,810,000	3.0501
Rincon Valley Fire District	118,646,980	3,410,000	3.2719
Three Points Fire District	38,177,680	745,000	4.7500
Gladden Farms Community Facilities District	22,384,644	7,540,000	2.4400
Quail Creek Community Facilities District	18,097,544	9,425,000	3.3000
Elementary School Districts:			
San Fernando ESD #35	10,724,672	None	4.3145
Empire ESD #37	6,861,817	None	6.4884
Continental ESD #39	342,028,832	13,860,000	2.5037
Redington ESD #44	1,397,663	None	8.6853
Altar Valley ESD #51	45,414,017	None	5.9852
Unified School Districts:			
Tucson USD #1	3,304,883,937	134,135,000	6.5554
Marana USD #6	837,559,768	136,240,000	6.0840
Flowing Wells USD #8	196,945,255	26,380,000	6.8860
Amphitheater USD #10	1,530,659,161	79,855,000	5.4919
Sunnyside USD #12	426,219,566	67,640,000	5.6636
Tanque Verde USD #13	190,910,119	9,910,000	5.4150
Ajo USD #15	18,119,943	None	4.5585
Catalina Foothills USD #16	613,623,642	37,595,000	5.4212
Vail USD #20	492,662,891	61,605,000	7.1643
Sahuarita USD #30	295,178,623	51,045,000	8.4240
Indian Oasis Baboquivari USD #40	2,138,705	None	0.0000
Cities and Towns:			
City of Tucson	3,414,161,333	174,640,000	1.4819
City of South Tucson	22,169,911	None	0.2512
Town of Marana	535,042,025	None	0.0000
Town of Oro Valley	645,311,769	None	0.0000
Town of Sahuarita	233,877,438	None	0.0000

- (a) Includes general obligation bonds outstanding. Does not include outstanding principal amount of various cities and towns improvement districts' bonded debt and outstanding principal amount of various County improvement districts' bonded debt, as the indebtedness of these districts is presently being paid from special assessments levied against property owners residing within the various improvement districts. Also does not include various fire districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be

set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% is interest bearing and the remaining 27% is non-interest bearing. These percentages are fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona's Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per \$100 of Net Assessed Limited Property Value, of which fourteen cents is being currently levied. (See Sections 48-3715 and 48-3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

- (b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the State equalization tax rate of \$0.4741, the \$0.5153 tax rate of the Free Library District, the \$0.1400 tax rate of the CAP and the \$0.0441 tax rate of the Fire District Assistance Tax.
- (c) The boundaries of the Pima County Flood Control District are coterminous with those of the County; however, the Flood Control District only levies taxes on real property.
- (d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of Net Assessed Limited Property Value.
- (e) The combined tax rate includes the tax rate for debt service and for all other purposes such as maintenance and operation and capital outlay.
- (f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County.

<u>Jurisdiction</u>	<u>Authorized But Unissued General Obligation Bonds</u>
Pima County	\$1,000
Marana Unified School District No. 6	20,000,000
Flowing Wells Unified School Dist. No. 8	9,990,000
Amphitheater Unified School District No. 10	43,500,000
Catalina Foothills Unified School District No. 16	4,800,000
Vail Unified School District No. 20	61,300,000
Avra Valley Fire District	1,200,000
Northwest Fire District	9,500,000
Rincon Valley Fire District	10,285,000
Gladden Farms Community Facilities District	59,170,000
Quail Creek Community Facilities District	17,340,000

- (g) Additional general obligation bonds may be authorized by these and other jurisdictions within the County at future elections.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The County’s direct and overlapping general obligation bonded debt as described in the above table is shown below on a per capita basis and as a percent of the County’s Net Assessed Limited Property Value and estimated Net Full Cash Value. As used herein, “Estimated Net Full Cash Value” is the Full Cash Value net of the estimated Full Cash Value of property exempt from taxation.

	Per Capita Net Debt (Pop. @ 1,034,201) (a)	As Percent of County's 2018-19	
		Net Assessed Limited Property Value (\$8,333,892,906)	Estimated Net Full Cash Value (\$78,338,559,102)
Net Direct General Obligation Bonded Debt (\$275,990,000)	\$266.86	3.31%	0.35%
Net Direct and Overlapping General Obligation Bonded Debt (\$1,125,410,000)	\$1,088.19	13.50%	1.44%

(a) Population estimates as of July 1, 2018 (released December 2018) provided by the Office of Employment and Population Statistics, Arizona Department of Administration.

Street and Highway Revenue Bonded Debt Outstanding (a)

The following table indicates the outstanding street and highway bonds of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
02-15-08	\$25,000,000	Street & Highway Improvements	7-1-09/22	\$ 2,600,000
12-02-09	23,420,000	Street & Highway Improvements/Refunding	7-1-13/24	5,055,000
05-30-12	32,945,000	Street & Highway Improvements/Refunding	7-1-13/27	12,275,000
01-30-14	24,805,000	Street & Highway Improvements/Refunding	7-1-15/28	12,500,000
04-16-15	13,685,000	Refunding	7-1-16/20	10,250,000
07-06-16	28,315,000	Refunding	7-1-18/24	26,650,000
04-12-18	11,000,000	Street & Highway Improvements	7-1-19/33	11,000,000
Total Street and Highway Revenue Bonds Outstanding				<u>\$80,330,000</u>

(a) Does not include \$25,000,000 street and highway revenue bonds the County plans to issue in April 2019 pursuant to a separate official statement.

Sewer Revenue Debt Outstanding (a)

The following table lists the outstanding sewer revenue bonds, loans and obligations of the County that have a lien on the revenues of the County’s wastewater system.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Balance Outstanding
10-09-09	\$ 10,002,383	Sewer Improvements (b)	7-1-10/24	\$ 3,554,892
06-17-10	165,000,000	Sewer Improvements	7-1-14/25	34,830,000
12-13-11	189,160,000	Sewer Improvements	7-1-12/26	48,920,000
12-06-12	128,795,000	Sewer Improvements	7-1-13/27	88,550,000
02-12-14	48,500,000	Sewer Improvements	7-1-15/28	37,740,000
07-07-16	211,595,000	Refunding	7-1-18/26	209,500,000
02-09-17	45,000,000	Sewer Improvements	7-1-18/31	42,325,000
04-12-18	38,205,000	Sewer Improvements	7-1-26/33	38,205,000
Total Sewer Revenue Bonds, Loans and Obligations Outstanding				<u>\$503,624,892</u>

- (a) Does not include \$21,245,000 of sewer revenue obligations the County plans to issue in April 2019 pursuant to a separate official statement.
- (b) Represents funds borrowed under a Loan Agreement with the Water Infrastructure Finance Authority of Arizona.

Lease, Lease-Purchase and Purchase Agreements

The County has one lease purchase agreement and one installment note payable outstanding. The County department benefited by the agreements and the scheduled payments on the agreements over the past five fiscal years appears below.

County Department	(In Thousands)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Clerk of Superior Court	\$63	\$84	\$96	\$73	\$51
Environmental Quality	298	-	-	-	-
Sheriff	160	160	160	160	-
County Administration	-	-	3,625	7,217	1,628
Fiscal Year Total	<u>\$521</u>	<u>\$244</u>	<u>\$3,881</u>	<u>\$7,450</u>	<u>\$1,679</u>

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following table indicates the outstanding certificates of participation of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Balance Outstanding
02-04-10	\$20,000,000	New Money	06-1-11/19	\$ 2,625,000
05-22-13	80,175,000	New Money	12-1-13/22	10,460,000
02-12-14	52,160,000	New Money	12-1-15/28	39,355,000
04-14-16	43,935,000	New Money & Refunding	12-1-16/30	21,605,000
04-19-18	62,660,000	New Money	12-1-18/20	24,965,000
Total Certificates of Participation Outstanding				\$ 99,010,000
Plus: The 2019 Certificates Offered Herein				20,940,000
Total Certificates of Participation to be Outstanding				\$119,950,000

Retirement and Other Postemployment Benefit Plans

The County does not own or administer retirement plans but contributes to six separate State owned and managed defined benefit pension and other postemployment benefit plans for all full-time employees and elected officials. Please refer to “Note 10 – Pensions and Other Postemployment Benefits” of Appendix C hereto for a more detailed description of these plans and the County contributions to the various State plans.

New Reporting Requirements. In June 2015, the Government Accounting Standards Board issued GASB Statement 75, effective for the County’s fiscal year ended June 30, 2018. This statement revises existing standards for measuring and reporting a liability for postemployment benefits other than pensions provided to County employees. The statement requires recognition of a liability, which is measured as the total OPEB liability less the amount of the OPEB plan’s fiduciary net position. The total OPEB liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the OPEB plan’s fiscal year end.

For fiscal year 2018, the County is reporting a net pension and OPEB liability of \$826.0 million, which includes \$76.9 million of net deferred outflows, \$106.9 million of incremental pension and OPEB expense, and a \$44.9 million reduction in unrestricted net position.

The Arizona State Retirement System (ASRS), Public Safety Personnel Retirement System (PSPRS) – Pima County Sheriffs, Corrections Officer Retirement Plan (CORP), CORP - Administrative Office of the Courts (CORP AOC), and the Elected Officials Retirement Plan (EORP) are described below. The PSPRS – Pima County Attorney Investigators pension plan and all OPEB plans are not described below due to their relative insignificance to the County’s financial statements. The County does not provide any other postemployment benefits outside of these State administered plans.

1. The ASRS plan, a cost-sharing, multiple employer defined benefit plan, has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: <https://www.azasrs.gov/content/annual-reports>.

For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members’ annual covered payroll. The County’s employer contributions to ASRS for the year ended June 30, 2018, were \$25.6 million, which was equal to the required contribution for such year, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$30.5 million. The contributions by County employees to ASRS are collectively equal to the contributions made by the County.

Enacted State legislation made changes to how the ASRS operates, effective July 1, 2011, which includes requiring employers to pay an alternative contribution rate for retired employees of ASRS that return to work, changing

the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a Defined Contribution and Retirement Study Committee (as defined in the legislation) that will review the feasibility and cost of changing the current defined benefit plan of ASRS to a defined contribution plan.

For the fiscal year ending June 30, 2019, the employee contribution rate increased to 11.64 percent and the County's contribution rate increased to 11.18 percent.

2. The PSPRS plan, an agent multiple-employer defined benefit plan that covers public safety personnel who are regularly assigned to hazardous duties, for which the Arizona State Legislature establishes and may amend active plan members' contribution rate, has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active PSPRS members were required by statute to contribute 11.65 percent for retirement of the active members' annual covered payroll. The County was required to contribute at the actuarially determined rate of 63.07 percent, with the aggregate of the employee and County amounts resulting in the actuarially required amount. As allowed by statute, the County also contributed 3.65 percent of the members' required contribution, with the members' net contribution as a result falling to 8.00 percent. The County's employer contributions to PSPRS for the year ended June 30, 2018, were \$18.8 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$19.1 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 11.65 percent, and the County's contribution rate increased to 63.12 percent.

3. The CORP plan, an agent multiple-employer defined benefit plan that covers certain County employees whose primary duties require direct inmate contact, for which the Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates, has reported increases in its unfunded liabilities. The most recent annual reports for the CORP may be accessed at: <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active CORP members were required by statute to contribute 8.41 percent of the member's annual covered payroll, and the County was required to contribute at the actuarially determined rate of 24.86 percent, the aggregate of which is the actuarially required amount. The County's employer contributions to CORP for the year ended June 30, 2018, were \$5.1 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$7.1 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 8.41 percent, and the County's contribution rate increased to 32.09 percent.

4. The CORP AOC plan, an agent multiple-employer defined benefit plan that covers County probation officers, for which the Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates, has reported increases in its unfunded liabilities. The most recent annual reports for the CORP may be accessed at: <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active CORP AOC members were required by statute to contribute 8.41 percent of the member's annual covered payroll, and the County was required to contribute at the actuarially determined rate of 22.51 percent, the aggregate of which is the actuarially required amount. The County's employer contributions to CORP AOC for the year ended June 30, 2018, were \$3.0 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$5.4 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 8.41 percent, and the County's contribution rate increased to 32.43 percent.

5. The EORP plan, a cost-sharing multiple-employer defined benefit plan that covers County elected officials and judges, was closed to new members on January 1, 2014, but has reported increases in its unfunded liabilities. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required

supplementary information for the EORP plans. The most recent annual reports for the EORP may be accessed at: <http://www.psprs.com/investments--financials/annual-reports>.

For the fiscal year ended June 30, 2018, active EORP members were required by statute to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll, the aggregate of which is the actuarially required amount. The County's employer contributions to EORP for the year ended June 30, 2018, were \$1.5 million, and the budgeted contribution for the fiscal year ending June 30, 2019, is \$1.5 million.

Due to the delay in the release of the final audited Elected Officials Retirement Plan (EORP) report, the immateriality of the amounts to the government-wide statements, related footnote disclosures, and related required supplementary information (RSI) schedules, and as the pension related amounts are estimates, the County used amounts from the unaudited EORP actuarial report within its June 30, 2018 financial statements. This resulted in an understatement of pension expense, deferred outflows of resources related to pensions, and net pension liability of \$7.5 million, \$0.9 million, and \$8.7 million, respectively, and an overstatement of deferred inflows of resources related to pensions of \$0.3 million.

For the fiscal year ending June 30, 2019, the employee contribution rate remained the same at 7 or 13 percent, and the County's contribution rate increased to 61.50 percent.

The effect of the increase in the unfunded liabilities for the six state plans is expected to result in increased contributions by the County and its employees, however the specific increases for the County's and its employees' future annual contributions cannot be determined at this time.

[Remainder of this page intentionally left blank.]

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF ALL
GOVERNMENTAL FUND TYPES (a)
(In \$000)

	Actual				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues by Source:					
Property Taxes	\$385,829	\$431,371	\$450,054	\$460,312	\$481,222
Licenses and Permits	8,275	8,456	8,824	9,305	9,906
Intergovernmental	292,082	296,628	314,918	308,555	302,668
Charges for Services	57,826	60,222	62,258	66,852	63,917
Fines and Forfeits	8,652	9,509	8,420	8,110	7,526
Interest Income	1,737	1,155	1,812	2,257	4,022
Miscellaneous	17,464	15,680	16,835	17,908	19,941
Total Revenues	<u>771,865</u>	<u>823,021</u>	<u>863,121</u>	<u>873,299</u>	<u>889,202</u>
Expenditures by Fund:					
General	469,984	497,425	488,730	505,024	501,674
Special Revenues	135,746	197,172	208,676	208,522	210,513
Debt Service	140,623	108,992	109,768	119,425	116,867
Capital Projects	195,400	100,788	70,473	73,922	78,370
Total Expenditures	<u>941,753</u>	<u>904,377</u>	<u>877,647</u>	<u>906,893</u>	<u>907,424</u>
Excess of Revenues Over (Under) Expenditures	(169,888)	(81,356)	(14,526)	(33,594)	(18,222)
Other Financing Sources (Uses):					
Proceeds from Capital Lease Agreements	-	-	149	-	-
Premium on Bonds	9,488	5,949	2,552	17,661	2,621
Proceeds of Long-Term Debt	78,160	72,025	34,295	25,680	73,660
Proceeds from Refunding Debt	8,805	13,685	9,640	150,385	-
Payment to Escrow Agent	(10,131)	(15,250)	(11,010)	(166,816)	-
Operating Transfers In (Out)	(27,457)	(27,247)	(18,507)	22,404	27,286
Capital Lease/Installment Note	239	11,500	-	1,700	-
Sale of General Fixed Assets	360	119	89	246	566
Total Other Financing Sources (Uses)	<u>59,464</u>	<u>60,781</u>	<u>17,208</u>	<u>51,260</u>	<u>104,133</u>
Net Change in Fund Balance	(110,424)	(20,575)	2,682	17,666	85,911
Beginning Fund Balance, as restated	382,556	271,883	251,373	253,933	271,595
Changes in Reserve for Inventory	(228)	50	(110)	-	-
Changes in Reserve for Prepaids	-	15	(12)	(4)	-
Ending Fund Balance	<u>\$271,904</u>	<u>\$251,373</u>	<u>\$253,933</u>	<u>\$271,595</u>	<u>\$357,506</u>

Source: Pima County Finance and Risk Management Department.

(a) This table has not been subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
STATEMENT OF FUND BALANCES - ALL GOVERNMENTAL
FUND TYPES (a)
(In \$000)

	Actual				
	2013-14	2014-15	2015-16	2016-17	2017-18
General					
Nonspendable	\$5,278	\$4,053	\$2,931	\$4,318	\$4,566
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	181	194	201	80	101
Unassigned	42,731	47,878	77,550	97,638	108,825
	48,190	52,125	80,682	102,036	113,492
Special Revenue					
Nonspendable	1,894	2,515	2,323	2,496	2,676
Restricted	60,984	53,155	57,141	62,263	90,924
Committed	6,308	6,320	6,962	2,821	1,972
Assigned	4,204	3,769	3,289	9,421	4,747
Unassigned	(6,536)	(4,770)	(9,097)	(7,006)	(7,690)
	66,854	60,989	60,618	69,995	92,629
Debt Service					
Assigned	7,848	8,424	6,656	3,127	5,004
	7,848	8,424	6,656	3,127	5,004
Capital Projects					
Nonspendable	-	-	-	-	-
Restricted	145,256	126,827	104,274	96,228	136,889
Committed	3,836	3,065	1,508	-	-
Assigned	-	-	195	209	9,492
Unassigned	(80)	(57)	-	-	-
	149,012	129,835	105,977	96,437	146,381
Total Fund Balance	\$271,904	\$251,373	\$253,933	\$271,595	\$357,506

Source: Pima County Finance and Risk Management Department.

(a) This table has not been subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN GENERAL FUND BALANCE (a)
(In \$000)

	Actual				
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues by Source:					
Property Taxes	\$280,965	\$324,840	\$336,904	\$341,668	\$342,036
Licenses and Permits	2,928	2,989	3,135	3,235	3,281
Intergovernmental	135,953	142,459	145,907	154,264	157,776
Charges for Services	35,671	41,253	44,465	47,072	41,314
Fines and Forfeits	4,211	3,789	3,401	3,564	3,532
Interest Income	287	225	389	711	1,203
Miscellaneous	7,322	6,167	6,510	7,476	5,668
Total Revenues	467,337	521,722	540,711	557,990	554,810
Expenditures:					
Current					
General Government	206,356	217,325	219,122	224,494	223,344
Public Safety	136,825	138,723	143,359	148,132	146,832
Sanitation		1,290	1,205	1,271	1,214
Health	3,543	3,527	3,557	3,585	3,763
Welfare	92,858	93,211	88,117	89,647	94,594
Culture & Recreation	17,859	30,915	17,418	18,194	17,973
Education & Econ. Opport.	12,383	12,274	12,092	12,323	12,893
Debt Service:					
Principal	146	149	3,098	6,815	952
Interest	14	11	762	563	109
Miscellaneous	-	-	-	-	-
Total Expenditures	469,984	497,425	488,730	505,024	501,674
Excess of Revenues Over (Under)					
Expenditures	(2,647)	24,297	51,981	52,966	53,136
Other Financing Sources (Uses):					
Capital Lease/Installment Note	-	11,500	-	-	-
Sale of General Fixed Assets	-	15	1	-	11
Operating Transfers In (Out)	(9,695)	(31,877)	(23,425)	(31,612)	(41,691)
Total Other Financing Sources (Uses):	(9,695)	(20,362)	(23,424)	(31,612)	(41,680)
Net Change in Fund Balance	(12,342)	3,935	28,557	21,354	11,456
Beginning Fund Balance, as restated	60,532	48,190	52,125	80,682	102,036
Ending Fund Balance	\$48,190	\$52,125	\$80,682	\$102,036	\$113,492

Source: Pima County Finance and Risk Management Department.

(a) This table has not been subject to any separate audit procedures.

**EXCERPTS FROM
PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

The following are excerpts from the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The County has not requested the State of Arizona Auditor General to perform any review of the County's Comprehensive Annual Financial Report subsequent to June 30, 2018. These are the most recent audited financial statements available to the County. These financial statements are not current and may not represent the current financial position of the County.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, one major fund, and the discretely presented component unit, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses or expenditures of the opinion units affected.

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
<u>Government-wide statements</u>				
Governmental activities:				
Stadium District	1.51%	0.43%	1.13%	1.06%
School Reserve Fund	0.04%	0.14%	0.21%	0.25%
Wireless Integrated Network	0.09%	0.02%	0.34%	0.32%
Self-Insurance Trust	3.05%	2.47%	2.03%	1.84%
Health Benefit Trust	1.55%	0.38%	7.58%	7.32%
Business-type activities:				
Regional Wastewater Reclamation Department	98.10%	98.94%	94.20%	94.69%
Development Services	0.41%	0.96%	4.56%	3.47%
Discretely presented component unit:				
Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
<u>Fund statements</u>				
Major enterprise fund:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
Aggregate remaining fund information:				
Stadium District	0.11%	2.20%	0.31%	0.34%
School Reserve Fund	0.11%	0.26%	0.07%	0.10%
Wireless Integrated Network	0.38%	0.13%	0.13%	0.11%
Development Services	0.95%	3.28%	0.37%	0.26%
Self-Insurance Trust	12.84%	19.94%	0.77%	0.66%
Health Benefit Trust	6.51%	3.08%	2.88%	2.62%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the other auditors' reports. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 33, budgetary comparison schedules on pages 99 and 100, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 101, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 102 and 103, and schedule of county pension contributions on page 104, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for highway user revenue fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

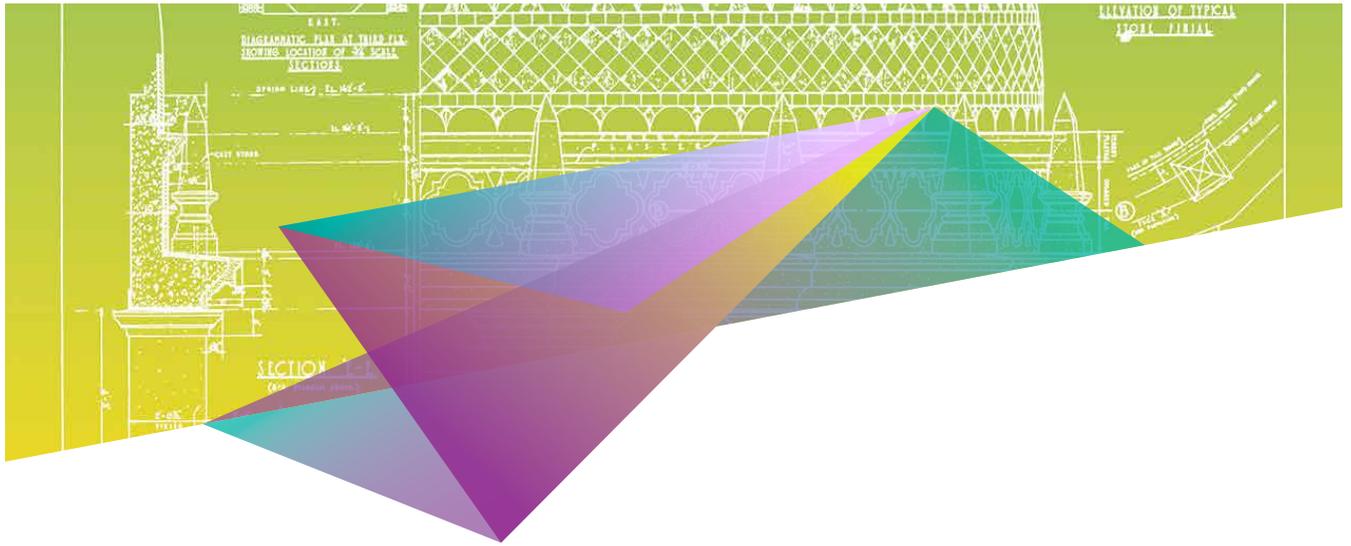
Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lindsey Perry, CPA, CFE
Auditor General

December 19, 2018

(This page is intentionally left blank)



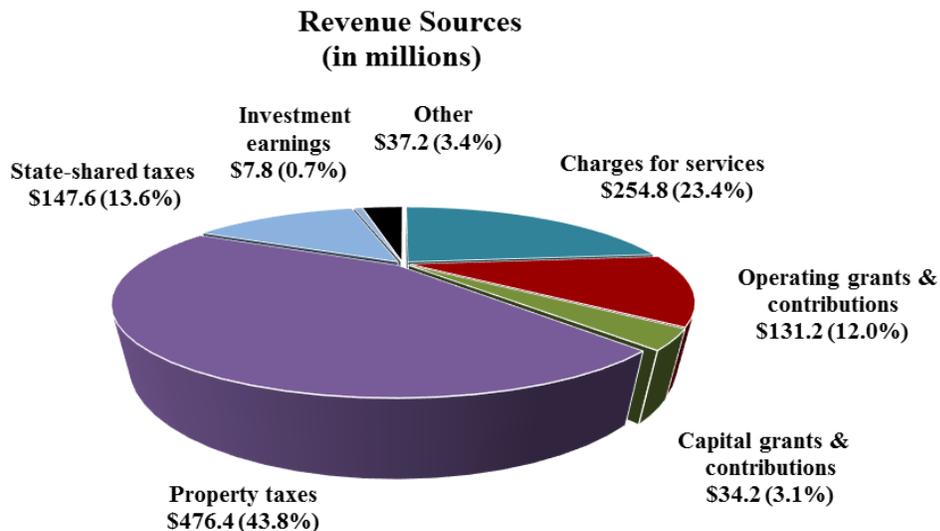
MANAGEMENT'S DISCUSSION AND ANALYSIS

Pima County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2018

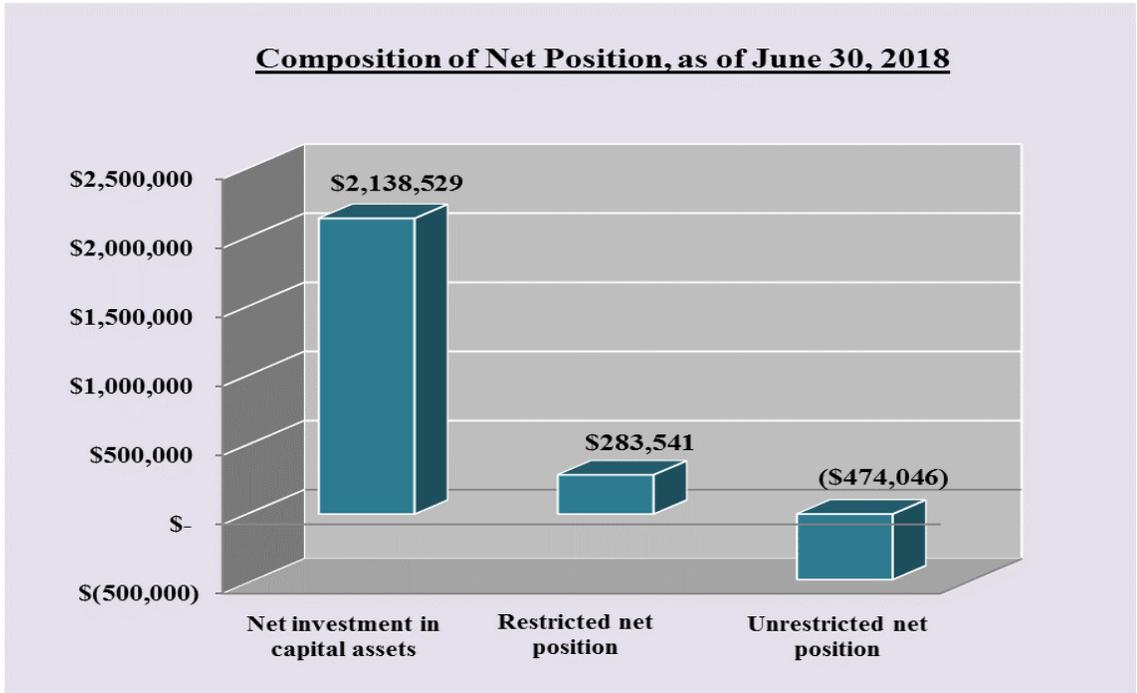
Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2018. Please read it in conjunction with the transmittal letter, which begins on page 1 and the County's basic financial statements, which begin on page 35. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

Financial Highlights

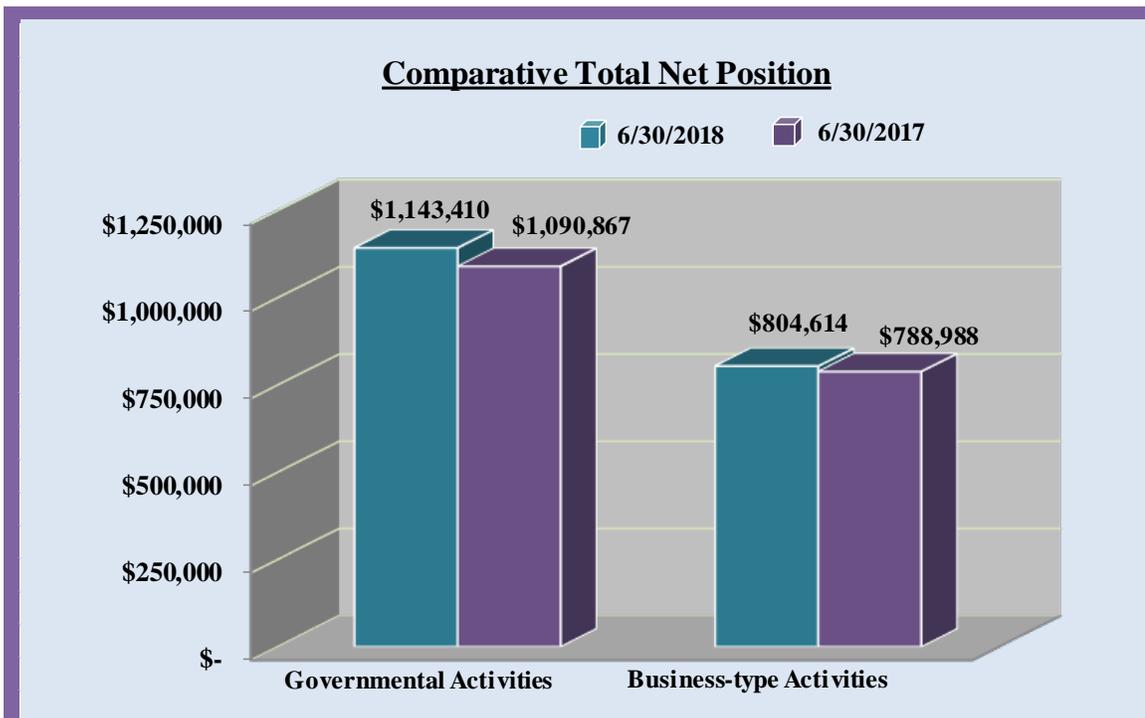
- The County restated the prior year's total net position to \$1,879,855 due to a change in accounting principle and a correction of a misstatement. The change in accounting principle was due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. This resulted in a \$58 increase in total net position. The correction of a misstatement was due to land, infrastructure, and other improvements assets that were contributed to other governments in prior years, which resulted in a \$23,568 decrease in governmental activities net position. For additional information refer to page 55, Note 2, Change in Accounting Principle and Correction of a Misstatement – Prior Period Adjustment. The comparisons to prior year financials within this discussion and analysis will be based on these restated amounts.
- The County's total net position increased \$68,169; an increase of \$18,550 when compared to the prior year's restated change in net position of \$49,619; primarily due to property tax revenues of \$20,089 from a Board of Supervisors approved property tax specific to transportation that was in place only for fiscal year 2018.
- During the current year, the County issued \$11,000 in Transportation Revenue Bonds to fund various street and highways improvements and \$38,205 in Sewer Revenue Obligations to finance the construction, expansion, and improvement of sewer treatment facilities and conveyance systems. In addition, the County issued \$62,660 in Certificates of Participation for various road improvements and other capital projects.
- The County's primary sources of revenue come from property taxes, charges for services, state shared taxes, and grants and contributions as displayed below:



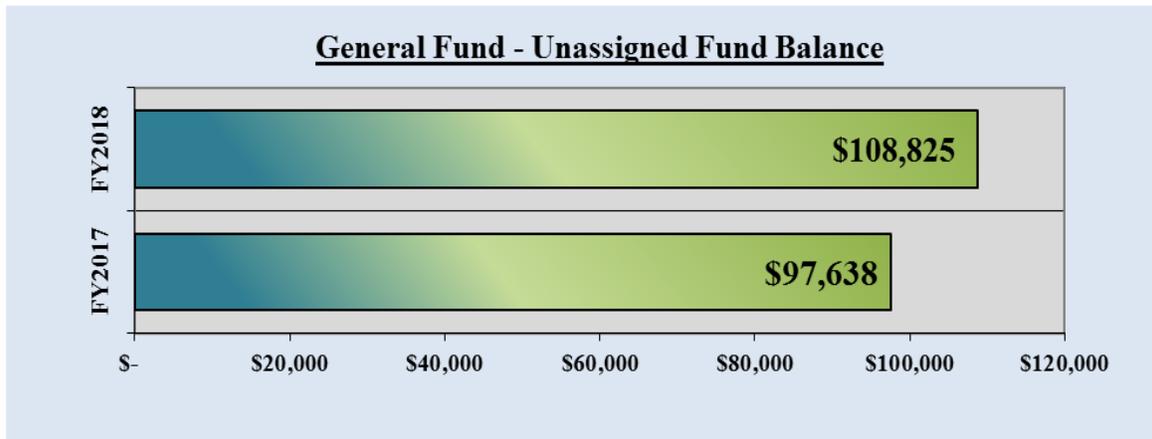
- The composition of the County's total net position at June 30, 2018, \$1,948,024, is illustrated in the following chart.



- Governmental Activities total net position at June 30, 2018, is \$1,143,410, representing an increase of \$52,543 (4.8%) from the prior fiscal year's restated net position, primarily due to increases of \$23,361 in property taxes revenues, \$7,952 in State-shared tax revenues, and \$5,247 in net transfers. Business-type Activities total net position of \$804,614, increased by \$15,626 (2.0%) in the current fiscal year, primarily due to an increase of \$6,693 in charges for services revenues and a decrease of \$6,846 in Regional Wastewater Reclamation (RWR) expenses.



- The current fiscal year's General Fund unassigned fund balance of \$108,825 is an increase of \$11,187 (11.5%) from \$97,638 in the prior fiscal year. The unassigned fund balance comprises 95.9% of the total fund balance of \$113,492. Refer to the analysis of the General Fund provided on page 27 for additional details about the fund's financial activities during the year.



Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) Government-wide Statements, (2) Fund Statements, and (3) Notes to the Financial Statements. Required supplementary information is included in addition to the basic financial statements.

Government-wide financial statements are designed to provide readers with a broad overview of County finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all County assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) in contrast to other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include: Regional Wastewater Reclamation, Development Services, and the County's downtown parking garages.

The Southwestern Fair Commission is presented as a discretely presented component unit and is included in the basic financial statements. The Commission, which operates the County Fairgrounds and annual Pima County Fair, is a legally separate entity for which the County is financially accountable.

The government-wide financial statements can be found on pages 35-37.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable state statutes and Federal Office of Management and Budget budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds*, (2) *proprietary funds*, and (3) *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Projects, and Debt Service funds, which are reported as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

The governmental fund financial statements can be found on pages 38-41. The combining statements for non-major governmental funds can be found on pages 108-111.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for employee health and health related benefits, risk management, automotive fleet maintenance and operations, telecommunications, wireless, and information technology network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The RWR Enterprise Fund is considered to be a major fund of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of combining statements.

The proprietary fund financial statements can be found on pages 42-45. The combining statements for other enterprise and internal service funds can be found on pages 129-136.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 46-47.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages **48-97**.

Required Supplementary Information (RSI) is presented concerning the County’s General Fund budgetary schedule and the schedule of the County’s Proportionate Share of the Net Pension Liability for Cost Sharing Plans, the Schedule of Changes in the County’s Net Pension Liability and Related Ratios for Agent Pension Plans, and the Schedule of County Pension Contributions. Required supplementary information can be found on pages **99-105**.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service, and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages **108-140**.

Government-Wide Financial Analysis

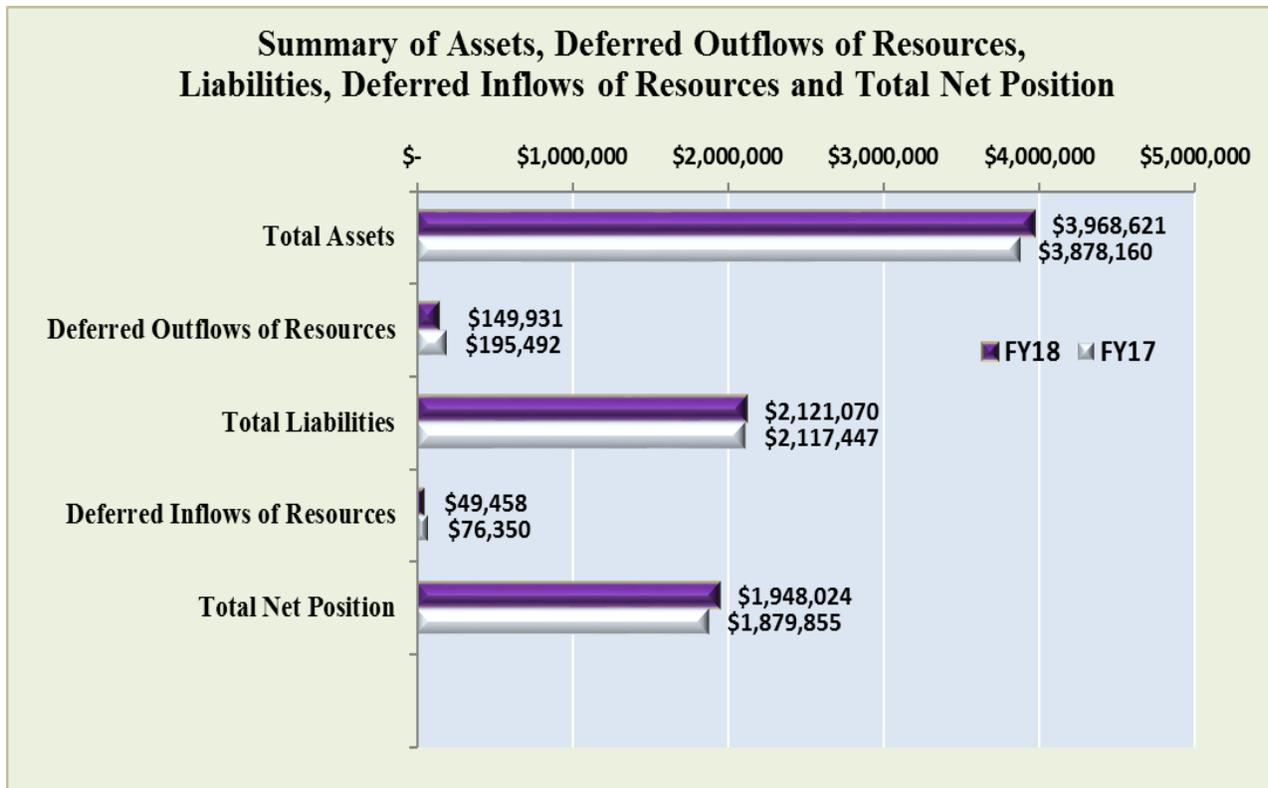
As noted earlier, net position may serve as a useful indicator of a government’s financial position over time. An analysis of the results of operations is also useful. The schedule below identifies variances in the results of operations.

Schedule of Results of Operations and Net Position For the Years Ended June 30, 2018 and 2017			
	2018	2017 (as restated)	Variance
Charges for services	\$ 254,803	\$ 247,714	\$ 7,089
Operating grants and contributions	131,222	130,049	1,173
Capital grants and contributions	34,196	42,621	(8,425)
Total program revenues	<u>420,221</u>	<u>420,384</u>	<u>(163)</u>
Total general revenues and transfers	<u>668,992</u>	<u>636,106</u>	<u>32,886</u>
Total program and general revenues	<u>1,089,213</u>	<u>1,056,490</u>	<u>32,723</u>
Total expenses	1,021,044	1,006,871	14,173
Change in net position	<u>\$ 68,169</u>	<u>\$ 49,619</u>	<u>\$ 18,550</u>

Total general revenues and transfers increased by \$32,886, mainly due to a \$23,361 increase in property tax revenues and a \$7,952 increase in State-shared tax revenues within governmental activities. Total expenses increased by \$14,173, primarily due to increases of \$19,483 and \$4,554 in general government and welfare expenses, respectively, within governmental activities, partially offset by a \$4,017 decrease in interest on long-term debt within governmental activities and a \$7,432 decrease in total business-type activities expenses. These variances resulted in an \$18,550 increase in the change in net position, to \$68,169.

An explanation of each of these changes is discussed further in the following governmental and business-type activities sections.

The graph presented below illustrates at a summary level the changes in the elements of the Statement of Net Position for the County at June 30, 2018, and June 30, 2017.



A general discussion of significant variances between fiscal years follows. For a more detailed discussion, please see the governmental activities and business-type activities sections immediately following this section.

The total of County assets at June 30, 2018, was \$3,968,621, an increase of \$90,461 (2.3%) from the prior year, while total liabilities increased by \$3,623 (0.2%) from the prior year, ending at a balance of \$2,121,070. Deferred outflows of resources related to pensions and other postemployment benefits decreased by \$39,156, and deferred outflows of resources related to deferred charges on refunding decreased by \$6,405, for a total decrease in deferred outflows of resources of \$45,561 (23.3%). Deferred inflows of resources decreased \$26,892 (35.2%) from the prior year, ending at a balance of \$49,458.

The result of these changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources was an increase in net position of \$68,169 (3.6%), to \$1,948,024 in the current fiscal year, from \$1,879,855 in the prior fiscal year.

The largest portion of the County's net position is reflected in its net investment in capital assets (i.e., land, buildings, infrastructure, and equipment) less any related outstanding debt used to acquire those assets. At June 30, 2018, net investment in capital assets totaled \$2,138,529, an increase of \$78,322 (3.8%) from the prior year, due to the increase of \$46,072 (3.3%) for governmental activities and the increase of \$32,250 (4.9%) in net investment in capital assets for business-type activities. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources subject to external restrictions on how they may be used comprise the restricted net position of \$283,541, which is an increase of \$34,751 (14.0%) from the prior year and represents approximately 14.6% of total net position.

The following schedule presents, on a comparative basis, both governmental activities and business-type activities within the Statement of Net Position.

Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position At June 30, 2018 and 2017									
	Governmental Activities			Business-type Activities			Total		
	FY2018	FY2017 (as restated)	Variance	FY2018	FY2017 (as restated)	Variance	FY2018	FY2017 (as restated)	Variance
Current and other assets	\$ 621,056	\$ 503,733	\$ 117,323	\$ 195,914	\$ 196,947	\$ (1,033)	\$ 816,970	\$ 700,680	\$ 116,290
Capital assets (net):									
Land, buildings, equipment, infrastructure & other assets	1,918,766	1,946,587	(27,821)	1,232,885	1,230,893	1,992	3,151,651	3,177,480	(25,829)
Total assets	<u>2,539,822</u>	<u>2,450,320</u>	<u>89,502</u>	<u>1,428,799</u>	<u>1,427,840</u>	<u>959</u>	<u>3,968,621</u>	<u>3,878,160</u>	<u>90,461</u>
Deferred outflows of resources									
Pension and OPEB	121,311	157,382	(36,071)	5,086	8,171	(3,085)	126,397	165,553	(39,156)
Deferred charges on refunding	8,003	10,808	(2,805)	15,531	19,131	(3,600)	23,534	29,939	(6,405)
Total deferred outflows of resources	<u>129,314</u>	<u>168,190</u>	<u>(38,876)</u>	<u>20,617</u>	<u>27,302</u>	<u>(6,685)</u>	<u>149,931</u>	<u>195,492</u>	<u>(45,561)</u>
Current and other liabilities	69,707	61,383	8,324	23,534	10,499	13,035	93,241	71,882	21,359
Long-term liabilities	1,410,156	1,396,643	13,513	617,673	648,922	(31,249)	2,027,829	2,045,565	(17,736)
Total liabilities	<u>1,479,863</u>	<u>1,458,026</u>	<u>21,837</u>	<u>641,207</u>	<u>659,421</u>	<u>(18,214)</u>	<u>2,121,070</u>	<u>2,117,447</u>	<u>3,623</u>
Deferred inflows of resources									
Pension and OPEB	45,863	69,617	(23,754)	3,595	6,733	(3,138)	49,458	76,350	(26,892)
Total deferred inflows of resources	<u>45,863</u>	<u>69,617</u>	<u>(23,754)</u>	<u>3,595</u>	<u>6,733</u>	<u>(3,138)</u>	<u>49,458</u>	<u>76,350</u>	<u>(26,892)</u>
Net position:									
Net investment in capital assets	1,452,111	1,406,039	46,072	686,418	654,168	32,250	2,138,529	2,060,207	78,322
Restricted	221,652	189,208	32,444	61,889	59,582	2,307	283,541	248,790	34,751
Unrestricted (deficit)	(530,353)	(504,380)	(25,973)	56,307	75,238	(18,931)	(474,046)	(429,142)	(44,904)
Total net position	<u>\$ 1,143,410</u>	<u>\$ 1,090,867</u>	<u>\$ 52,543</u>	<u>\$ 804,614</u>	<u>\$ 788,988</u>	<u>\$ 15,626</u>	<u>\$1,948,024</u>	<u>\$1,879,855</u>	<u>\$ 68,169</u>

Analysis of Net Position for Governmental Activities

The current and other assets total of \$621,056 in the current fiscal year is an increase of \$117,323 (23.3%) over the prior year total of \$503,733. This increase is primarily due to an increase of \$100,014 in the cash and cash equivalents mainly from the \$51,826 increase in the Capital Projects Fund from unspent bond and COPs proceeds, a \$23,147 increase in Other Governmental Funds primarily from new property tax revenues in the Transportation Fund, and a \$13,882 increase in the General Fund from excess revenues over expenditures in the prior and current year.

Total liabilities increased \$21,837 (1.5%) to \$1,479,863 due to a \$13,513 increase in long-term liabilities and an \$8,324 increase in current and other liabilities. The increase in long-term liabilities is due to the \$42,680 increase in the pension and OPEB liabilities resulting from the changes in actuarial estimates related to the net pension and OPEB liabilities for the various retirement plans that the County contributes to for its employees. These increases were partially offset by a net \$27,530 decrease in outstanding debt associated with general obligation bonds, transportation revenue bonds, and COPs due to current year payments on these debts, in addition to a \$1,519 decrease in the installment note payable for a land purchase in prior years.

The deferred outflows decrease of \$38,876 (23.1%) from the prior year total of \$168,190, is mainly due to the decrease of \$36,071 (22.9%) in pension and OPEB. Similarly, the decrease of \$23,754 (34.1%) in deferred inflows of resources is due to the deferred inflows in pensions and OPEB. These variances in deferred outflows and deferred inflows are due to changes in actuarial estimates related to the net pension and OPEB liabilities mentioned above. These changes resulted in an overall increase of \$52,543 (4.8%) in the current year's governmental activities total net position of \$1,143,410.

Analysis of Net Position for Business-type Activities

Total assets of \$1,428,799 in the current fiscal year increased slightly by \$959 (0.1%) from the prior year total of \$1,427,840, resulting from a \$1,992 (0.2%) increase in capital assets and a \$1,033 (0.5%) decrease in current and other assets. The increase was the result of an \$8,040 increase in restricted cash and cash equivalents in RWR, a \$2,662 increase in RWR capital assets from the completion of projects in the current year, and a \$1,757 increase in cash and cash equivalents in the Other Enterprise Funds, primarily from the increased cash position in the Development Services Fund. This was offset primarily by an \$11,124 decrease in cash and cash equivalents in the RWR fund resulting from the cash in-substance defeasance of Sewer Revenue Bonds series 2008 for \$16,320.

Total liabilities decreased \$18,214 (2.8%) in the current year to \$641,207, primarily due to a decrease of \$17,407 in total liabilities of the RWR fund as a result of the cash in-substance defeasance of Sewer Revenue Bonds Series 2008 for \$16,320 mentioned above.

Current year's total deferred outflows of resources related to pensions and OPEB, \$5,086, decreased by \$3,085 (37.8%) from the prior year, while deferred inflows of resources related to pensions and OPEB decreased by \$3,138 (46.6%) to \$3,595 this year. These decreases are primarily due to changes in actuarial estimates related to the net pension liability for the Arizona State Retirement System plan to which the County contributes for its employees within the business-type activities.

The changes in total assets, liabilities, deferred outflows and deferred inflows of resources resulted in a total net position increase of \$15,626 (2%), which ended at a balance of \$804,614.

Governmental Activities

The following table shows details of the changes in net position for governmental activities:

Governmental Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2018 and 2017				
	FY2018	FY2017 (as restated)	Variance	
			Amount	Percent
Program revenues:				
Charges for services	\$ 67,380	\$ 66,984	\$ 396	0.6%
Operating grants and contributions	131,222	130,049	1,173	0.9%
Capital grants and contributions	26,842	37,502	(10,660)	-28.4%
Total program revenues	225,444	234,535	(9,091)	-3.9%
General revenues:				
Property taxes	476,365	453,004	23,361	5.2%
State-shared taxes	147,635	139,683	7,952	5.7%
Investment earnings	5,549	3,297	2,252	68.3%
Other general revenues	36,452	37,260	(808)	-2.2%
Total general revenues	666,001	633,244	32,757	5.2%
Total revenues	891,445	867,779	23,666	2.7%
Expenses:				
General government	279,678	260,195	19,483	7.5%
Public safety	214,460	214,648	(188)	-0.1%
Highways and streets	110,159	110,454	(295)	-0.3%
Sanitation	2,683	5,195	(2,512)	-48.4%
Health	38,186	39,454	(1,268)	-3.2%
Welfare	94,567	90,013	4,554	5.1%
Culture and recreation	65,827	68,350	(2,523)	-3.7%
Education and economic opportunity	43,492	36,663	6,829	18.6%
Amortization	(7,806)	(9,348)	1,542	-16.5%
Interest on long-term debt	23,049	27,066	(4,017)	-14.8%
Total expenses	864,295	842,690	21,605	2.6%
Excess before transfers	27,150	25,089	2,061	8.2%
Transfers in	25,393	20,146	5,247	26.0%
Change in net position	52,543	45,235	7,308	16.2%
Beginning net position as restated *	1,090,867	1,045,632	45,235	4.3%
Ending net position	<u>\$ 1,143,410</u>	<u>\$ 1,090,867</u>	<u>\$ 52,543</u>	4.8%

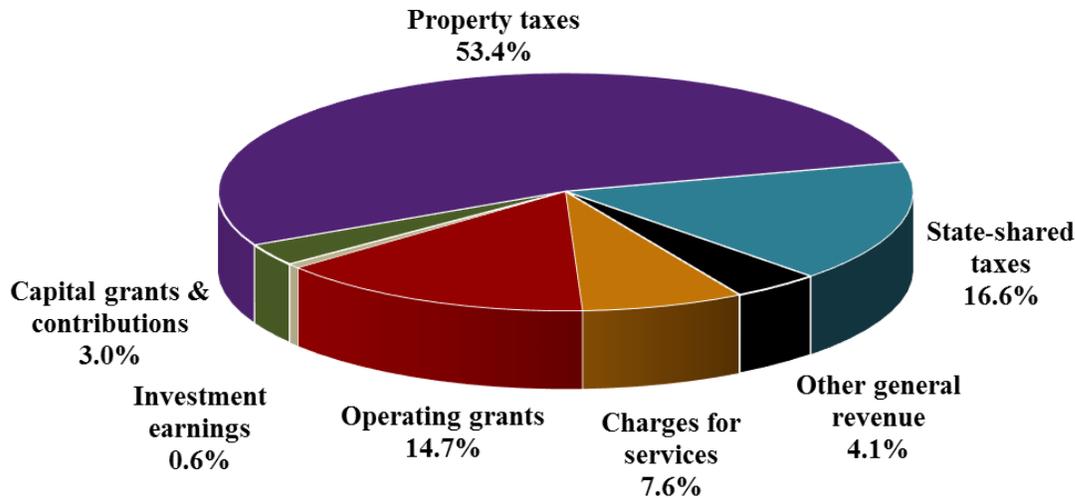
*Beginning net position as restated July 1, 2017, due to the provisions of GASB 75

Revenues

Total revenues of \$891,445 increased \$23,666 (2.7%) from the prior year, primarily due to an increase of \$23,361 in property taxes that mainly resulted from the previously mentioned transportation property tax, and an increase of \$7,952 in State-shared taxes mainly attributable to a \$6,780 increase in the unrestricted share of state sales tax. These increases were offset by a decrease of \$10,660 in capital grants and contributions, resulting from decreased Regional Transportation Sales Tax Roadway funding in the current year.

The chart below presents general and program revenues, as a percentage to total revenues. The amount provided from each revenue source for governmental activities, as a percentage to total revenue for governmental activities, has not changed significantly from the prior fiscal year. Property taxes, state-shared taxes, and operating grants account for approximately 84.7% of the County's revenues.

General and Program Revenues - Governmental Activities

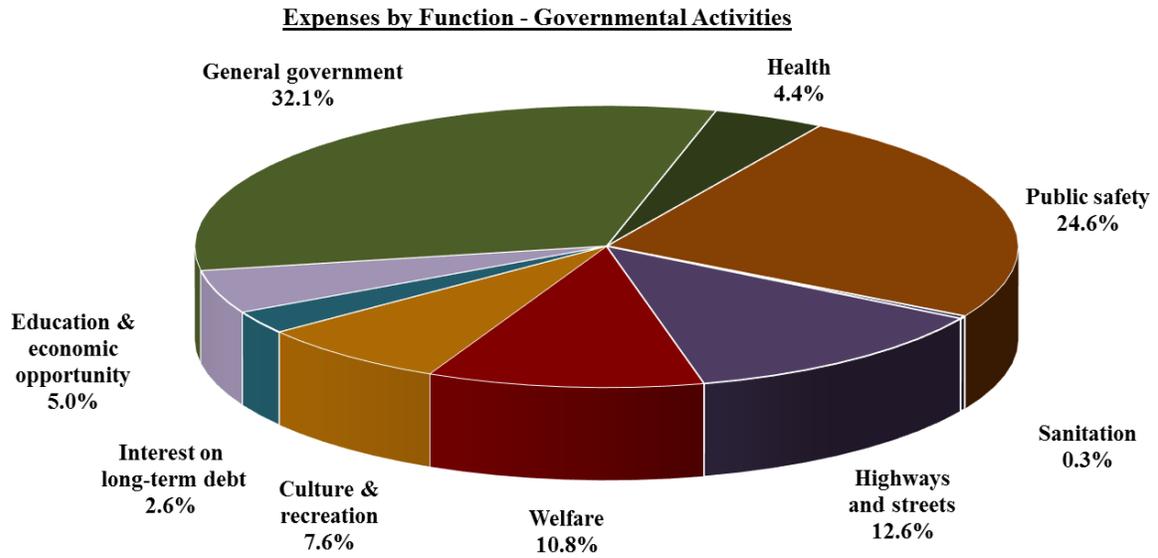


Expenses

Total expenses increased \$21,605 (2.6%) from the prior year, primarily due to an increase of \$19,483 (7.5%) in general government expenses, an increase of \$6,829 (18.6%) in education and economic opportunity expenses and a decrease of \$4,017 (14.8%) in interest on long-term debt. The explanations for these increases and decreases are as follows:

- The general government increase is due in part to an \$11,736 increase in expenses from the internal service funds, specifically \$6,522 in the Self-Insurance Trust fund and \$3,326 in the Other Internal Services fund for Information Technology. The increase in the Self-Insurance Trust fund was primarily due to the change in actuarial estimates for future losses and the increase in the Other Internal Services fund was mainly due to purchases of computer hardware and new software licenses. In addition, there was also a \$7,418 increase in expenses as a result of the increase in the share of the County's total net pension liability attributed to general government.
- The increase in education and economic opportunities is mainly due to a \$1,813 increase in expenditures for the Low Income Housing Energy Assistance Federal grant program, \$1,056 for the Workforce Investment and Opportunity Act Federal grant program, and a collection of increases in other Federal grant programs.
- The decrease in long-term debt is due to lower interest expenses, primarily due to debt refundings completed in the prior year and a reduction of \$48,772 in total outstanding general obligation bonds for the current year. The lower interest costs are a direct result of the significant decrease in the outstanding liability from these bonds. Please refer to Note 7 on page 66 for additional information on long-term liabilities.

The following chart presents expenses by function as a percentage to total expenses, excluding amortizations. The amount of each expense by function as a percentage to total expenses, excluding amortizations, has not changed significantly from the prior fiscal year. General government and public safety account for over half of the County's total expenses.



Business-type Activities

Business-type activities, which are composed exclusively of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. The following schedule shows changes in the net position for business-type activities.

Business-type Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2018, and 2017				
	FY2018	FY2017 (as restated)	Variance	
			Amount	Percent
Program revenues:				
Charges for services	\$ 187,423	\$ 180,730	\$ 6,693	3.7%
Capital grants and contributions	7,354	5,119	2,235	43.7%
Total program revenues	194,777	185,849	8,928	4.8%
General revenues:				
Investment earnings	2,228	1,512	716	47.4%
Other general revenues	763	1,350	(587)	-43.5%
Total general revenues	2,991	2,862	129	4.5%
Total revenues	197,768	188,711	9,057	4.8%
Expenses:				
Regional Wastewater Reclamation	148,405	155,251	(6,846)	-4.4%
Development Services	5,523	6,090	(567)	-9.3%
Parking Garages	2,821	2,840	(19)	-0.7%
Total expenses	156,749	164,181	(7,432)	-4.5%
Excess before transfers	41,019	24,530	16,489	67.2%
Transfers out	(25,393)	(20,146)	(5,247)	26.0%
Change in net position	15,626	4,384	11,242	256.4%
Beginning net position, as restated *	788,988	784,604	4,384	0.6%
Ending net position	\$ 804,614	\$ 788,988	\$ 15,626	2.0%
<i>*Beginning net position as restated July 1, 2017, due to the provisions of GASB 75</i>				

Revenues

Total revenues for business-type activities increased \$9,057 (4.8%), mainly due to an increase of \$5,281 in charges for services in the RWR fund, resulting from a Board of Supervisors approved rate increase of 3% effective June 1, 2017, and an increase of \$2,235 (43.7%) in capital grants and contributions of public sewer facilities constructed by developers and accepted by the County in the RWR fund for continuous maintenance and operations.

Expenses

Total expenses for the business-type activities decreased by \$7,432 (4.5%), primarily due to an overall decrease of \$6,846 (4.4%) in the RWR fund. This decrease was mostly due to a \$ 6,065 drop in nonoperating expenses, including a decrease of \$3,266 in losses from asset retirements, \$1,506 from lower debt issuance costs, and \$1,569 in interest expense savings.

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and generally accepted accounting principles (GAAP).

Governmental Funds

The County's general government functions are accounted for in the General, Capital Projects, Debt Service, and Special Revenue funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library, Stadium, and Rocking K South Community Facilities Districts) acting as the Board of Directors for each district. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the County.

Property tax revenues for the General Fund increased \$368 (0.1%), reflecting the net impact of higher property valuations and a lower property tax rate. Intergovernmental revenues increased \$3,512 (2.3%), primarily due to increases in the State-shared sales tax and State-shared vehicle license tax associated with a continued gradual recovery in the local economy. Charges for services decreased \$5,758 (12.2%), mostly from a decrease in revenues received for administrative overhead cost recovery from other County funds due to lower central administrative support costs in the current year. Overall, revenues for the General Fund decreased by \$3,180 (0.6%) and totaled \$554,810 for the current year.

General fund expenditures totaled \$501,674, a decrease of \$3,350 (0.7%) from the prior year, primarily due to:

- A decrease of \$1,150 in general government expenditures, primarily from Elections activities due to the November 2017 election being all mail-in instead of polling sites.
- A decrease of \$5,863 in debt service principal payments, due to the final payment of \$5,758 towards the Stardust land purchase in the prior year.
- An increase of \$5,209 in Arizona Long Term Care System (ALTCS) mandated payments from prior year.

Transfers out totaled \$46,084, an increase of \$8,061 (21.2%) over the prior year, primarily due to the \$9,030 transfers to Capital Projects Fund related to the Historic Courthouse projects and a \$331 transfer to Capital Projects Fund related to the Silverbell Archaeology project.

Transfers in decreased \$2,018 (31.5%) from last year's total of \$6,411, mainly due to rent revenues from external tenants moving to the Other Special Revenue fund in the current fiscal year.

The \$3,180 decrease in revenues, the \$3,350 decrease in expenditures, and a total net increase of \$10,068 in other financing uses, yielded a decrease of \$9,898 in net change in fund balance, which ended the year at \$113,492.

Budget and Actual Comparison for the General Fund

Overall, actual revenues were higher than budgeted revenues by \$4,757 primarily due to the higher than budgeted State-shared tax revenue collections mentioned above and actual expenditures were less than budgeted expenditures by \$74,561. Actual expenditures for the General Fund were less than budgeted, primarily because the County did not need to spend \$50,319 of the amount budgeted for contingencies within General government – County Administration.

No variances between the budget and actual amounts at the departmental level were significant enough to affect the County's ability to provide future services.

Capital Projects Fund

The County's Capital Projects Fund is used to account for financial resources that are restricted or assigned for capital outlays to acquire or construct capital assets.

Total revenues of \$19,767 for the Capital Projects Fund represent a decrease of \$7,573 (27.7%) from the prior year, primarily due to a decrease in Intergovernmental revenues from the State for the Sunset Road project which was received in the prior year.

Total capital outlay expenditures of \$78,370 in the current year is an increase of \$4,448 (6.0%) over the prior year, primarily due to \$2,100 in expenditures related to the Tangerine Road widening project, and \$1,900 in expenditures related to pavement preservation projects 2018.

The Capital Projects fund's other financing sources of \$73,660 represents the current year's issuance of \$11,000 of Street and Highway Revenue Bonds Series 2018 to finance a variety of transportation projects, the issuance of \$23,265 of Certificates of Participation (COPs) Series 2018A to finance the costs to renovate, construct, and equip the Historic Courthouse facility and \$39,395 of COPs Series 2018B to finance various road improvement and other capital projects.

Transfers out totaled \$571, a decrease of \$6,931 (92.4%) from the prior year, mainly due to the decrease of \$7,060 in certificates of participation funding that was transferred to the RWR fund in the prior year for improvements to the sewer conveyance system.

Transfers in totaled \$35,063, an increase of \$16,199 (85.9%) over the prior year's total of \$18,864. The increase is primarily due to a \$10,249 increase of transfers from the General Fund for various projects and a \$7,530 increase of transfers from the Other Special Revenue fund for facility renewal projects.

The above detailed financial activities yielded an increase of \$49,944 in the Capital Projects fund's net change in fund balance, which ended the year at \$146,381.

Debt Service Fund

This major fund accounts for the accumulation of resources for the payment of principal and interest of long-term debt.

Revenues for the Debt Service Fund increased \$1,533 primarily as a result of higher property valuations, while the secondary property tax rate remained the same as the prior year.

Expenditures for the Debt Service Fund decreased \$2,558 primarily due to a decrease in interest payments of \$3,221 as a result of debt refundings in the prior year, offset by an increase in principal payments of \$1,310.

Premiums on bonds and COPs decreased to \$2,621 as the premiums consisted of \$1,684, and \$937 from the issuance of Transportation revenue bonds (HURF) Series 2018, and COPS Series 2018A respectively. Only \$2,226 of this total pertained to the Debt Service Fund, while the remaining \$395 pertained to the Capital Projects Fund.

The \$1,533 increase in revenues, the \$2,558 decrease in expenditures and an increase of \$1,315 in other financing sources yielded an increase in fund balance of \$5,406 in net change in fund balance, which ended the year at \$5,004.

Major Proprietary Fund

The County's Regional Wastewater Reclamation Enterprise (RWR) Fund is a major enterprise fund.

Significant changes in the Fund's net position during the fiscal year include an increase in the sewer utility service and sewer connection revenues of \$5,281, and a decrease in non-operating expenses of \$6,065.

The increase in the sewer utility service and sewer connection revenues is primarily due to the Board of Supervisors approved 3% rate increase going into effect on June 1, 2017.

The decrease in non-operating expenses is mainly associated with interest savings from the in-substance defeasance of Sewer Revenue Bonds Series 2008, and a reduction in losses from asset retirements compared to the prior year.

The net position increased by \$13,827 in the current fiscal year, resulting in a total net position of \$783,829 at fiscal year-end.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets consists of land, buildings and improvements, sewage conveyance systems, infrastructure, equipment, and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Governmental and Business-type Activities									
Capital Assets									
As of June 30, 2018 and 2017									
	Governmental Activities			Business-type Activities			Total		
	FY2018	FY2017	Variance	FY2018	FY2017	Variance	FY2018	FY2017	Variance
Land	\$ 537,388	\$ 532,583	\$ 4,805	\$ 15,472	\$ 14,998	\$ 474	\$ 552,860	\$ 547,581	\$ 5,279
Construction in progress	42,895	57,280	(14,385)	74,158	70,705	3,453	117,053	127,985	(10,932)
Buildings and improvements	597,429	590,068	7,361	551,802	577,434	(25,632)	1,149,231	1,167,502	(18,271)
Infrastructure	635,594	659,237	(23,643)				635,594	659,237	(23,643)
Sewage conveyance systems				505,220	477,212	28,008	505,220	477,212	28,008
Equipment	105,460	107,419	(1,959)	86,233	90,544	(4,311)	191,693	197,963	(6,270)
Total	\$ 1,918,766	\$ 1,946,587	\$ (27,821)	\$ 1,232,885	\$ 1,230,893	\$ 1,992	\$ 3,151,651	\$ 3,177,480	\$ (25,829)

The County's capital assets total is \$3,151,651 in the current year, a decrease of approximately 0.8% or \$25,829 from the prior year's total of \$3,177,480. Significant changes in capital assets of Governmental Activities and Business-type Activities are discussed in further detail in the following sections.

Governmental Activities

The current year's total assets of \$1,918,766 is a net decrease of \$27,821 from the prior year. Total assets of \$1,946,587 for the prior year includes a restatement removing \$23,568 (1.2%) of land, infrastructure and other improvements assets contributed to other governments. The net decrease of \$14,385 in construction in progress is due to decreases in capital outlays as projects reach conclusion and are capitalized, and offset by increases in capital expenses in new and continuing projects.

Some of the more significant projects capitalized in the fiscal year include:

- The new Pima Animal Care Center project totaling \$19,560.
- The Sunset Road bridge and roadway improvements from Silverbell Road to I-10 project totaling \$15,304.
- The Pantano Wash bank protection project from Ft. Lowell Park to Tanque Verde Road totaling \$7,622.
- The Tangerine Road widening project totaling \$2,890.

Business-type Activities

Capital assets of business-type activities increased \$1,992 (0.2%), due to increases of \$28,008 (5.9%) in sewage conveyance systems, \$3,453 (4.9%) in construction in progress, and \$474 (3.2%) in land, partially offset by decreases of \$25,632 (4.4%) in buildings and improvements and \$4,311 (4.8%) in equipment, resulting from the factors detailed below.

Capital assets for the RWR fund increased by \$2,662 (0.22%) over the prior year, mainly due to an increase of \$28,008 (5.9%) in sewage conveyance systems and an increase of \$3,453 (4.9%) in construction in progress. The increase in sewage conveyance systems is primarily due to the major projects that are completed and capitalized in the current year. Major completed conveyance systems include sewer system rehabilitation and North Rillito interceptor rehabilitation projects.

These increases are offset by a decrease of \$25,632 (4.4%) in buildings and improvements is primarily due to the large volume of projects that were completed and capitalized in the prior year, resulting in higher depreciation expense in the current year.

Additional information regarding capital assets activity can be found in Note 5 of the financial statements, Capital Assets, on pages 62-63.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Long-Term Debt Issued Within Fiscal Year		
For the Years Ended June 30, 2018 and 2017		
	<u>2018</u>	<u>2017</u>
Bonds issued (at face value):		
General Obligation		\$ 147,750
Street and Highway Revenue	\$ 11,000	28,315
Sewer System Revenue Obligations	38,205	256,595
Certificates of Participation (COPs)	62,660	
Capital leases		
Installment note payable		1,700
Total	\$ 111,865	\$ 434,360

During the year, the County issued Street and Highway Revenue Bonds Series 2018 for \$11,000 to finance various street and highway improvements.

The County also issued Sewer Revenue Obligations Series 2018 for \$38,205 to expand and improve the County’s sewer treatment facilities and conveyance systems.

In addition, the County issued Certificates of Participation (COPs) Series 2018A for \$23,265 to finance the costs to renovate, construct and equip the Historic Courthouse facility. The County also issued Certificates of Participation (COPs) Series 2018B for \$39,395 for various road improvements and other capital projects.

The most recent ratings for Pima County’s bonds, COPs, and obligations are:

Credit Ratings				
	Standard & Poor's		Fitch Ratings	
	Rating	Date	Rating	Date
Certificates of Participation (COPs)	AA-	March-2018	AA	March-2018
General Obligation Bonds	AA	March-2018	AAA	March-2018
Street and Highway Revenue Bonds	AA	March-2018	AA	March-2018
Sewer Revenue Bonds	AA	March-2018	AA	March-2018
Sewer Revenue Obligations	AA	March-2018	AA-	March-2018

Pima County’s efforts in maintaining a strong budget reserve over the past several years has contributed, in part, to the County earning a General Obligation Bond Rating of AAA from Fitch Ratings, a national bond ratings company that rates Pima County debt issuances. The AA ratings for the Certificates of Participation (COPs), Street and Highway Revenue bonds, and Sewer Revenue bonds also reflect the County’s ability to maintain a sound financial profile.

The State of Arizona Constitution limits the amount of general obligation debt a governmental entity may issue to 6.0% of its net assessed valuation without voter approval. However, Pima County has voter approval for general obligation debt up to 15.0%. The County’s outstanding general obligation bonds amount of \$275,990 at the end of the current fiscal year is significantly below the current debt limitation of \$1,276,349.

Additional information regarding the County’s debt can be found in Note 7 of the financial statements, Long-term Liabilities, on pages **66-76**.

Economic Factors and Next Year's Budget

The current fiscal year 2018-19 budget is based largely on the County's response to a set of unique challenges from a variety of outside sources. Primary among these is the decision by the Arizona Legislature to balance the State Budget by continuing to transfer \$85 million of fiscal year 2018-19 state costs to Pima County. These additional costs imposed by the state continue to cause significant uncertainties in the development of the County budget and impact all of Pima County's existing service priorities and programs, including law enforcement, healthcare and economic development. Recognizing this, the budget that was adopted by the Board of Supervisors for fiscal year 2018-19 is primarily a "maintenance of effort" budget, which will sustain the County's existing service priorities. The following discussion identifies other significant activities that are expected to impact the County in fiscal year 2018-19.

State Budget Cost Shifts

In attempts to balance the State Budget, the Governor and Legislature continue to transfer significant amounts of state costs to the 15 counties throughout the state. The total of these cost transfers to Pima County is \$85 million for fiscal year 2018-19, or nearly 26% of Pima County's primary property tax levy.

Property Taxes

In fiscal year 2017-18 the Board of Supervisors enacted a new \$0.2500 Transportation primary property road tax. The proceeds of this tax were used exclusively for preservation and repair of local streets and roads.

In the fiscal year 2018-19 Adopted Budget, the Board of Supervisors repealed the Transportation property road tax rate by \$0.2500. In addition, the budget includes an additional \$0.1400 decrease in the County's regular primary property tax rate for General Government, a \$0.0200 increase in the Regional Flood Control District secondary property tax rate, a \$0.0100 increase in the Library District's secondary tax rate, and a \$0.0100 decrease in the Debt Service secondary property tax rate from the fiscal year 2017-18 rate. The total property tax rate for Pima County (excluding the State mandated Fire District Assistance Tax) decreased from \$5.9784 to \$5.6084 per \$100 of net taxable value, a net decrease of \$0.3700.

State Shared Revenues

State shared sales tax revenue is projected to increase by \$5.8 million in fiscal year 2018-19. This increase reflects a gradual recovery in the local economy and continued statewide economic growth.

Employee Benefits Costs

Over the years, Pima County has continued to change and upgrade its benefits package for employees. Over time, the cost to provide these benefits has steadily increased. As a comparison, the actual cost to the County for employee benefits in fiscal year 2003-04 totaled \$65 million whereas the budgeted benefit costs in fiscal year 2018-19 totals over \$151 million; resulting in an increase that is more than double the fiscal year 2003-04 amount. A significant portion of this increase is due to higher cost of Public Safety and other retirement contributions plus other benefit costs. Fiscal Year 2018-19 aggregate benefits will increase by \$1.9 million over fiscal year 2017-18. The County will have to absorb these increases in the face of other budgetary challenges.

Employee Medical Insurance Benefits Costs

Prior to fiscal year 2013-14, Pima County purchased medical insurance for its employees from an independent provider. Over the five years prior to fiscal year 2013-14, the County's employee medical insurance premiums increased by an average of 15 to 20 percent yearly. In order to control the rate of increase of employee medical insurance costs, the County moved to a self-insured medical plan run by a third-party administrator starting in fiscal year 2013-14. Under this new model, year-to-year medical insurance costs have increased in the range of 5 to 7 percent annually. For fiscal year 2018-19 both employer and employee medical premium costs will decrease by 5.68 percent from fiscal year 2017-18. It is anticipated that the rate of medical cost increases will continue the trend of being better controlled in future fiscal years.

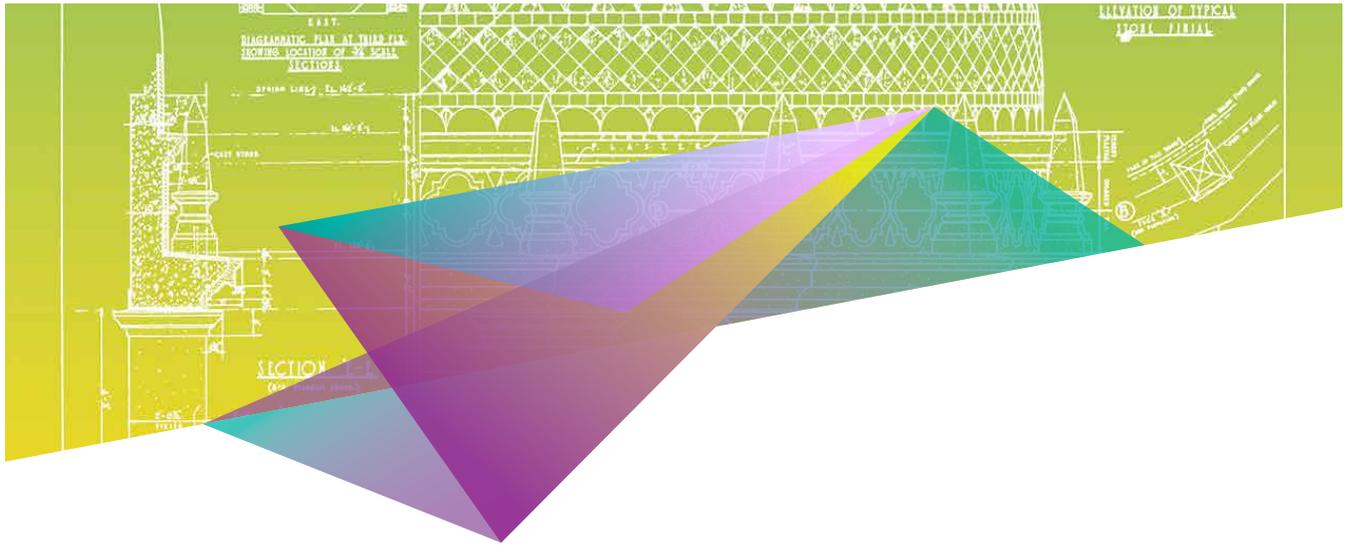
Rainy Day Funds

Maintaining a budget reserve has given the County a favorable bond rating, which in turn has yielded substantial savings from lower interest payments on County debt. The reserve has also enabled the County to minimize the negative fiscal impacts of a variety of unforeseen events over which the County has had little or no control. The General Fund Reserve for fiscal year 2018-19 totals \$40.3 million. This reserve represents 7.3% of projected revenues for fiscal year 2018-19. The reserve is in the middle of the range of reserves recommended by the Government Finance Officers Association. If this reserve is not spent, it will represent the base ending fund balance for fiscal year 2018-19.

Requests for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

(This page is intentionally blank)



BASIC FINANCIAL STATEMENTS

PIMA COUNTY, ARIZONA

Exhibit A-1

Statement of Net Position

June 30, 2018

(in thousands)

	Primary Government			Component Unit SW Fair Commission
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 524,595	\$ 85,363	\$ 609,958	\$ 1,705
Property taxes receivable (net)	11,776		11,776	
Interest receivable	649	221	870	
Internal balances	87	(87)		
Due from other governments	50,691	3	50,694	
Accounts receivable (net)	7,140	17,403	24,543	
Inventories	2,500	2,691	5,191	36
Prepays	16,310	424	16,734	75
Restricted assets:				
Cash and cash equivalents	1,129	89,750	90,879	1,000
Loans receivable	2,886		2,886	
Net other postemployment benefits asset	3,293	146	3,439	
Capital assets not being depreciated:				
Land	537,388	15,472	552,860	
Construction in progress	42,895	74,158	117,053	
Capital assets being depreciated (net):				
Buildings and improvements	597,429	551,802	1,149,231	5,150
Sewage conveyance system		505,220	505,220	
Equipment	105,460	86,233	191,693	358
Infrastructure	635,594		635,594	
Total assets	2,539,822	1,428,799	3,968,621	8,324
Deferred outflows of resources				
Pension and other postemployment benefits	121,311	5,086	126,397	
Deferred charge on debt refunding	8,003	15,531	23,534	
Total deferred outflows of resources	129,314	20,617	149,931	
Liabilities				
Accounts payable	53,616	18,468	72,084	301
Interest payable	12		12	
Contract retentions	901		901	
Employee compensation	8,410	667	9,077	
Due to other governments	171	3,742	3,913	
Deposits and rebates	1,307		1,307	50
Unearned revenue	5,290	657	5,947	9
Noncurrent liabilities:				
Due within one year	168,020	59,743	227,763	
Due in more than one year	1,242,136	557,930	1,800,066	28
Total liabilities	1,479,863	641,207	2,121,070	388
Deferred inflows of resources				
Pension and other postemployment benefits	45,863	3,595	49,458	
Total deferred inflows of resources	45,863	3,595	49,458	
Net Position				
Net investment in capital assets	1,452,111	686,418	2,138,529	5,508
Restricted for:				
Facilities, justice, library, community development, and tax stabilization	68,636		68,636	
Highways and streets	28,365		28,365	
Debt service		40,271	40,271	
Capital projects	80,619	2,267	82,886	
Regional wastewater		19,351	19,351	
Healthcare	44,032		44,032	
Unrestricted (deficit)	(530,353)	56,307	(474,046)	2,428
Total net position	\$ 1,143,410	\$ 804,614	\$ 1,948,024	\$ 7,936

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2018
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 279,678	\$ 27,713	\$ 27,474	\$ 408
Public safety	214,460	13,737	5,836	1,207
Highways and streets	110,159	8,356	61,884	23,094
Sanitation	2,683		1,267	
Health	38,186	13,727	10,292	137
Welfare	94,567		234	
Culture and recreation	65,827	3,266	985	947
Education and economic opportunity	43,492	581	23,250	1,049
Amortization - unallocated	(7,806)			
Interest on long-term debt	23,049			
Total governmental activities	864,295	67,380	131,222	26,842
Business-type activities:				
Regional Wastewater Reclamation	148,405	176,108		7,354
Development Services	5,523	8,791		
Parking Garages	2,821	2,524		
Total business-type activities	156,749	187,423		7,354
Total primary government	\$ 1,021,044	\$ 254,803	\$ 131,222	\$ 34,196
Component unit:				
Southwestern Fair Commission	7,281	7,474	120	
Total component unit	\$ 7,281	\$ 7,474	\$ 120	
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Property taxes, levied for transportation				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as restated				
Net position at end of year				

See accompanying notes to financial statements

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Unit SW Fair Commission
Governmental Activities	Business-type Activities	Total	
\$ (224,083)		\$ (224,083)	
(193,680)		(193,680)	
(16,825)		(16,825)	
(1,416)		(1,416)	
(14,030)		(14,030)	
(94,333)		(94,333)	
(60,629)		(60,629)	
(18,612)		(18,612)	
7,806		7,806	
(23,049)		(23,049)	
<u>(638,851)</u>		<u>(638,851)</u>	
	\$ 35,057	35,057	
	3,268	3,268	
	(297)	(297)	
	<u>38,028</u>	<u>38,028</u>	
<u>(638,851)</u>	<u>38,028</u>	<u>(600,823)</u>	
			<u>313</u>
			<u>\$ 313</u>
337,010		337,010	
22,832		22,832	
40,429		40,429	
56,005		56,005	
20,089		20,089	
6,569		6,569	
1,612		1,612	
118,702		118,702	
28,933		28,933	
4,733		4,733	
5,157		5,157	
5,549	2,228	7,777	20
18,381	763	19,144	148
25,393	(25,393)		
<u>691,394</u>	<u>(22,402)</u>	<u>668,992</u>	<u>168</u>
52,543	15,626	68,169	481
1,090,867	788,988	1,879,855	7,455
<u>\$ 1,143,410</u>	<u>\$ 804,614</u>	<u>\$ 1,948,024</u>	<u>\$ 7,936</u>

Functions/Programs

Primary government:

Governmental activities:

- General government
- Public safety
- Highways and streets
- Sanitation
- Health
- Welfare
- Culture and recreation
- Education and economic opportunity
- Amortization - unallocated
- Interest on long-term debt

Total governmental activities

Business-type activities:

- Regional Wastewater Reclamation
- Development Services
- Parking Garages

Total business-type activities

Total primary government

Component unit:

- Southwestern Fair Commission

Total component unit

General revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Property taxes, levied for transportation
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous

Transfers

- Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2018
(in thousands)

Exhibit A - 3

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 110,655	\$ 158,595	\$ 4,545	\$ 97,751	\$ 371,546
Property taxes receivable (net)	8,354		1,388	2,034	11,776
Interest receivable	208	83	111	169	571
Due from other funds	6,834	185		511	7,530
Due from other governments	21,471	13,298		15,916	50,685
Accounts receivable	1,715	76		4,965	6,756
Inventory				1,564	1,564
Prepaid expenditures	4,550			1,067	5,617
Loan receivable	1,291			1,595	2,886
Restricted cash and cash equivalents		1,084		45	1,129
Total assets	<u>\$ 155,078</u>	<u>\$ 173,321</u>	<u>\$ 6,044</u>	<u>\$ 125,617</u>	<u>\$ 460,060</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 13,530	\$ 22,831		\$ 9,683	\$ 46,044
Interest payable				12	12
Contract retentions		901			901
Employee compensation	6,071			2,116	8,187
Due to other funds	344			6,992	7,336
Due to other governments	7	1		163	171
Deposits and rebates	218	1,084		5	1,307
Unearned revenue	450			4,838	5,288
Total liabilities	<u>20,620</u>	<u>24,817</u>		<u>23,809</u>	<u>69,246</u>
Deferred inflows of resources					
Unavailable revenue - intergovernmental	13,028	2,067		6,156	21,251
Unavailable revenue - property taxes	6,264		\$ 1,040	1,509	8,813
Unavailable revenue - other	1,674	56		1,514	3,244
Total deferred inflows of resources	<u>20,966</u>	<u>2,123</u>	<u>1,040</u>	<u>9,179</u>	<u>33,308</u>
Total liabilities and deferred inflows of resources	<u>41,586</u>	<u>26,940</u>	<u>1,040</u>	<u>32,988</u>	<u>102,554</u>
Fund balances					
Nonspendable	4,566			2,676	7,242
Restricted		136,889		90,924	227,813
Committed				1,972	1,972
Assigned	101	9,492	5,004	4,747	19,344
Unassigned	108,825			(7,690)	101,135
Total fund balances	<u>113,492</u>	<u>146,381</u>	<u>5,004</u>	<u>92,629</u>	<u>357,506</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 155,078</u>	<u>\$ 173,321</u>	<u>\$ 6,044</u>	<u>\$ 125,617</u>	<u>\$ 460,060</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018
(in thousands)

Exhibit A - 4

Fund balances - total governmental funds		\$ 357,506
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 3,061,499	
Less accumulated depreciation	<u>(1,195,492)</u>	1,866,007
<p>Some liabilities, such as pension and other postemployment benefits (OPEB) liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Bonds payable	(373,690)	
Certificates of participation payable	(166,617)	
Notes and leases payable	(2,116)	
Pollution remediation	(236)	
Landfill closure liability	(9,978)	
Net pension/OPEB liability	(771,955)	
Compensated absences liability	<u>(32,775)</u>	(1,357,367)
<p>Net OPEB assets held in trust for future benefits are not available resources for county operations and, therefore, are not reported in the funds.</p>		
Net OPEB asset		3,249
<p>Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges on debt refunding are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
Deferred outflows of resources related to pensions/OPEB	117,814	
Deferred inflows of resources related to pensions/OPEB	(44,790)	
Deferred outflows for bond refunding	<u>8,003</u>	81,027
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		33,308
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.</p>		
		159,680
Net position of governmental activities		<u><u>\$ 1,143,410</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2018
 (in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 342,036		\$ 56,004	\$ 83,182	\$ 481,222
Licenses and permits	3,281			6,625	9,906
Intergovernmental	157,776	\$ 11,010	13	133,869	302,668
Charges for services	41,314	7,046		15,557	63,917
Fines and forfeits	3,532			3,994	7,526
Investment earnings	1,203	1,347	477	995	4,022
Miscellaneous	5,668	364		13,909	19,941
Total revenues	554,810	19,767	56,494	258,131	889,202
Expenditures:					
Current:					
General government	223,344			34,167	257,511
Public safety	146,832			25,864	172,696
Highways and streets				42,038	42,038
Sanitation	1,214			1,100	2,314
Health	3,763			35,419	39,182
Welfare	94,594				94,594
Culture and recreation	17,973			44,097	62,070
Education and economic opportunity	12,893			27,209	40,102
Capital outlay		78,370			78,370
Debt Service - principal	952		96,005	617	97,574
- interest	109		20,133	2	20,244
- miscellaneous			729		729
Total expenditures	501,674	78,370	116,867	210,513	907,424
Excess (deficiency) of revenues over (under) expenditures	53,136	(58,603)	(60,373)	47,618	(18,222)
Other financing sources (uses):					
Premium on bonds		395	2,226		2,621
Face amount of long-term debt issued		73,660			73,660
Proceeds from sale of capital assets	11			555	566
Transfers in	4,393	35,063	60,024	22,330	121,810
Transfers (out)	(46,084)	(571)		(47,869)	(94,524)
Total other financing sources (uses)	(41,680)	108,547	62,250	(24,984)	104,133
Net change in fund balances	11,456	49,944	1,877	22,634	85,911
Fund balances at beginning of year	102,036	96,437	3,127	69,995	271,595
Fund balances at end of year	\$ 113,492	\$ 146,381	\$ 5,004	\$ 92,629	\$ 357,506

See accompanying notes to financial statements

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018
(in thousands)

Net change in fund balances - total governmental funds \$ 85,911

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is depreciated
over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 49,917	
Less current year depreciation	<u>(76,335)</u>	(26,418)

Debt proceeds provide current financial resources to governmental funds but
issuing debt increases long-term liabilities in the Statement of Net Position.
Repayment of the principal of debt is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Position.
Also, governmental funds report the effect of premiums, discounts and similar
items when debt is first issued, whereas these amounts are deferred
and amortized in the Statement of Activities. This amount is the net effect of these
differences in the treatment of long-term debt and related items.

Face amount of long-term debt issued	(73,660)	
Premium on bonds	(2,621)	
Debt service - principal payments	97,574	
Amortization of premiums/discounts	7,806	
Amortization of deferred charge on refunding	<u>(2,805)</u>	26,294

Some revenues reported in the Statement of Activities do not represent
the collection of current financial resources and therefore are not reported as
revenues in the governmental funds.

Donations of capital assets	11,051	
Intergovernmental	5,176	
Property tax revenues	300	
Other	<u>414</u>	16,941

Some expenses reported in the Statement of Activities do not require the use of
current financial resources and therefore are not reported as expenditures in the
governmental funds.

Change in compensated absences	(95)	
Change in landfill liability	(191)	
Change in pollution remediation liability	360	
Net book value of capital asset disposals	(15,608)	
Judgments and claims	<u>6,410</u>	(9,124)

County pension/OPEB contributions are reported as expenditures in the governmental
funds when made. However, they are reported as deferred outflows of resources
in the Statement of Net Position because the reported net pension/OPEB liability is
measured a year before the County's report date. Pension/OPEB expense, which is
the change in the net pension/OPEB liability adjusted for changes in deferred outflows and
inflows of resources related to pensions/OPEB is reported in the Statement of Activities.

Pension/OPEB contributions	52,045	
Pension/OPEB expense	<u>(104,221)</u>	(52,176)

Internal service funds are used by management to charge the costs of certain
activities to individual funds. The incorporation of the external activities of
these funds, and the elimination of profit/loss generated by primary government
customers results in net revenue (expense) for governmental activities.

		<u>11,115</u>
Change in net position of governmental activities	\$	<u>52,543</u>

PIMA COUNTY, ARIZONA
Statement of Net Position - Proprietary Funds
June 30, 2018
(in thousands)

Exhibit A- 7

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 78,192	\$ 7,171	\$ 85,363	\$ 153,049
Restricted cash and cash equivalents	35,396		35,396	
Interest receivable	209	12	221	78
Due from other funds		23	23	
Due from other governments	3		3	6
Accounts receivable	17,262	141	17,403	384
Inventory	2,691		2,691	936
Prepaid expense	415	9	424	10,693
Total current assets	<u>134,168</u>	<u>7,356</u>	<u>141,524</u>	<u>165,146</u>
Noncurrent assets:				
Restricted cash and cash equivalents	54,354		54,354	
Net other postemployment benefits asset	127	19	146	44
Capital assets:				
Land	13,704	1,768	15,472	449
Buildings and improvements	742,791	27,608	770,399	21,880
Sewage conveyance system	839,257		839,257	
Equipment	152,987	2,374	155,361	64,085
Less accumulated depreciation	(609,667)	(12,095)	(621,762)	(34,252)
Construction in progress	74,158		74,158	597
Total capital assets (net)	<u>1,213,230</u>	<u>19,655</u>	<u>1,232,885</u>	<u>52,759</u>
Total noncurrent assets	<u>1,267,711</u>	<u>19,674</u>	<u>1,287,385</u>	<u>52,803</u>
Total assets	<u>1,401,879</u>	<u>27,030</u>	<u>1,428,909</u>	<u>217,949</u>
Deferred outflows of resources				
Pension/OPEB	4,413	673	5,086	3,497
Deferred charge on refunding	15,531		15,531	
Total deferred outflows of resources	<u>19,944</u>	<u>673</u>	<u>20,617</u>	<u>3,497</u>
Liabilities				
Current liabilities:				
Accounts payable	18,070	398	18,468	7,572
Employee compensation	565	102	667	223
Due to other funds	110		110	107
Due to other governments	3,690	52	3,742	
Unearned revenue	651	6	657	2
Current compensated absences	1,747	268	2,015	546
Current sewer revenue bonds and obligations payable	57,171		57,171	
Current portion of wastewater loans payable	557		557	
Current portion reported but unpaid losses				4,502
Current portion incurred but not reported losses				6,050
Total current liabilities	<u>82,561</u>	<u>826</u>	<u>83,387</u>	<u>19,002</u>
Noncurrent liabilities:				
Compensated absences payable	1,026	114	1,140	257
Contracts and notes payable	763		763	
Sewer revenue bonds and obligations payable	511,400		511,400	
Wastewater loans payable	2,998		2,998	
Reported but unpaid losses				17,275
Incurred but not reported losses				11,730
Net pension/OPEB liability	36,126	5,503	41,629	12,429
Total noncurrent liabilities	<u>552,313</u>	<u>5,617</u>	<u>557,930</u>	<u>41,691</u>
Total liabilities	<u>634,874</u>	<u>6,443</u>	<u>641,317</u>	<u>60,693</u>
Deferred inflows of resources				
Pension/OPEB	3,120	475	3,595	1,073
Total deferred inflows of resources	<u>3,120</u>	<u>475</u>	<u>3,595</u>	<u>1,073</u>
Net position				
Net investment in capital assets	666,763	19,655	686,418	52,759
Restricted for:				
Debt service	40,271		40,271	
Capital projects	2,267		2,267	
Healthcare				35,458
Regional wastewater reclamation	19,351		19,351	
Unrestricted	<u>55,177</u>	<u>1,130</u>	<u>56,307</u>	<u>71,463</u>
Total net position	<u>\$ 783,829</u>	<u>\$ 20,785</u>	<u>\$ 804,614</u>	<u>\$ 159,680</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 8

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2018
 (in thousands)

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:				
Charges for services	\$ 162,420	\$ 11,315	\$ 173,735	\$ 129,654
Other	718	45	763	2,762
Total operating revenues	<u>163,138</u>	<u>11,360</u>	<u>174,498</u>	<u>132,416</u>
Operating expenses:				
Employee compensation	28,287	4,011	32,298	12,736
Operating supplies and services	8,035	133	8,168	10,149
Utilities	6,219		6,219	
Sludge and refuse disposal	1,787		1,787	
Repair and maintenance	6,906	225	7,131	1,837
Incurred losses				60,031
Insurance premiums				9,936
General and administrative	14,318	2,926	17,244	13,756
Consultants and professional services	11,758	258	12,016	6,822
Depreciation	53,399	791	54,190	5,989
Total operating expenses	<u>130,709</u>	<u>8,344</u>	<u>139,053</u>	<u>121,256</u>
Operating income	<u>32,429</u>	<u>3,016</u>	<u>35,445</u>	<u>11,160</u>
Nonoperating revenues (expenses):				
Investment earnings	2,107	121	2,228	1,517
Sewer connection fees	13,688		13,688	
Interest expense	(16,177)		(16,177)	
Debt issuance cost	(438)		(438)	
Loss on disposal of capital assets	(805)		(805)	56
Loss on debt defeasance	(276)		(276)	
Total nonoperating revenues (expenses)	<u>(1,901)</u>	<u>121</u>	<u>(1,780)</u>	<u>1,573</u>
Income before contributions and transfers	30,528	3,137	33,665	12,733
Capital contributions	7,354		7,354	275
Transfers in	14	97	111	568
Transfers (out)	<u>(24,069)</u>	<u>(1,435)</u>	<u>(25,504)</u>	<u>(2,461)</u>
Change in net position	13,827	1,799	15,626	11,115
Net position at beginning of year, as restated	<u>770,002</u>	<u>18,986</u>	<u>788,988</u>	<u>148,565</u>
Net position at end of year	<u>\$ 783,829</u>	<u>\$ 20,785</u>	<u>\$ 804,614</u>	<u>\$ 159,680</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 9

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from other funds for goods and services provided				\$ 129,654
Cash received from customers for goods and services provided	\$ 162,570	\$ 11,383	\$ 173,953	
Cash received from miscellaneous operations	718		718	2,486
Cash payments to suppliers for goods and services	(29,611)	(1,764)	(31,375)	(36,098)
Cash payments to other funds for goods and services	(15,214)	(1,719)	(16,933)	(5,329)
Cash payments for incurred losses				(60,145)
Cash payments to employees for services	(30,630)	(4,823)	(35,453)	(11,968)
Net cash provided by operating activities	<u>87,833</u>	<u>3,077</u>	<u>90,910</u>	<u>18,600</u>
Cash flows from noncapital financing activities:				
Cash transfers in from other funds	14	97	111	568
Cash transfers out to other funds	(24,069)	(1,435)	(25,504)	(2,362)
Loans with other funds	85	26	111	4
Net cash used for noncapital financing activities	<u>(23,970)</u>	<u>(1,312)</u>	<u>(25,282)</u>	<u>(1,790)</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(61,284)		(61,284)	
Interest paid on bonds and loans	(24,290)		(24,290)	
Proceeds from issuance of sewer revenue obligations, including premium	44,977		44,977	
Sewer connection fees	13,351		13,351	
Proceeds from sale of capital assets	8		8	151
Purchase and construction of capital assets	(41,438)	(121)	(41,559)	(8,964)
Loss on debt defeasance	(276)		(276)	
Net cash used for capital and related financing activities	<u>(68,952)</u>	<u>(121)</u>	<u>(69,073)</u>	<u>(8,813)</u>
Cash flows from investing activities:				
Interest received on cash and investments	2,005	113	2,118	1,478
Net cash provided by investing activities	<u>2,005</u>	<u>113</u>	<u>2,118</u>	<u>1,478</u>
Net increase (decrease) in cash and cash equivalents	(3,084)	1,757	(1,327)	9,475
Cash and cash equivalents at beginning of year	<u>171,026</u>	<u>5,414</u>	<u>176,440</u>	<u>143,574</u>
Cash and cash equivalents at end of year	<u>\$ 167,942</u>	<u>\$ 7,171</u>	<u>\$ 175,113</u>	<u>\$ 153,049</u>

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 9.1

(continued)

Reconciliation of operating income to net cash provided by operating activities	Business-Type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating income	\$ 32,429	\$ 3,016	\$ 35,445	\$ 11,160
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	53,399	791	54,190	5,989
Changes in assets and deferred outflows of resources:				
Decrease (increase) in assets:				
Accounts receivable	150	12	162	(275)
Due from other governments		6	6	(1)
Inventory and other assets	(78)		(78)	(207)
Prepaid expense	(237)	(2)	(239)	64
Net OPEB asset	(127)	(19)	(146)	(44)
Increase in deferred outflows of resources:				
Pension/OPEB plans	2,590	494	3,084	2,582
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in liabilities:				
Accounts payable	826	108	934	1,216
Due to other governments	3,687	(47)	3,640	
Reported but unpaid losses				(1,509)
Incurred but not reported losses				1,395
Net Pension/OPEB liability	(2,029)	(861)	(2,890)	(932)
Other liabilities	(127)	67	(60)	108
Decrease in deferred inflows of resources:				
Pension/OPEB plans	(2,650)	(488)	(3,138)	(946)
Net cash provided by operating activities	<u>\$ 87,833</u>	<u>\$ 3,077</u>	<u>\$ 90,910</u>	<u>\$ 18,600</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2018:

Regional Wastewater Reclamation Enterprise Fund received developer-built conveyance systems with an estimated fair value of \$7,134. The Fund also received a donated sewer easement with an estimated fair value of \$220. These contributions were recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation Enterprise Fund disposed of capital assets with a net book value of \$814.

Internal Service Funds sold capital assets with a net book value of \$95, received capital contributions with a value of \$19 from General Government, received a transfer of capital assets with a net book value of \$132 from General Government and received a donation of capital assets with a net book value of \$35.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018
(in thousands)

Exhibit A - 10

	Investment Trust Funds	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 172,239	\$ 85,309
Interest receivable	192	
Due from other governments		1,611
Total assets	172,431	86,920
<u>Liabilities</u>		
Employee compensation		2,869
Due to other governments		56,613
Deposits and rebates		27,438
Total liabilities		\$ 86,920
<u>Net position</u>		
Held in trust for pool participants	\$ 172,431	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 11

	Investment Trust Funds
Additions	
Contributions from participants	\$ 1,984,834
Total contributions	1,984,834
Investment earnings	2,968
Total investment earnings	2,968
Total additions	1,987,802
Deductions	
Distributions to participants	2,024,688
Total deductions	2,024,688
Change in net position	(36,886)
Net position held in trust July 1, 2017	209,317
Net position held in trust June 30, 2018	\$ 172,431

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies

Pima County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. The County also implemented the provisions of GASB Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 established requirements for increased consistency in accounting and financial reporting for in-substance defeasance of debt. Statement No. 86 also requires an additional disclosure for all in-substance defeasance transactions.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the County. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The following describes the County's component units:

The Pima County Stadium District, a legally separate entity, was created in 1991 when the Board of Supervisors adopted a resolution to create the Stadium District to manage Kino Sports Complex. The District is a tax-levying, public improvement district and political taxing subdivision of the state of Arizona. The Stadium District, in conjunction with Pima County government, maintains the fiscal resources of the entire complex including facilities, grounds, personnel and the various services provided at the venue. Kino Sports Complex, which covers 155 acres, is the largest professional sports and entertainment venue of its kind in Pima County. The facility hosts youth athletics, amateur and professional sports, concerts and community events on its fields. The County Board of Supervisors serves as the Board of Directors and has operational responsibility for the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Library District provides and maintains library services for the County's residents. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility for the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Street Lighting Districts (SLDs) operate and maintain street lighting for specific regions in areas outside local city jurisdictions. The Pima County Board of Supervisors serves as the Board of Directors and has operational responsibility for the Districts. SLDs are reported as a special revenue fund in these financial statements and meet substantively the same criteria as blended component units. Separate financial statements for the SLDs are not available.

The Rocking K South Community Facilities District is a legally separate entity that is utilized to finance the design and construction of arterial and collector roadways, public sewer transmission mains, public regional parks and any other public infrastructure required for the planned Rocking K South community. The Pima County Board of Supervisors serves as its Board of Directors and has operational responsibility for the District. The Rocking K South Community Facilities District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation which manages and maintains the fairgrounds owned by the County and conducts annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization:

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements - Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities except for fiduciary activities. The statements also distinguish between the

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements - Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues such as connection fees, intergovernmental revenues, along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund revenues are primarily from property taxes and intergovernmental revenues.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. Capital Projects Fund revenues and other financing sources are primarily from intergovernmental, face amount of long-term debt and transfers in.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Revenues and other financing sources are primarily from property taxes, proceeds from refunding debt, and transfers in.

The County reports the following major enterprise fund:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

Regional Wastewater Reclamation (RWR) accounts for the management and operation of wastewater treatment and water pollution control programs. Revenues are primarily from charges for services and connection fees.

The County also reports the following fund types:

Internal Service Funds account for fleet maintenance and operation, insurance, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis.

Investment Trust Funds account for pooled assets and individual investment accounts the County Treasurer holds and invests on behalf of other governmental entities.

Agency Funds account for assets the County holds as an agent for the State, cities, towns, and other parties.

C. Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The County applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County recognizes property taxes to be available if collected within 30 days. In addition, other taxes that are reported as intergovernmental revenues, i.e. state shared sales tax, highway user revenues and vehicle license tax, recreational vehicle taxes, car rental surcharges, and hotel excise taxes are also recognized if collected within 30 days. Grant funded intergovernmental revenues are considered available if collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension/OPEB, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased. All investments are stated at fair value.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

E. Inventories and Prepaids

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

The County accounts for its inventories in the Wireless Integrated Network Fund using the purchase method. Inventories of the Wireless Integrated Network Fund consist of spare parts for the fixed network equipment held for consumption and are recorded as expenditures at the time of purchase. These inventories are stated at cost using the first-in, first-out method or average cost method.

Inventories of the Transportation Fund are recorded as assets when purchased and expensed when used. They are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of RWR, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of Internal Service Funds are valued at lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchase method.

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	N/A	N/A
Land improvements (Reported in buildings and improvements)	All	Straight Line	20 - 30 Years
Buildings and improvements	\$100	Straight Line	10 - 50 Years
Equipment	\$5	Straight Line	4 - 25 Years
Infrastructure/Sewer conveyance systems	\$100	Straight Line	10 - 50 Years
Intangible (Reported in land and infrastructure)	\$100	Straight Line	Varies
Software (Reported in equipment)	\$5,000	Straight Line	Varies

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

Discretely presented component unit:

The Southwestern Fair Commission, Inc. capital assets are reported at actual cost. Depreciation is calculated using the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

I. Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the County's Board of Supervisors, the highest level of decision-making authority within the County, approved by formal action (ordinance). Only the Board can remove or change the constraints placed on committed fund balances. This approval must be given at a regular supervisory meeting by taking the same type of action it employed to previously commit those amounts.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County Administrator to make assignments of resources for a specific purpose. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the County's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, the County will use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

K. Investment Earnings

Investment earnings are composed of interest, dividends, and net changes in the fair value of applicable investments.

L. Compensated Absences

Compensated absences payable consist of annual leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of annual leave depending upon years of service, but they forfeit any annual leave hours in excess of the maximum amount that are unused at year-end. Upon termination of employment, all unused and unforfeited annual leave benefits are paid to employees. Accordingly, annual leave benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate up to 1,920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but most employees forfeit them upon terminating employment. However, employees who have accumulated greater than 240 hours of sick leave and are eligible to retire will receive some benefits. Employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave to be converted to annual leave on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements under Employee Compensation only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 2: Change in Accounting Principle and Correction of a Misstatement – Prior Period Adjustment

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. In addition, governmental activities net position at July 1, 2017, has been restated for land, infrastructure, and other improvements assets that were contributed to other governments in prior years, but were still reported in the County’s asset amounts in error.

	(in thousands)				
	Governmental Activities	Business- type Activities	Major Enterprise Fund	Nonmajor Enterprise Funds	Internal Service Funds
Net Position as previously reported at June 30, 2017	\$ 1,114,384	\$ 788,981	\$ 769,996	\$ 18,985	\$ 148,564
Prior period adjustment					
Implementation of GASB 75:					
Net OPEB asset (measurement date as of June 30, 2016)	1,131				
Net OPEB liability (measurement date as of June 30, 2016)	(2,755)	(177)	(152)	(25)	(54)
Deferred outflows-county contributions made during fiscal year 2017	1,675	184	158	26	55
Other:					
Cost of land, infrastructure & other improvements contributed to other governments	(43,391)				
Accumulated depreciation	19,823				
Total prior period adjustment	(23,517)	7	6	1	1
Net position as restated, July 1, 2017	\$ 1,090,867	\$ 788,988	\$ 770,002	\$ 18,986	\$ 148,565

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments

Primary Government

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—The State statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Specified bonds, debentures, notes and other evidence of indebtedness that are denominated in United States dollars must be rated "A" or better by at least two nationally recognized rating agencies at the time of purchase.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits—At June 30, 2018, the carrying amount of the County's deposits was \$92,007, and the bank balance was \$101,395.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2018, \$4,266 of the County’s bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments—At June 30, 2018, the County’s investments consisted of \$375,880 invested in marketable securities and \$490,451 invested in the State Treasurer’s Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer’s Pool. The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk.

At June 30, 2018, credit risk for the County’s investments was as follows:

Investment Type	Fair Value	Not Rated	Standard & Poor's/Moody's Rating			
			AAA/Aaa	AA/Aa	A/A	BBB/Baa
Corporate bonds	\$ 139,875		\$ 9,982	\$ 18,953	\$ 103,446	\$ 7,494
Federal agency securities	201,651			201,651		
Money market mutual fund	34,354		34,354			
State Treasurer's Pool 5	239,852		239,852			
State Treasurer's Pool 500	167,017	\$ 167,017				
State Treasurer's Pool 7	83,582	83,582				
Total	\$ 866,331	\$ 250,599	\$ 284,188	\$ 220,604	\$ 103,446	\$ 7,494

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County’s \$866,331 of investments, \$341,526, consisting of the corporate bonds and federal agency securities, are uninsured and held by a counterparty in the County’s name in book entry form.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County had investments at June 30, 2018 of 5% or more in Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. These investments were 10% and 8%, respectively, of the County’s total investments.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s fair value. The County does not have a formal investment policy with respect to interest rate risk.

As of June 30, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u> <u>(Years)</u>
State Treasurer Investment Pool 5	\$ 239,852	0.08
State Treasurer Investment Pool 500	167,017	3.19
State Treasurer Investment Pool 7	83,582	0.09
Corporate bonds	139,875	0.77
Federal Farm Credit Bank	29,851	1.51
Federal Home Loan Bank	67,586	1.66
Federal Home Loan Mortgage Corporation	89,861	3.13
Federal National Mortgage Association	14,353	1.34
Money market mutual fund	34,354	0.07
	<u>\$ 866,331</u>	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows:

	<u>Cash on</u> <u>Hand</u>	<u>Amount of</u> <u>Deposits</u>	<u>Amount of</u> <u>Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 47	\$ 92,007	\$ 866,331	\$ 958,385

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Investment</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>	<u>Totals</u>
Statement of Net Position					
Cash and cash equivalents	\$ 524,595	\$ 85,363	\$ 172,239	\$ 85,309	\$ 867,506
Restricted cash and cash equivalents	1,129	89,750			90,879
Total	<u>\$ 525,724</u>	<u>\$ 175,113</u>	<u>\$ 172,239</u>	<u>\$ 85,309</u>	<u>\$ 958,385</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

County Treasurer’s Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants’ investments. The County Treasurer allocates interest earnings to each of the Pool’s participants. Substantially all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed above.

The Pool’s assets consist of the following:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Corporate bonds	\$ 139,538	1.00-5.13%	07/18-03/20	\$ 139,875
Federal Farm Credit Bank	30,000	1.20-2.70%	12/18-12/20	29,851
Federal Home Loan Bank	68,000	0.88-2.38%	11/18-02/22	67,586
Federal Home Loan Mortgage Corporation	90,000	1.10-3.75%	02/19-03/23	89,861
Federal National Mortgage Association	14,496	1.13-1.95%	10/18-11/20	14,353
State Treasurer Investment Pool 5	144,030	N/A	N/A	144,030
Deposits	54,126	N/A	N/A	54,126
Interest receivable	192	N/A	N/A	192
Total assets				\$ 539,874

A condensed statement of the investment pool’s net position and changes in net position follows:

Statement of Net Position

Assets held in trust for:	
Internal participants	\$ 466,945
External participants	72,929
Total assets	539,874
Total liabilities	
Total net position held in trust	\$ 539,874

Statement of Changes in Net Position

Total additions	\$ 5,757,192
Total deductions	(5,749,812)
Net increase	7,380
Net position held in trust:	
July 1, 2017	532,494
June 30, 2018	\$ 539,874

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

Fair Value Measurement—The County’s investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<u>Investment by fair value level</u>	<u>Amount</u>	<u>Fair value measurement using</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Corporate bonds	139,875	\$ 106,933	\$ 32,942
Federal Farm Credit Bank	29,851		29,851
Federal Home Loan Bank	67,586	27,894	39,692
Federal Home Loan Mortgage Corporation	89,861	5,103	84,758
Federal National Mortgage Association	14,353		14,353
Money market mutual fund	34,354	34,354	
Total investments by fair value level	<u>\$ 375,880</u>	<u>\$ 174,284</u>	<u>\$ 201,596</u>
External investment pools measured at fair value			
State Treasurer’s investment pools	490,451		
Total investments measured at fair value	<u>\$ 866,331</u>		

The investments categorized as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The investments categorized as Level 2 of the fair value hierarchy are valued using prices quoted for those investments in markets that are not active.

Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 4: Fund Balance Classification of the Governmental Funds

The table below details the fund balance categories and classifications:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:					
Nonspendable:					
Inventory				\$ 1,564	\$ 1,564
Prepaid expenditures	\$ 4,550			1,067	5,617
Loan receivable	16				16
Permanent fund principal				45	45
Total nonspendable	<u>4,566</u>			<u>2,676</u>	<u>7,242</u>
Restricted for:					
Community and economic development		\$ 1,029		1,795	2,824
Flood Control District		10,049		9,119	19,168
Health				7,871	7,871
Judicial activities				21,025	21,025
Law enforcement				4,693	4,693
Library District		1,012		14,494	15,506
Municipal facilities		19,971			19,971
Parks and recreation		295		997	1,292
Pima animal care		1,869		1,926	3,795
Sanitation		918		1,710	2,628
School reserve				256	256
Sports promotion (Stadium)		1,124			1,124
Streets and highways		99,405		26,293	125,698
Other purposes		1,217		745	1,962
Total restricted		<u>136,889</u>		<u>90,924</u>	<u>227,813</u>
Committed to:					
Parks and recreation				1,520	1,520
School reserve				239	239
Sports promotion (Stadium)				213	213
Total committed				<u>1,972</u>	<u>1,972</u>
Assigned to:					
Community and economic development				558	558
Debt service reserve			\$ 5,004		5,004
Judicial activities				93	93
Health				1,474	1,474
Law enforcement	99				99
Municipal facilities		9,031		255	9,286
Parks and recreation	2			1,977	1,979
Other purposes		461		390	851
Total assigned	<u>101</u>	<u>9,492</u>	<u>5,004</u>	<u>4,747</u>	<u>19,344</u>
Unassigned:					
	<u>108,825</u>			<u>(7,690)</u>	<u>101,135</u>
Total Fund Balance	<u>\$ 113,492</u>	<u>\$ 146,381</u>	<u>\$ 5,004</u>	<u>\$ 92,629</u>	<u>\$ 357,506</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 7/1/2017*	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 532,583	\$ 9,834	\$ (5,029)	\$ 537,388
Construction in progress	57,280	78,837	(93,222)	42,895
Total capital assets not being depreciated	<u>589,863</u>	<u>88,671</u>	<u>(98,251)</u>	<u>580,283</u>
Capital assets being depreciated:				
Buildings and improvements	874,573	33,436	(768)	907,241
Infrastructure	1,424,175	26,444	(15,867)	1,434,752
Equipment	223,249	17,179	(14,194)	226,234
Total capital assets being depreciated	<u>2,521,997</u>	<u>77,059</u>	<u>(30,829)</u>	<u>2,568,227</u>
Less accumulated depreciation for:				
Buildings and improvements	(284,505)	(25,602)	295	(309,812)
Infrastructure	(764,938)	(40,323)	6,103	(799,158)
Equipment	(115,830)	(16,399)	11,455	(120,774)
Total accumulated depreciation	<u>(1,165,273)</u>	<u>(82,324)</u>	<u>17,853</u>	<u>(1,229,744)</u>
Total capital assets being depreciated, net	<u>1,356,724</u>	<u>(5,265)</u>	<u>(12,976)</u>	<u>1,338,483</u>
Governmental activities capital assets, net	<u>\$ 1,946,587</u>	<u>\$ 83,406</u>	<u>\$ (111,227)</u>	<u>\$ 1,918,766</u>

*Beginning balances were restated to remove land, infrastructure, and other improvements that were contributed to other governments in a prior year (see Note 2).

	Balance 7/1/2017	Increases	Decreases	Balance June 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 14,998	\$ 474		\$ 15,472
Construction in progress	70,705	49,396	\$ (45,943)	74,158
Total capital assets not being depreciated	<u>85,703</u>	<u>49,870</u>	<u>(45,943)</u>	<u>89,630</u>
Capital assets being depreciated:				
Buildings and improvements	768,844	1,630	(75)	770,399
Sewage conveyance systems	798,450	44,705	(3,898)	839,257
Equipment	149,785	6,734	(1,158)	155,361
Total capital assets being depreciated	<u>1,717,079</u>	<u>53,069</u>	<u>(5,131)</u>	<u>1,765,017</u>
Less accumulated depreciation for:				
Buildings and improvements	(191,410)	(27,262)	75	(218,597)
Sewage conveyance systems	(321,238)	(16,163)	3,364	(334,037)
Equipment	(59,241)	(10,765)	878	(69,128)
Total accumulated depreciation	<u>(571,889)</u>	<u>(54,190)</u>	<u>4,317</u>	<u>(621,762)</u>
Total capital assets being depreciated, net	<u>1,145,190</u>	<u>(1,121)</u>	<u>(814)</u>	<u>1,143,255</u>
Business-type activities capital assets, net	<u>\$ 1,230,893</u>	<u>\$ 48,749</u>	<u>\$ (46,757)</u>	<u>\$ 1,232,885</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	17,709
Public safety		12,806
Highways and streets		36,953
Sanitation		415
Health		430
Welfare		16
Culture and recreation		7,173
Education and economic opportunity		833
Internal service funds		<u>5,989</u>
Total governmental activities depreciation expense	\$	<u>82,324</u>

Business-type activities:

Parking Garages	\$	791
Regional Wastewater Reclamation Department		<u>53,399</u>
Total business-type activities depreciation expense	\$	<u>54,190</u>

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	\$ 9		\$ (9)	
Total capital assets not being depreciated	<u>9</u>		<u>(9)</u>	
Capital assets being depreciated:				
Buildings and improvements	9,290	\$ 843	(76)	\$ 10,057
Equipment	2,658	130	(155)	2,633
Total capital assets being depreciated	<u>11,948</u>	<u>973</u>	<u>(231)</u>	<u>12,690</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,502)	(481)	76	(4,907)
Equipment	(2,321)	(109)	155	(2,275)
Total accumulated depreciation	<u>(6,823)</u>	<u>(590)</u>	<u>231</u>	<u>(7,182)</u>
Total capital assets being depreciated, net	<u>5,125</u>	<u>383</u>		<u>5,508</u>
SFC capital assets, net	<u>\$ 5,134</u>	<u>\$ 383</u>	<u>\$ (9)</u>	<u>\$ 5,508</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 6: Claims, Judgments and Risk Management

Self-Insurance Trust Fund (SIT Fund)

The SIT Fund, an internal service fund, accounts for the financing of the insured risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. The SIT Fund is liable for any single general or automobile liability claim up to \$2,500 per occurrence, any workers' compensation claim up to \$1,000 per occurrence, and any single medical malpractice claim up to \$1,000 per occurrence. The County purchases commercial insurance for claims in excess of the self-insurance retention provided by the SIT Fund. Settled claims have not exceeded insurance coverage in any of the last three fiscal years. Any current unemployment claims and environmental claims are self-funded.

All of the County's departments participate in the SIT Fund. Charges are based on actuarial estimates, loss history, and other factors as appropriate to determine amounts needed to pay prior and current year claims.

At June 30, 2018, claims liabilities for each insurable category are as follows:

Auto liability	\$	191
General liability		15,467
Workers' compensation		17,789
Medical malpractice		110
Environmental liability		1,500
		\$ 35,057

The above amounts, excluding the environmental liability, are reported at their present value using an expected future investment yield assumption of 2 percent.

Changes in the unpaid claims liability reported in the SIT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2016-17	\$ 41,124	\$ 626	\$ (6,279)	\$ 35,471
2017-18	35,471	7,139	(7,553)	35,057

Health Benefits Trust Fund (HBT Fund)

The HBT Fund, an internal service fund, accounts for the financing of the County's self-insured medical/pharmacy plan for employees and their dependents. The HBT Fund is responsible for collecting employer and employee premiums through payroll deductions and reimbursing Aetna, acting as a third-party administrator, for the payment of claims.

The plan consists of two options, a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA), or an HDHP without an HSA. The County purchases commercial stop-loss insurance coverage for claims in excess of coverage provided by the HBT Fund.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 6: Claims, Judgments and Risk Management (continued)

Claim liabilities are computed using a combination of two actuarial methods: the completion factor approach and the exposure approach. Accrued actuarial liabilities for the HBT Fund at June 30, 2018, are primarily for the HDHP plans and include an actuarially estimated residual liability related to the former PPO plan. The liability amounts for each plan option are as follows:

High-Deductible Health Plan:	
Medical	\$ 3,112
Pharmacy	1,378
Preferred Provider Organization Plan:	
Medical	5
Pharmacy	5
	\$ 4,500

Changes in the unpaid claims liabilities reported in the HBT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2016-17	\$ 4,600	\$ 51,353	\$ (51,753)	\$ 4,200
2017-18	4,200	52,892	(52,592)	4,500

Litigation

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Pollution Remediation

The County has estimated and reported an environmental liability of \$236 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at one County site: El Camino del Cerro.

Remediation efforts continue at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and El Camino del Cerro Road on the south. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

The estimated liability was calculated based upon the expected future outlays associated with the estimate of one pump-and-treat system for one year. There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction and injection wells, and/or changes in the estimated extent of contamination.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activities for the year ended June 30, 2018.

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>1 year</u>
Governmental activities:					
General obligation bonds	\$ 321,285		\$ 45,295	\$ 275,990	\$ 48,655
Unamortized premium/discount	15,669		3,477	12,192	2,955
Total general obligation bonds	<u>336,954</u>		<u>48,772</u>	<u>288,182</u>	<u>51,610</u>
Transportation revenue bonds	84,435	\$ 11,000	15,105	80,330	14,820
Unamortized premium/discount	5,254	1,684	1,760	5,178	1,542
Total transportation revenue bonds	<u>89,689</u>	<u>12,684</u>	<u>16,865</u>	<u>85,508</u>	<u>16,362</u>
Certificates of participation	134,205	62,660	35,605	161,260	64,875
Unamortized premium/discount	6,989	937	2,569	5,357	1,915
Total certificates of participation	<u>141,194</u>	<u>63,597</u>	<u>38,174</u>	<u>166,617</u>	<u>66,790</u>
Capital lease payable	88		50	38	38
Installment note payable	3,597		1,519	2,078	1,511
Net pension/OPEB liabilities (Note 10) *	741,704	42,680		784,384	
Reported but unpaid losses (Note 6)	23,286	221	1,730	21,777	4,502
Incurred but not reported losses (Note 6)	16,385	2,740	1,345	17,780	6,050
Landfill closure and post-closure care costs (Note 8)	9,787	191		9,978	
Pollution remediation (Note 6)	596		360	236	
Compensated absences payable	33,363	754	539	33,578	21,157
Total governmental activities long-term liabilities	<u>\$ 1,396,643</u>	<u>\$ 122,867</u>	<u>\$ 109,354</u>	<u>\$ 1,410,156</u>	<u>\$ 168,020</u>

* There was a restatement of net position as a result of the implementation of GASB Statement No. 75 (see Note 2).

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Business-type activities:					
Sewer revenue bonds	\$ 20,505		\$ 17,645	\$ 2,860	\$ 1,395
Unamortized premium/discount	30		27	3	3
Total revenue bonds payable	<u>20,535</u>		<u>17,672</u>	<u>2,863</u>	<u>1,398</u>
Sewer revenue obligations	513,430	\$ 38,205	42,565	509,070	44,585
Unamortized premium/discount	61,056	7,210	11,628	56,638	11,188
Total revenue obligations payable	<u>574,486</u>	<u>45,415</u>	<u>54,193</u>	<u>565,708</u>	<u>55,773</u>
Regional Wastewater Reclamation					
Loan payable	4,630		1,075	3,555	557
Total loan payable	<u>4,630</u>		<u>1,075</u>	<u>3,555</u>	<u>557</u>
Net pension and other postemployment benefits liability (Note 10) *	44,520		2,891	41,629	
Contracts and notes	1,564	1,420	2,221	763	
Compensated absences payable	3,187	45	77	3,155	2,015
Total business-type activities long-term liabilities	<u>\$ 648,922</u>	<u>\$ 46,880</u>	<u>\$ 78,129</u>	<u>\$ 617,673</u>	<u>\$ 59,743</u>

* There was a restatement of net position as a result of the implementation of GASB Statement No. 75 (see Note 2).

The County's debt consists of various issues of general obligation bonds, transportation revenue bonds, certificates of participation, and sewer revenue bonds, loan, and obligations that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The County repays general obligation bonds from voter-approved property taxes. Transportation revenue bonds are repaid from net highway user revenues in the Transportation fund. Certificates of participation are repaid from General fund and other various funds' revenues. Sewer revenue bonds, obligations, and loan are repaid from the charges for services in the Regional Wastewater Reclamation fund.

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2018, consisted of the outstanding general obligation bonds presented below.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2008	\$ 100,000	4.00%	2019	July 1, 2018	\$ 7,500
Series of 2009	75,000	3.75 - 4.00%	2019-20	July 1, 2019	6,000
Series of 2009A	90,000	3.50%	2019-21	July 1, 2019	19,195
Series of 2011	75,000	3.00 - 5.00%	2019-22	July 1, 2021	14,360
Series of 2012A	60,000	3.00 - 4.00%	2019-27	July 1, 2022	32,880
Series of 2013A	50,000	2.00 - 4.00%	2019-28	July 1, 2023	35,175
Series of 2013B Refunding	38,575	3.00%	2019-20		10,400
Series of 2014	10,000	1.50 - 5.00%	2019-28	July 1, 2023	7,390
Series of 2015	15,000	2.25 - 4.00%	2019-29	July 1, 2025	9,690
Series of 2016 Refunding	122,070	2.00 - 4.00%	2019-26		114,005
Series of 2017	25,680	1.83%	2019-21		19,395
G.O. bonds outstanding					275,990
Plus unamortized premium/discount:					12,192
			Total G.O. bonds outstanding		<u>\$ 288,182</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 48,655	\$ 9,471
2020	52,425	8,093
2021	40,945	6,647
2022	40,350	5,173
2023	28,810	3,561
2024-2028	63,820	6,170
2029	985	30
Total	<u>\$ 275,990</u>	<u>\$ 39,145</u>

During fiscal year 2016-17, the County issued General Obligation Refunding Bonds, Series 2016 to defease certain General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of the defeased debts. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. At June 30, 2018, \$22,185 of General Obligation Bonds Series 2009, \$21,600 of Series 2009A, and \$17,380 of Series 2011 were considered defeased.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

TRANSPORTATION BONDS PAYABLE

Governmental Activities

(Payments made from street and highway revenues)

Pima County transportation revenue bonds were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, \$62,375 from the November 4, 1997 bond election remains unissued.

On April 12, 2018, the County issued Transportation Bonds, Series 2018 for \$11,000 to finance various street and highway improvements within the County.

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2008	\$ 25,000	4.25%	2019	July 1, 2018	\$ 2,600
Series of 2009	15,000	4.00%	2019-20	July 1, 2019	3,445
Series of 2009 Refunding	8,420	4.00%	2019-20	July 1, 2019	1,610
Series of 2012	18,425	3.00 - 4.00%	2019-27	July 1, 2022	12,275
Series of 2014	16,000	3.00 - 5.00%	2019-28	July 1, 2023	12,500
Series of 2015 Refunding	13,685	5.00%	2019-20		10,250
Series of 2016 Refunding	28,315	1.75 - 5.00%	2019-24		26,650
Series of 2018	11,000	2.00 - 5.00%	2019-33	July 1, 2028	11,000
Transportation bonds outstanding					80,330
Plus unamortized premium/discount:					5,178
Total transportation bonds outstanding					<u>\$ 85,508</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 14,820	\$ 3,354
2020	14,405	2,749
2021	11,200	2,079
2022	10,605	1,544
2023	6,095	1,027
2024-2028	19,040	2,776
2029-2033	4,165	645
Total	<u>\$ 80,330</u>	<u>\$ 14,174</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

Pima County has pledged future street and highway revenues, to repay \$80,330 in transportation revenue bonds issued between 2008 and 2018. Proceeds from the bonds provide financing for construction of various highways and streets within Pima County. The bonds are payable from transportation revenues and are payable through 2033. Total principal and interest remaining to be paid on the bonds is \$94,504. It is expected that approximately 10 percent of total future revenues will be used to pay annual principal and interest on the bonds. Prior year street and highway revenues are required to be greater than two times the maximum annual debt service payment. Principal and interest paid for bonds in the current year, and total current year street and highway revenues were \$18,703 and \$61,552, respectively.

During fiscal year 2016-17, the County issued Transportation Bonds, Series 2016 to defease certain Transportation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. At June 30, 2018, \$11,385 of Transportation Bonds Series 2009 were considered defeased.

CERTIFICATES OF PARTICIPATION

Governmental Activities

(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose.

On April 4, 2018, the County issued Certificates of Participation Series 2018A for \$23,265 to finance the costs to renovate, construct and equip the Historic Courthouse facility of the County. The County also issued Certificates of Participation Series 2018B for \$39,395 for various road improvements and other capital projects in the county.

The following schedule details outstanding Certificates of Participation payable at June 30, 2018.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2010	\$ 20,000	4.13%	2019		\$ 2,625
Series of 2013A	80,175	5.00%	2019-23		13,150
Series of 2014	52,160	5.00%	2019-29	December 1, 2023	42,315
Series of 2015	57,025	5.00%	2019		12,025
Series of 2016A	19,110	5.00%	2019		5,610
Series of 2016A Refunding	9,640	5.00%	2019-22		9,135
Series of 2016B	15,185	1.73 - 4.04%	2019-31	June 1, 2026	13,740
Series of 2018A	23,265	3.00 - 5.00%	2019-21		23,265
Taxable Series 2018B	39,395	2.35 - 2.70%	2019-21		39,395
Certificates of participation outstanding					161,260
Plus unamortized premium/discount:					5,357
Total certificates of participation outstanding					\$ 166,617

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 64,875	\$ 5,678
2020	21,960	3,845
2021	22,080	2,924
2022	9,995	2,203
2023	7,370	1,792
2024-2028	26,410	5,148
2029-2031	8,570	345
Total	<u>\$ 161,260</u>	<u>\$ 21,935</u>

On February 4, 2010, the County issued Certificates of Participation Series 2010 for \$20,000 to finance the replacement computer enterprise system composed of servers and other hardware, computer terminals, software and system training. The new enterprise system will serve the County with finance, budget, procurement, human resources, and material management systems.

On May 22, 2013, the County issued Certificates of Participation Series 2013A for \$80,175. The County intends to use \$60,000 of the proceeds from that issue for projects related to its sewer system. Although no sewer revenues are pledged for the repayment of the Certificates, the County intends to transfer available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects.

On February 12, 2014, the County issued Certificates of Participation Series 2014 for \$52,160 to finance the costs of completing the Public Service Center and Office Tower. The County may also use a portion of the funds for other capital projects.

On April 15, 2015, the County issued Certificates of Participation Series 2015 for \$57,025 to expand and improve the County's existing sewer system facilities. The County may also use a portion of the funds for other capital projects.

On April 14, 2016, the County issued Certificates of Participation Series 2016A for \$28,750, \$9,640 to refund a portion of Certificates of Participation Series 2007A, and \$19,110 of the proceeds to expand and improve the County's existing sewer system facilities. Although no specific sewer revenues are pledged for the repayment of the Certificates, the County anticipates using available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects. In addition, the County issued Certificates of Participation Series 2016B for \$15,185 to develop, design, and construct a manufacturing and administrative headquarters to be used by World View Enterprises, Inc., which will lease the facility from the County over a 20-year period.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

INSTALLMENT NOTE PAYABLE
Governmental Activities

In prior years, the County acquired Painted Hills property under contract agreements at a total purchase price of \$7,500 and acquired the open space generally in the area of Greasewood Road and West 36th Street under contract agreements at a total purchase price of \$2,075. The following schedule details debt service requirements to maturity for the County's installment note payable at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Land</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,511	\$ 54
2020	567	
Total	\$ 2,078	\$ 54

CAPITAL LEASE
Governmental Activities

In prior years, the County acquired computer network storage arrays under a long-term capital lease agreement. The carrying value of assets acquired through capital lease consists of \$82 of equipment.

The debt service requirement to maturity for the County's capital lease payable at June 30, 2018 was \$38, payable in fiscal year 2019.

SEWER REVENUE BONDS, OBLIGATIONS AND LOAN
Business-type Activities
(Payments made from user charges received in the RWR)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation system.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2009	\$ 18,940	3.75%	2019-20	July 1, 2019	\$ 2,860
Sewer revenue bonds outstanding					2,860
Plus unamortized premium/discount:					3
Total sewer revenue bonds outstanding					\$ 2,863

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,395	\$ 107
2020	<u>1,465</u>	<u>55</u>
Total	<u>\$ 2,860</u>	<u>\$ 162</u>

During the year ended June 30, 2018, the County defeased \$16,320 of Sewer Revenue Bonds, Series 2008 with existing resources to reduce the debt service costs and help eliminate the need for future sewer rate increases. Accordingly, the related liabilities are not included in the County's financial statements. The County placed \$16,637 of existing cash in an irrevocable trust to provide resources for the future debt service payments of \$16,646 on the defeased debt.

On June 17, 2010, Pima County issued Sewer Revenue Obligations Series 2010 for \$165,000 primarily to pay a portion of the capital project costs associated with the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the county-wide sewer system, including the Agua Nueva (previously known as Roger Road) and Tres Rios (previously known as Ina Road) Wastewater Reclamation Facilities.

In December 2011, the County issued Sewer Revenue Obligations Series 2011B for \$189,160 to provide additional funding for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

In December 2012, the County issued Sewer Revenue Obligations Series 2012A for \$128,795. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System, including the Agua Nueva and Tres Rios Wastewater Reclamation Facilities.

In February 2014, the County issued Sewer Revenue Obligations Series 2014 for \$48,500. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

In February 2017, the County issued Sewer Revenue Obligations Series 2017 for \$45,000. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

In April 2018, the County issued Sewer Revenue Obligations Series 2018 for \$38,205. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

In prior years, the County defeased certain Sewer Revenue Bonds and Sewer Revenue Obligations by placing the proceeds of Sewer Revenue Refunding Obligations Series 2016 in an irrevocable trust to provide for all future debt service payments on the defeased debts. Accordingly, the trust account assets and the liability for these defeased bonds and obligations are not included in the County's financial statements. At June 30, 2018, \$6,725 of Sewer Revenue Bonds Series 2009, \$85,495 of Sewer Revenue Obligations Series 2010, and \$71,000 of Sewer Revenue Obligations Series 2011B were considered defeased.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following table presents amounts outstanding for sewer revenue obligations by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2010	\$ 165,000	3.75 - 5.00%	2019-21	July 1, 2020	\$ 43,830
Series of 2011B	189,160	5.00%	2019-22	July 1, 2021	48,920
Series of 2012A	128,795	2.00 - 5.00%	2019-27	July 1, 2022	88,550
Series of 2014	48,500	5.00%	2019-28	July 1, 2023	37,740
Series 2016 Refunding	211,595	5.00%	2019-26		209,500
Series 2017	45,000	2.77%	2019-31		42,325
Series 2018	38,205	5.00%	2026-33	July 1, 2028	38,205
Sewer revenue obligations outstanding					509,070
Plus unamortized premium/discount:					56,638
Total sewer revenue obligations outstanding					<u>\$ 565,708</u>

The following schedule details sewer revenue obligation debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 44,585	\$ 24,281
2020	54,565	22,116
2021	57,600	19,516
2022	59,840	16,781
2023	62,805	13,936
2024-2028	192,940	29,709
2029-2033	36,735	4,587
Total	<u>\$ 509,070</u>	<u>\$ 130,926</u>

In October 2009, the County entered into a loan agreement for the funding of construction of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

The following table presents the loan payable outstanding amount.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2018</u>
2009 Loan payable	\$ 8,002	0.96%	2019-24	\$ 3,555
Total loan payable				<u>\$ 3,555</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details loan payable debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 557	\$ 88
2020	571	74
2021	585	60
2022	599	45
2023	614	31
2024	629	15
Total	<u>\$ 3,555</u>	<u>\$ 313</u>

Pima County has pledged future user charges, net of specified operating expenses, to repay \$2,860 in sewer revenue bonds issued in 2009, \$509,070 in sewer revenue obligations issued between 2010 and 2018, and \$3,555 in sewer revenue loan issued in 2009. Proceeds from the bonds, obligations and loan provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds, obligations and loan are payable from total customer net revenues and are payable through fiscal year 2033. It is expected that approximately 74 percent of total customer net revenues will be used to pay annual principal and interest payments on the bonds and obligations and approximately 2 percent of total customer net revenues will be used to pay annual principal and interest on the loan. Total principal and interest remaining to be paid on the bonds, obligations and loan are \$3,022, \$639,996 and \$3,868, respectively. Principal and interest paid in the current year on the bonds and obligations, and on the loan, and total customer net revenues were \$69,160 \$1,232, and \$101,622, respectively.

All sewer revenue bonds were issued and the loan agreements were executed with a first lien on the pledge of the RWR net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the RWR to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies in amounts set by each debt issue. At June 30, 2018 the RWR met the requirements of the debt covenants. The County is also authorized to issue for the RWR additional parity bonds or revenue obligations if certain conditions are met, primarily that net revenues for parity bonds and pledged revenues for revenue obligations for the fiscal year immediately preceding issuance of the new debt exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

CONTRACTS AND NOTES

Business-type Activities

(Payments made from restricted assets in the RWR)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, with voter approval, debt may be incurred up to 15 percent of the value of taxable property. Pima County has received voter approval for all general obligation debt. The legal debt margin at June 30, 2018, is as follows:

Net assessed valuation	\$	8,508,990
<u>Debt limit (15% of net assessed valuation):</u>	\$	1,276,349
<u>Less amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$	275,990
Less fund balance in debt service fund available for payment of general obligation bond principal		273,079
		<u>(2,911)</u>
Legal debt margin available		<u><u>\$ 1,003,270</u></u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

NOTE 8: Landfill Liabilities

Solid Waste Landfill Closure and Post-Closure Care Costs:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The \$9,978 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$4,175 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2018; actual costs may change due to inflation, changes in technology, or changes in regulations.

<u>Landfill Site</u>	<u>Capacity Used June 30, 2018</u>	<u>Estimated Remaining Service Life</u>
Ajo	75%	35 Years
Sahuarita*	59%	25 Years
Tangerine	100%	Closed

*The Sahuarita Landfill stopped accepting waste from the public in February 2016 but remains open for internal County waste disposal needs.

The County plans to fund the estimated closure and post-closure care costs with General Fund monies.

According to State and Federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$11,608 when closure occurs and plans to fund the costs with General Fund monies. At this time, there is no closure date available.

On June 1, 2013 Tucson Recycling and Waste Services was contracted to operate the remaining open landfill and transfer stations on behalf of Pima County in an agency capacity. The closure and post closure costs remain the liability of Pima County.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 9: Operating Leases

The County leases land, buildings, parking spaces, machinery, and office equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$10,018 for the year ended June 30, 2018. These operating leases have remaining lease terms from one to thirty-seven years. Also, they provide renewal options and are contingent on budgetary appropriations each fiscal year. The future estimated maximum rental payments under these operating leases as of June 30, 2018, are as follows:

Year ending June 30	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 15,505	\$ 200
2020	4,596	200
2021	1,178	200
2022	831	200
2023	337	200
2024-28	126	1,000
2029-33	42	1,000
2034-38		1,000
2039-43		1,000
2044-48		1,000
2049-53		1,000
2054-55		350
Total maximum lease payments	<u>\$ 22,615</u>	<u>\$ 7,350</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan (CORP), the Corrections Officer Retirement Plan – Administrative Office of the Courts (CORP AOC), the Public Safety Personnel Retirement System (PSPRS), consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan (EORP), all component units of the State of Arizona.

At June 30, 2018, the County reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ 3,293	\$ 146	\$ 3,439
Net pension and OPEB liability	784,384	41,629	826,013
Deferred outflows of resources related to pensions and OPEB	121,311	5,086	126,397
Deferred inflows of resources related to pensions and OPEB	45,863	3,595	49,458
Pension and OPEB expense	107,019	(106)	106,913

The County's accrued payroll and employee benefits includes \$3,227 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the County reported \$52,045 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The ASRS, CORP, CORP AOC, PSPRS - Pima County Sheriffs, and EORP pension plans are described below. The PSPRS, Pima County - County Attorney Investigators pension plan and all (OPEB) plans are not described due to their relative insignificance to the County's financial statements.

A. Arizona State Retirement System

Plan description—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Benefits provided—The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions— In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.26 percent for retirement of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2018, were \$25,552.

During fiscal year 2018, the County paid for ASRS pension contributions as follows: 60 percent from the General Fund, 9 percent from major funds, and 31 percent from other funds.

Liability—At June 30, 2018, the County reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension liability
Pension	\$375,197

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The net pension liability was measured as of June 30, 2017. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The County's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

ASRS	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	2.41	(0.03)

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net liability as a result of these changes is not known.

Expense—For the year ended June 30, 2018, the County recognized the following pension expense.

ASRS	Pension expense
Pension	\$4,958

Deferred outflows/inflows of resources— At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 11,250
Changes of assumptions or other inputs	\$ 16,296	11,219
Net difference between projected and actual earnings on pension plan investments	2,693	
Changes in proportion and differences between county contributions and proportionate share of contributions	24	8,455
County contributions subsequent to the measurement date	25,552	
Total	\$ 44,565	\$ 30,924

The \$25,552 reported as deferred outflows of resources related to ASRS pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expense as follows:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Year ending June 30	
2019	\$ (20,999)
2020	13,402
2021	4,316
2022	(8,630)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		Long-term expected arithmetic real rate of return
Asset class	Target allocation	
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.84%
Total	<u>100%</u>	

Discount rate— The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Sensitivity of the County’s proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
County’s proportionate share of the net pension liability	\$ 481,572	\$ 375,197	\$ 286,313

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan for county detention officers and a cost-sharing multiple-employer defined benefit pension plan for AOC officers. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	
CORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service	

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

CORP	<u>Initial membership date:</u>
	<u>Before January 1, 2012</u> <u>On or after January 1, 2012</u>
Ordinary disability retirement	2.5% per year of credited service
Survivor benefit	
Retired members	80% of retired member's pension benefit
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation for PSPRS and excess investment earnings for CORP. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Sheriff</u>	<u>CORP Detention</u>
Inactive employees or beneficiaries currently receiving benefits	394	198
Inactive employees entitled to but not yet receiving benefits	115	143
Active employees	462	487
Total	<u>971</u>	<u>828</u>

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active member— pension</u>	<u>County—pension</u>
PSPRS Sheriff	7.65% - 11.65%	63.07%
CORP Detention	8.41%	24.86%
CORP AOC	8.41%	22.51%

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

	<u>Pension</u>
PSPRS Sheriff	46.18%
CORP Detention	18.15%
CORP AOC	15.27%

The County's contributions to the plans for the ended June 30, 2018, were:

	<u>Pension</u>
PSPRS Sheriff	\$18,771
CORP Detention	5,155
CORP AOC	3,003

During fiscal year 2018, the County paid for PSPRS and CORP pension contributions as follows: 94 percent from the General Fund and 6 percent from other non-major funds.

Liability —At June 30, 2018, the County reported the following liabilities:

	<u>Net pension liability</u>
PSPRS Sheriff	\$ 231,783
CORP Detention	76,705
CORP AOC (County's proportionate share)	47,929

The net pension liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP and CORP AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS and CORP—Pension

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price Inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP	Long-term expected	
<u>Asset class</u>	<u>Target allocation</u>	<u>geometric real rate of return</u>
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rates— At June 30, 2017, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Changes in the net pension liability PSPRS – Sheriff	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability / (asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2017	\$ 355,423	\$ 136,979	\$ 218,444
Changes for the year:			
Service cost	8,078		8,078
Interest on the total pension liability	26,186		26,186
Changes of benefit terms	4,033		4,033
Differences between expected and actual experience in the measurement of the pension liability	(1,177)		(1,177)
Changes of assumptions or other inputs	12,797		12,797
Contributions—employer		16,871	(16,871)
Contributions—employee		3,900	(3,900)
Net investment income		16,189	(16,189)
Benefit payments, including refunds of employee contributions	(20,634)	(20,634)	
Administrative expense		(144)	144
Other changes		(238)	238
Net changes	29,283	15,944	13,339
Balances at June 30, 2018	\$ 384,706	\$ 152,923	\$ 231,783
CORP – Detention	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability / (asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2017	\$ 109,504	\$ 49,774	\$ 59,730
Changes for the year:			
Service cost	3,235		3,235
Interest on the total pension liability	8,091		8,091
Changes of benefit terms	15,675		15,675
Differences between expected and actual experience in the measurement of the pension liability	(1,044)		(1,044)
Changes of assumptions or other inputs	3,566		3,566
Contributions—employer		4,871	(4,871)
Contributions—employee		1,814	(1,814)
Net investment income		5,953	(5,953)
Benefit payments, including refunds of employee contributions	(6,489)	(6,489)	
Administrative expense		(52)	52
Other changes		(38)	38
Net changes	23,034	6,059	16,975
Balances at June 30, 2018	\$ 132,538	\$ 55,833	\$ 76,705

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

CORP AOC	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	11.95	(0.47)

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rate of 7.4 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<u>1% Decrease (6.4%)</u>	<u>Current discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PSPRS Sheriff			
Net pension liability	\$ 281,801	\$ 231,783	\$ 190,732
CORP Detention			
Net pension liability	\$ 96,171	\$ 76,705	\$ 61,009
CORP AOC			
County's proportionate share of the net pension liability	\$ 61,954	\$ 47,929	\$ 36,587

Plan fiduciary net position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension expense—For the year ended June 30, 2018, the County recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Sheriff	\$ 33,082
CORP Detention	23,940
CORP AOC (County's proportionate share)	18,812

Pension deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS – Sheriff	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 8,223
Changes of assumptions or other inputs	\$ 29,163	
Net difference between projected and actual earnings on pension plan investments	2,153	
County contributions subsequent to the measurement date	18,771	
Total	\$ 50,087	\$ 8,223

CORP – Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 3,391
Changes of assumptions or other inputs	\$ 8,387	
Net difference between projected and actual earnings on pension plan investments	668	
County contributions subsequent to the measurement date	5,155	
Total	\$ 14,210	\$ 3,391

CORP – AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 439	\$ 1,646
Changes of assumptions or other inputs	4,654	
Net difference between projected and actual earnings on pension plan investments	571	
Changes in proportion and differences between county contributions and proportionate share of contributions	21	917
County contributions subsequent to the measurement date	3,003	
Total	\$ 8,688	\$ 2,563

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP AOC
Year ending June 30			
2019	\$ 8,577	\$ 2,400	\$ 1,526
2020	9,188	2,024	1,411
2021	3,307	936	452
2022	1,521	233	(267)
2023	500	71	
	\$ 23,093	\$ 5,664	\$ 3,122

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

C. Elected Officials Retirement Plan

Plan description— Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This EORP pension plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

Benefits provided—The EORP provides retirement and survivor benefits. State statute establishes benefit terms. Retirement, disability and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2018, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County's required contributions to ASRS for these elected officials and judges. In addition, statute required the County to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County's contributions to the pension plan for the year ended June 30, 2018, was \$1,508.

During fiscal year 2018, the County paid for EORP pension contributions entirely from the General Fund.

Liability—At June 30, 2018, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 90,478
State's proportionate share of the EORP net pension liability associated with the County	29,292
Total	\$ 119,770

The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known.

The County's proportion of the net pension liability was based on the County's actual contributions to the pension plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

EORP	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	7.42	(0.48)

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Expense—For the year ended June 30, 2018, the County recognized pension expense for EORP of \$24,557 and revenue of \$4,111 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 784
Changes of assumptions or other inputs	\$ 3,532	
Net difference between projected and actual earnings on pension plan investments	555	
Changes in proportion and differences between county contributions and proportionate share of contributions	931	340
County contributions subsequent to the measurement date	1,508	
Total	\$ 6,526	\$ 1,124

The amounts reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	
2019	\$ 3,152
2020	774
2021	147
2022	(179)

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

EORP	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The long-term expected rate of return on EORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP		
Asset class	Target allocation	Long-term expected geometric real rate of return
Short-term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rates—At June 30, 2017, the discount rates used to measure the EORP total pension liability was 3.91 percent, which was an increase of 0.23 from the discount rates used as of June 30, 2016. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rates noted above, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

EORP	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
County’s proportionate share of the net pension liability	\$ 106,878	\$ 90,478	\$ 77,102

Plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued EORP financial report.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 11: Due from Other Governments

Governmental activities:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
Federal government:					
Grants and contributions	\$ 57		\$ 3,964		\$ 4,021
State of Arizona:					
Taxes and shared revenues	20,132	\$ 4,888	5,457		30,477
Grants and contributions			5,461		5,461
Cities:					
Reimbursement for services	1,177	8,227	1,016	\$ 4	10,424
Other governments:					
Reimbursement for services	105	183	18	2	308
Total due from other governments fund based statements	<u>\$ 21,471</u>	<u>\$ 13,298</u>	<u>\$ 15,916</u>	<u>\$ 6</u>	<u>\$ 50,691</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 12: Interfund Transactions

A. Interfund Assets/Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due to:

Amounts recorded as due from:	<i>General</i>	<i>Other Governmental</i>	<i>Regional Wastewater Reclamation</i>	<i>Internal Services</i>	<i>Total</i>
General	\$ 6,828	\$ 6		\$	6,834
Capital Projects		120	65		185
Other Governmental	\$ 344	32	28	\$ 107	511
Other Enterprise		12	11		23
Total	\$ 344	\$ 6,992	\$ 110	\$ 107	\$ 7,553

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	<i>General</i>	<i>Capital Projects</i>	<i>Other Governmental</i>	<i>Regional Wastewater Reclamation</i>	<i>Other Enterprise</i>	<i>Internal Services</i>	<i>Total</i>
General	\$ 16	\$ 3,357	\$ 236	\$ 750	\$ 34	\$	4,393
Capital Projects	\$ 10,896	24,102			15	50	35,063
Debt Service	14,104	395	19,075	23,553	654	2,243	60,024
Other Governmental	20,516	160	1,335	183	2	134	22,330
Regional Wastewater Reclamation					14		14
Other Enterprise				97			97
Internal Service	568						568
Total	\$ 46,084	\$ 571	\$ 47,869	\$ 24,069	\$ 1,435	\$ 2,461	\$ 122,489

The table above does not include transfers of capital assets from the proprietary funds to the governmental activities because these are not reported in the governmental funds.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 13: Construction and Other Significant Commitments

At June 30, 2018, Pima County had the following major contractual commitments:

Community Services

The Community Services Department had contractual commitments related to service contracts of \$16,259. Funding for these expenditures will be provided from reimbursements on intergovernmental grant awards, including federal and state entities.

Facilities Management

The Facilities Management Department had construction contractual commitments of \$12,028 and other contractual commitments related to service contracts of \$9,998. Funding for these expenditures will be provided from general fund revenues and general obligation bonds.

General Government

The Office of Medical Services had commitments related to service contracts of \$32,292. Funding for these expenditures will be provided from general fund revenues.

Natural Resources, Parks and Recreation

The Natural Resources, Parks and Recreation Department had construction contractual commitments of \$6,292 and other contractual commitments related to service contracts of \$3,032. Funding for these expenditures will be provided from general fund revenues.

Regional Wastewater Reclamation

The Regional Wastewater Reclamation enterprise fund had construction contractual commitments of \$24,682 and other contractual commitments related to services of \$23,585. Funding for these expenses will be primarily from the Sewer Revenue Obligations and sewer user fees.

Transportation

The Transportation Department had construction commitments of \$95,090 and other contractual commitments related to services of \$2,085. Funding for these expenditures will be primarily provided from Transportation Revenue bonds, federal grants funding and state Highway User Tax Revenue, which is the primary source of revenue for the Transportation Department.

Note 14: Deficit Fund Balances/Net Position

At June 30, 2018, the following nonmajor funds reported deficits in fund balance or net position:

Fund	Deficit
Governmental Funds:	
Other Grants	\$ 3,447
Stadium District	3,487
Proprietary funds:	
Development Services	\$ 175

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

SUMMARY OF LEGAL DOCUMENTS

The following are brief summaries of the provisions of the Financing Documents together with certain definitions in the Financing Documents not defined elsewhere in the Official Statement. These summaries are not intended to be definitive. Reference is made to the complete documents for the complete terms thereof. Copies of the documents are available as set forth in the Official Statement under the heading “INTRODUCTORY STATEMENT.”

CERTAIN DEFINITIONS

“2010 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2010, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Second Supplement.

“2013A Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2013A, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Third Supplement.

“2014 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2014, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Fourth Supplement.

“2016 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2016, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Sixth Supplement.

“2018 Certificates” shall mean the Outstanding principal amount of Certificates of Participation, Series 2018A and Taxable Series 2018B, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Seventh Supplement.

“2019 Certificates” shall mean the \$20,940,000 principal amount of Certificates of Participation, Series 2019, evidencing proportionate ownership interests in the Lease Payments to be made by the County, executed and delivered pursuant to the Original Trust Agreement, as supplemented by the Eighth Supplement.

“Acquisition Fund” shall mean the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Additional Certificates” shall mean additional certificates issued subsequent to the 2019 Certificates pursuant to the Trust Agreement.

“Additional Rent” shall mean any payments required to be made by the County pursuant to the Lease, in addition to the Lease Payments.

“Adult Detention Center” shall mean certain maximum and medium security detention facilities of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

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

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

“Certificates” shall mean the 2010 Certificates, the 2013 Certificates, the 2014 Certificates, the 2016 Certificates, the 2018 Certificates, the 2019 Certificates and any Additional Certificates.

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

“Deed” shall mean the Special Warranty Deed from the County, as grantor, to the Trustee, as grantee, conveying the Public Works Building, the Legal Services Building and the Adult Detention Center to the Trustee.

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

“Eighth Amendment” means the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment and the Seventh Amendment.

“Eighth Supplement” means the Eighth Supplement to Trust Agreement, dated as of May 1, 2019, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement and the Seventh Supplement.

“Event of Default” shall mean (a) an event of default under the Lease, as defined in Section 9.1 thereof, (b) if the Lease has been terminated because the County fails to obtain proper budgeting and appropriation of the full amount of funds necessary to make all Lease Payments for any fiscal period, as described in the Lease, and the Lease has not been reinstated as provided therein, or (c) the failure of the Trustee to receive from the County an amount sufficient to pay principal of or interest on the Certificates on any date payment thereof is due.

“Fifth Amendment” means the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment.

“Fifth Supplement” means the Fifth Supplement to Trust Agreement, dated as of April 1, 2015, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement and the Fourth Supplement.

“First Amendment” means the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009, between the Trustee and the County, amending the Original Lease-Purchase Agreement.

“First Supplement” means the First Supplement to Trust Agreement, dated as of June 1, 2009, between the Trustee and the County, supplementing and amending the Original Trust Agreement.

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

“Fourth Amendment” means the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment and the Third Amendment.

“Fourth Supplement” means the Fourth Supplement to Trust Agreement, dated as of January 1, 2014, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement and the Third Supplement.

“Ground Lease” shall mean, collectively, the Ground Lease, dated as of June 1, 2008, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the Public Works Parking Garage to the Trustee, the Ground Lease, dated as of January 1, 2014, between the County, as lessor, and the Trustee, as lessee, together with any amendments therefor or supplements thereto, leasing the Public Service Center Office Tower and Parking Garage to the Trustee and the Ground Lease, dated as of May 1, 2019, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the Justice Building.

“Interest Payment Date” shall mean each of the dates on which interest is due and payable with respect to the Certificates as provided in the Trust Agreement.

“Justice Building” shall mean the justice building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Lease” shall mean the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, the Seventh Amendment, the Eighth Amendment and as subsequently amended from time to time.

“Lease Payment” shall mean all payments required to be paid by the County pursuant to the Lease which are applied to the payment of the principal and interest represented by the Certificates.

“Leased Property” shall mean that certain real property located in Pima County, Arizona, and generally described as the Public Works Building, the Legal Services Building, the Public Works Parking Garage, the Adult Detention Center, the Public Service Center Office Tower and Parking Garage and the Justice Building.

“Legal Services Building” shall mean the legal services building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Moody’s” shall mean Moody’s Investors Service, Inc. or any successor nationally recognized securities rating agency.

“Net Proceeds” shall mean any insurance proceeds (other than proceeds of any insurance policy resulting from liability to a third person for damages for bodily and personal injury, death or property damage connected with the construction or operation of the Leased Property) or condemnation award in excess of \$100,000, paid with respect to the Leased Property, or any proceeds resulting from the sale of the Leased Property following an Event of Default, remaining after payment therefrom of all expenses incurred in the collection thereof.

“Original Lease-Purchase Agreement” shall mean the Lease-Purchase Agreement, dated as of June 1, 2008, between the Trustee and the County.

“Original Purchaser” shall mean Citigroup Global Markets Inc., as the original purchaser of the 2019 Certificates.

“Original Trust Agreement” shall mean the Trust Agreement, dated as of June 1, 2008, between the Trustee and the County.

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

- (a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
- (b) Certificates which are deemed paid and no longer Outstanding as provided in the Trust Agreement;
- (c) Certificates in lieu of which other Certificates of the same series shall have been executed and delivered pursuant to the provisions of the Trust Agreement relating to Certificates destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Certificate is held by a bona fide purchaser; and
- (d) Certificates owned or held by or for the account of the Lessee or by any person directly or indirectly controlled by, or under direct or indirect common control with the Lessee (except any Certificates held in any pension or retirement fund), for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement.

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

“Permitted Encumbrances” shall mean, as of any particular time (i) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Lease, permit to remain unpaid, (ii) the Lease, (iii) the Ground Lease, (iv) the Trust Agreement, (v) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist as of the date of issuance of the Certificates and which the County certifies in writing shall not materially impair the use of the Leased Property for purposes of the Lease or the security granted to the Trustee in the Trust Agreement, and (vi) easements, leases, encumbrances, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions to which the Lessor and the County consent in writing.

“Permitted Investments” shall mean and include the following investments only relating to the 2019 Certificates (to the extent permitted by law):

- (a) Defeasance Obligations.
- (b) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: (A) the Export Import Bank of the United States, (B) the Rural Economic Community Development Administration (formerly the Farmers Home Administration), (C) the U.S. Maritime Administration, (D) the Small Business Administration, (E) the U.S. Department of Housing and Urban Development (PHA’s), (F) the Federal Housing Administration, and (G) the Federal Financing Bank.
- (c) Direct obligations of any of the following federal agencies which are not fully guaranteed by the full faith and credit of the United States of America: (A) senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by Fannie Mae or Freddie Mac, (B) obligations of the Resolution Funding Corporation (REFCORP), and (C) senior debt obligations of the Federal Home Loan Bank System.
- (d) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)
- (e) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and “P-1” by Moody’s, and which matures not more than 270 days after the date of purchase.
- (f) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P.

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

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

(B) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of obligations described in clause (B) of the definition of Defeasance Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally-recognized independent certified public accountant or firm of such accountants, to pay principal of and interest and redemption premium, if any, on the 2019 Certificates or other obligations described in this clause (vii) on the maturity or redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

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

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

“Prepayment” shall mean any payment applied towards the prepayment of the Lease Payments, in whole or in part, pursuant to the Lease.

“Public Service Center Office Tower and Parking Garage” shall mean the public service center office tower and adjacent parking garage of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Public Works Building” shall mean the County-utilized portion of the public works building of the County, located in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

“Public Works Parking Garage” shall mean that certain parking garage located next to the Public Works Building in the City of Tucson, Pima County, Arizona, as more fully described in the Lease.

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

“S&P” shall mean S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, or any successor nationally recognized securities rating agency.

“Second Amendment” means the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment.

“Second Supplement” means the Second Supplement to Trust Agreement, dated as of February 1, 2010, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement.

“Seventh Amendment” means the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment and the Sixth Amendment.

“Seventh Supplement” means the Seventh Supplement to Trust Agreement, dated as of April 1, 2018, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement and the Sixth Supplement.

“Sixth Amendment” means the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment.

“Sixth Supplement” means the Sixth Supplement to Trust Agreement, dated as of April 1, 2016, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement and the Fifth Supplement.

“Special Counsel” shall mean any law firm, acceptable to the County, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal obligations.

“State” shall mean the State of Arizona.

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

“Term of the Lease” shall mean the time during which the Lease is in effect, as provided therein.

“Third Amendment” means the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013, between the Trustee and the County, amending the Original Lease-Purchase Agreement, as amended by the First Amendment and the Second Amendment.

“Third Supplement” means the Third Supplement to Trust Agreement, dated as of May 1, 2013, between the Trustee and the County, supplementing and amending the Original Trust Agreement, as supplemented and amended by the First Supplement and the Second Supplement.

“Trust Agreement” shall mean the Original Trust Agreement, as supplemented by the First Supplement, the Second Supplement, the Third Supplement, the Fourth Supplement, the Fifth Supplement, the Sixth Supplement, the Seventh Supplement, the Eighth Supplement and as subsequently amended from time to time.

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

LEASE

Lease of Leased Property

The Lessor has agreed to lease the Leased Property to the County pursuant to the Lease. The term of the Lease continues until December 1, 2033, unless terminated prior thereto as provided therein.

Upon the County’s failure to obtain, on or prior to the last date on which the County is required or permitted to adopt its budget for a fiscal year of the full amount of funds necessary to make all Lease Payments coming due during the fiscal period for which such budgeting and appropriation are made all of the County’s right,

title and interest in and future obligations under the Lease and to all of the Leased Property shall terminate (subject to reinstatement within 45 days of such terminate date), effective as of the last day of the last fiscal period for which such budgeting and appropriation were properly obtained.

Lease Payments; Additional Rent; Reduction of Rental

The County has agreed to pay the Lease Payments as rental for the use and occupancy of the Leased Property, which shall be paid in arrears on May 15 and November 15 of each year.

The amount of Lease Payments shall be reduced upon the redemption of Certificates resulting from Prepayment of Lease Payments, including those resulting from damage or destruction (other than by eminent domain which is hereinafter discussed), of the Leased Property causing substantial interference with the use and occupancy thereof by the County. The Lease Payments shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates (after any redemption of Certificates resulting from such Prepayments made with the Net Proceeds of insurance coverage for such damage or destruction), which resulting Lease Payments are deemed to represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed. In the event of any such reduction, the Lease shall continue in full force and effect and the County shall waive any right to terminate the Lease by virtue of any damage and destruction of the Leased Property causing such reduction in Lease Payments.

In addition to Lease Payments, the County has agreed to pay when due as Additional Rent (a) all costs and expenses of the Lessor or the Trustee to comply with the provisions of the Trust Agreement, (b) payments required to be deposited into the Rebate Fund pursuant to the Trust Agreement to make certain arbitrage rebate payments to the federal government, (c) compensation and expenses of the Trustee, (d) certain indemnification amounts (e) all costs and expenses of auditors, engineers and legal counsel, and (f) all rent for any holdover period during which the County stays in possession of the Leased Property after termination of the Lease.

Maintenance, Utilities, Taxes and Modifications

The County, at its own expense, has agreed to maintain or cause to be maintained the Leased Property in good repair; the Lessor has no responsibility for such repair. The County has the power to make additions, modifications and improvements to the Leased Property which do not damage or reduce their value to a value substantially less than that which existed prior to such modification or improvement. Any such additions, modifications or improvements shall automatically become subject to the Lease. The County must pay or cause to be paid all taxes, other governmental charges and utility charges with respect to the Leased Property, as well as any taxes and assessments, if any, which it is legally obligated to pay.

Insurance

The Lease requires the County to maintain or cause to be maintained the following insurance against risk or physical damage to the Leased Property and other risks for the protection of the Certificate Owners and the Trustee:

(i) General Liability. The County shall maintain or cause to be maintained, throughout the term of the Lease through Qualified Self-Insurance or a standard commercial general insurance policy or policies with a responsible insurance company or companies authorized under the laws of the State to assume such risks, of such types and in such amounts as are then customary for similar institutions carrying on similar activities to those carried on the Leased Property.

(ii) Fire and Extended Coverage, Vandalism and Malicious Mischief. The County shall maintain or cause to be maintained, throughout the term of the Lease, insurance or Qualified Self-Insurance against loss or damage to any structure or equipment constituting any part of the Leased Property by fire and lightning, with extended coverage and malicious mischief insurance. Coverage shall be in an amount equal to 100% of the replacement cost of the Leased Property. Such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss.

The insurance described in paragraphs (i) and (ii) may be maintained as part of or in conjunction with any other liability or fire and extended coverage for insurance, respectively, carried or required to be carried by the County and may be maintained in the form of Qualified Self-Insurance by the County.

(iii) Title Insurance. The County provided a title insurance policy in the amount of the aggregate principal amount of the Certificates, insuring the Trustee's estate in the Leased Property, subject only to Permitted Encumbrances.

All policies of insurance (except the policy of general liability insurance) must provide that the Net Proceeds thereof shall be payable to the Trustee. The Net Proceeds of fire and extended coverage insurance shall be deposited in the Insurance and Condemnation Fund and applied to restore, replace, repair, modify or improve the Leased Property or to the prepayment of Lease Payments and the corresponding redemption of Certificates. See "TRUST AGREEMENT – Funds – Insurance and Condemnation Fund". The Net Proceeds of general liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The proceeds of title insurance shall be deposited in the Lease Payment Fund and applied to the prepayment of Lease Payments and the corresponding redemption of Outstanding Certificates. The County has agreed to pay or cause to be paid when due the premiums on all insurance policies and furnish evidence of such payments promptly to the Trustee.

In the event the County maintains self-insurance for general liability insurance and fire and extended coverage insurance required under the Lease, the County shall cause to be delivered to the Trustee annually the documentation required for the determination that such self-insurance constitutes Qualified Self-Insurance. Additionally, to the extent the Trustee may not be named as an insured or loss payee under any insurance or Qualified Self-Insurance, the County assigns to the Trustee its rights to receive any or all proceeds received from such insurance or Qualified Self-Insurance as their respective rights under the Lease appear on the date of payment. The County shall furnish an annual certificate to the Trustee stating that the insurance in effect meets the requirements of the Lease.

Eminent Domain

If all of the Leased Property shall be taken permanently under the power of eminent domain, the term of the Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, (i) the Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties thereto waive the benefit of any law to the contrary, and (ii) there shall be a partial reduction of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the Prepayment of the Lease Payments, which shall be reduced proportionately as to the principal and interest components thereof such that the resulting Lease Payments shall correspond to the remaining payments of principal of and interest on the Outstanding Certificates, which represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. See "Lease – Lease Payments; Additional Rent; Reduction of Rental."

Option to Purchase Leased Property

The County has the option to purchase all of the Leased Property by prepaying the Lease Payments in whole at any time at the prices set forth in the Lease. In the event that the County elects to exercise its option prior to the optional redemption dates of the Certificates, the County is required to make such Prepayment by depositing certain Permitted Investments and cash, if required, sufficient, together with earnings on the investment thereof to pay and redeem the appropriate amount of Certificates. The optional prepayment prices have been determined such that all of the Outstanding Certificates shall be retired in the event the County elects to purchase all of the Leased Property.

The County may on any date secure the payment of Lease Payments with respect to any element of the Leased Property by deposit with the Trustee of certain Permitted Investments and cash, if required, in such amount as shall, in the opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Permitted Investments then on deposit in the Lease Payment Fund, the

Insurance and Condemnation Fund related to the Lease Payments with respect to such Leased Property, be fully sufficient to pay all unpaid Lease Payments and Additional Rent with respect to such Leased Property on the respective Lease Payment Dates or on the applicable date for Prepayment of Lease Payments, as the County instructs at the time of said deposit.

Assignment; Subleases

The County may not assign any of its rights in the Lease, and may not sublease all or a portion of the Leased Property without the written consent of the Trustee and only under the conditions contained in the Lease, including the condition that such sublease not adversely affect the exclusion of the interest components of the Lease Payments from federal gross income when paid to the Owners of the Certificates.

Events of Default

Each of the following constitutes an “event of default” under the Lease:

- (i) Failure by the County to make any Lease Payment or other payment required under the Lease when due and continuation of such failure for two (2) days; or
- (ii) Failure by the County to comply with any covenant, agreement or condition contained in the Lease or the Trust Agreement, other than the event of default described in (i) above, and the continuance of such failure or default for a period of 30 days after written notice thereof has been given to the County by the Trustee, the Lessor, or the Owners of not less than 5% in aggregate principal amount of Certificates then Outstanding; provided, if the failure stated in the notice can be corrected, but not within such 30 day period, the Trustee, the Lessor and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within such 30 day period and diligently pursued until the default is corrected; or
- (iii) Any representation or warranty made by the County under the Lease shall be untrue in any material respect; or
- (iv) Certain events relating to bankruptcy of the County or the inability of the County to pay its debts.

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

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

Upon the occurrence and continuance of any event of default, the Lessor may at its option elect to terminate the Lease or, with or without such termination, to re-enter, take possession of the Leased Property, to the exclusion of the County, and sell, convey, re-rent or re-let the Leased Property. Any amounts collected by the Lessor from the sale or reletting of the Leased Property shall be credited towards the County’s unpaid Lease Payments. Any net proceeds of sale, re-lease or other disposition of the Leased Property are required to be deposited in the Lease Payment Fund and applied to Lease Payments in order of payment date. Pursuant to the Trust Agreement, the Lessor assigns all of its rights with respect to remedies in an event of default to the Trustee, so that all such remedies shall be exercised by the Trustee and the Certificate Owners as provided in the Trust Agreement.

TRUST AGREEMENT

Pledge and Security

Pursuant to the Trust Agreement, the Trustee is authorized and directed to acquire, to receive and to hold as security for the Owners of the Certificates, the following:

A. All right, title and interest of the Lessor in and to the Leased Property; subject, however, to the rights of the County under the Lease.

B. All right, title and interest of the Lessor in and to the Lease, the Deed and the Ground Lease and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement thereof, and (iii) do any and all things which the Lessor is or may become entitled to do thereunder.

C. All right, title and interest of the Lessor in and to amounts on deposit from time to time in the funds and accounts created pursuant to the Trust Agreement (other than the Rebate Fund).

The Trust Agreement also represents a declaration by the Trustee that it holds the above rights and interests in trust for the benefit of the Owners of the Certificates.

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to execute and deliver the Certificates and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the County's instructions.

Funds

The Trust Agreement creates the Acquisition Fund, the Delivery Costs Fund, the Lease Payment Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

Acquisition Fund. There shall be deposited into the Acquisition Fund (after certain deposits are made to the Delivery Costs Fund) amounts necessary to acquire the Leased Property.

Delivery Costs Fund. There shall be deposited in the Delivery Costs Fund amounts necessary to pay costs relating to the execution, sale and delivery of Certificates, which amounts shall be disbursed by the Trustee, upon the written order of the County.

Lease Payment Fund. There shall be deposited into the Lease Payment Fund, when received by the Trustee, all Lease Payments and Prepayments. Moneys on deposit in the Lease Payment Fund shall be used to pay principal of, redemption premiums, if any, and interest on the Certificates.

Insurance and Condemnation Fund. Any Net Proceeds of insurance or condemnation awards in excess of \$100,000 shall be deposited in the Insurance and Condemnation Fund. Moneys on deposit, in the event of an insurance award, shall be used, as directed by the County, either to replace, repair or improve the Leased Property or be transferred to the Lease Payment Fund and applied to the Prepayment of the Certificates. However, if the Leased Property is destroyed in full, such Net Proceeds may only be used to prepay Lease Payments if they are sufficient, together with other available moneys, to fully prepay the Certificates. If such moneys are not so sufficient, they shall be used to replace, repair or improve the Leased Property.

Net Proceeds of a condemnation award shall be used as follows: (i) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such eminent domain

proceedings have not materially affected the operation of any of the Leased Property or the County's ability to meet its obligations under the Lease, and if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceeds are not needed for repair or rehabilitation of the Leased Property, the Trustee shall transfer such proceeds to the Lease Payment Fund as a credit against Lease Payments, (ii) if the Trustee determines, based upon a report of an independent engineer or other independent professional consultant, that such proceedings have not materially affected the operations of any of the Leased Property or the County's ability to meet its obligations under the Lease and such proceeds are needed for repair, rehabilitation or replacement of the Leased Property, the Trustee shall pay to the order of the County such portion of the proceeds required for such repair, rehabilitation or replacement, (iii) to prepay Lease Payments and redeem Certificates if less than all of the Leased Property is taken and the Trustee determines that such proceedings have materially affected the operation of the Leased Property or the County's ability to meet its obligations under the Lease, or (iv) if all of the Leased Property is taken, to prepay Lease Payments and thereby redeem Certificates.

Any moneys in the Insurance and Condemnation Fund (including investment earnings) remaining after the repair, replacement or improvement of the Leased Property is completed shall be paid to the County.

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement upon order of a representative of the County in Permitted Investments for the Certificates. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, shall be repaid to the County,

Event of Default; Acceleration

Upon the occurrence of an Event of Default, the Trustee, shall take action to exclude the County from the Leased Property and, upon the request of the Owners of at least 5% in Outstanding principal amount of the Certificates, shall exercise any and all remedies available at law or pursuant to the Lease including declaring the Certificates then Outstanding to be immediately due and payable; provided however that no such acceleration shall change or otherwise affect the County's obligation to make Lease Payments and Additional Rent only during the term of the Lease and at the amounts and times provided therein. The Owner of any Certificate may institute any suit, action, or other proceedings in equity or at law for the protection or enforcement of any right under the Lease or Trust Agreement if and only if (i) such Owner has given written notice to the Trustee of such Event of Default, (ii) a majority of Certificate Owners have first notified the Trustee in writing of the event of default and made written request of the Trustee to exercise such powers, (iii) the Trustee shall have been offered reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (iv) the Trustee shall have refused or omitted to comply with such request 60 days following receipt of such written request and such tender of indemnity.

Amendment

The Trust Agreement or the Lease may be amended by agreement among the parties thereto, and without the consent of the Owners of the Certificates, but only (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trust Agreement to the Lessor or the County, (ii) to cure, correct or supplement any ambiguous or defective provision, (iii) in regard to questions arising thereunder, which shall not, in the judgment of the Trustee, materially adversely affect the interest of the Owners, or (iv) to provide additional terms and conditions in connection with the issuance of Additional Certificates, which shall not, in the judgment of the Trustee, materially adversely affect the interests of the Owners. Any other amendment shall require the approval of a majority in principal amount of the Certificates then Outstanding; provided that no such amendment shall (i) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such owner's consent, (ii) reduce the percentage of Owners of Certificates required to consent to any amendment or modification, or (iii) modify any of the Trustee's rights or obligations without its consent.

Defeasance

Upon payment of all Outstanding Certificates, either at or before maturity, or upon the irrevocable deposit of Permitted Investments of the type described in paragraph (a) of the definition of the term "Permitted Investments"

(but not including any repurchase agreements), with the Trustee sufficient together with other available funds, without reinvestment, to retire the Certificates at or before maturity, the Trust Agreement shall be terminated, except for the obligations of the Trustee to make payments on the Certificates.

Any Certificate or portion thereof in authorized denominations may be paid as provided in the preceding paragraph; provided, however, that if any such Certificate or portion thereof is to be redeemed, notice of such redemption shall have been given in accordance with the provisions of the Trust Agreement or the County shall have submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Certificate or portion thereof is to be redeemed and as to the giving of notice of such redemption; and provided further, that if any such Certificate or portion thereof shall not mature or be redeemed within 60 days of the deposit of the moneys or the respective Permitted Investments referred to in the preceding paragraph, the Trustee shall give notice of such deposit by first class mail to the Owners.

Additional Certificates

So long as the Lease remains in effect and no Event of Default under the Trust Agreement has occurred, the Trustee may execute and deliver, at the direction of the County, Additional Certificates from time to time to provide funds to pay any one or more of (i) the costs of refunding Outstanding Certificates or restructuring the County's Lease Payments under the Lease, or (ii) the costs of making any modifications or improvements to the Leased Property as the County may deem necessary or desirable.

Before the Trustee shall deliver any Additional Certificates executed, the following items shall have been received by the Trustee:

- (a) Original executed counterparts of any amendments or supplements to the Lease and of the Trust Agreement entered into in connection with the execution and delivery of the Additional Certificates, which are necessary or advisable, in the opinion of Special Counsel, to provide that the Additional Certificates will be executed and delivered in compliance with the provisions of the Trust Agreement.
- (b) A written opinion of Special Counsel to the effect that (i) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of the Trust Agreement, (ii) any filings required to be made under the Trust Agreement have been made, and (iii) all conditions precedent to the delivery of the Additional Certificates have been fulfilled.
- (c) A written opinion of Special Counsel (who also may be the counsel to which reference is made in subsection (b) above), to the effect that (i) when executed and delivered by the Trustee, those Additional Certificates will be valid and binding in accordance with their terms and will be secured hereunder equally and on a parity with all other Certificates at the time Outstanding under the Trust Agreement as to the assignment to the Trustee of the amounts pledged thereunder, and (ii) the execution and delivery of the Additional Certificates will not result in the portion of the Lease Payments designated as interest evidenced by the Certificates Outstanding immediately prior to that execution and delivery of such Additional Certificates becoming includable in gross income for purposes of federal income taxation.
- (d) A written opinion of Special Counsel (who also may be the counsel to which reference is made in subsection (b) above) to the effect that any amendments or supplements to the Lease entered into in connection with the execution and delivery of the Additional Certificates have been duly authorized, executed and delivered by the County, and that the Lease, as amended or supplemented, constitutes a legal, valid and binding obligation of the Lessee, enforceable in accordance with its terms, subject to exceptions reasonably satisfactory to the Trustee for bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.
- (e) Written confirmation from Moody's, if the Certificates are then rated by Moody's, from Fitch, if the Certificates are then rated by Fitch, and from S&P, if the Certificates are then rated by S&P,

that the issuance of the Additional Certificates will not cause the then-assigned rating assigned to the Certificates to be reduced or withdrawn.

THE GROUND LEASE

The County leases the site for the Public Works Parking Garage, the Public Service Center Office Tower and Parking Garage and the Justice Building and all improvements and structures thereon, to the Trustee for the period commencing as of the date of the Ground Leases and terminating on December 1, 2033, provided that in no event shall the Ground Lease terminate before the termination of the Lease.

Title to the Public Works Parking Garage, the Public Service Center Office Tower and Parking Garage and the Justice Building shall at all times remain with the County.

The Trustee prepaid its rental payments under the Ground Lease upon execution and delivery of the Ground Lease in connection with the execution and delivery of the 2008 Certificates, the 2014 Certificates and the 2019 Certificates, as applicable.

The County shall have the right to terminate the Ground Lease upon written notice to the Trustee of (a) defeasance of the Lease and the Trust Agreement with respect to all Certificates as permitted thereunder, or (b) the exercise of the County of its option to purchase the Leased Property pursuant to the Lease and defeasance of the Trust Agreement as permitted thereunder.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

FORM OF SPECIAL COUNSEL OPINION

_____, 2019

Pima County, Arizona
Tucson, Arizona

Ladies and Gentlemen:

We have served as special counsel to our client Pima County, Arizona (the “County”) in connection with the execution and delivery of \$20,940,000 aggregate principal amount of Certificates of Participation, Series 2019 (the “2019 Certificates”) dated the date of this letter, pursuant to a Trust Agreement, dated as of June 1, 2008, as supplemented, including as supplemented by an Eighth Supplement to Trust Agreement, dated as of May 1, 2019 (collectively, the “Trust Agreement”), between the County and U.S. Bank National Association (the “Trustee”), as trustee, and relating to a Lease-Purchase Agreement, dated as of June 1, 2008, as amended, including as amended by an Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (collectively, the “Lease Agreement”), between the Trustee, as lessor, and the County, as lessee. Capitalized terms not defined in this letter are used as defined in the hereinafter County Documents.

The 2019 Certificates, together with other Certificates (as defined in the Trust Agreement) heretofore or hereafter executed and delivered pursuant to the Trust Agreement, represent undivided and proportionate interests in the obligations of the County under the Lease Agreement. The County has agreed to lease certain real and personal property from the Trustee, as lessor, under the Lease Agreement.

In our capacity as special counsel, we have examined the transcript of proceedings relating to the execution and delivery of the 2019 Certificates, including the Ground Lease, dated as of May 1, 2019 (the “Ground Lease” and, together with the Lease Agreement and the Trust Agreement, the “County Documents”), from the County as lessor, to the Trustee, as lessee, the Lease Agreement, the Trust Agreement, a copy of the executed 2019 Certificate of the first maturity, and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that, under existing law:

1. The County is a political subdivision existing under the laws of the State of Arizona, and has all requisite power to enter into and perform its obligations under the County Documents.

2. The County Documents each have been duly authorized, executed and delivered by the County and constitute legal, valid and binding obligations of the County enforceable in accordance with their terms.

3. The 2019 Certificates have been duly authorized, executed and delivered by the Trustee at the request and for the benefit of the County and are valid and binding limited and special obligations payable solely from the Lease Payments (as defined in the Lease Agreement) and certain funds held under the Trust Agreement as provided therein. The 2019 Certificates are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the County, the State of Arizona or any political subdivision thereof.

4. The portion of each Lease Payment made by the County pursuant to the Lease Agreement and denominated as and comprising interest pursuant to the Lease Agreement and received by the owners of the 2019

Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax. The Interest Portion is exempt from Arizona state income tax so long as the Interest Portion is excluded from gross income for federal income tax purposes. We express no opinion as to any other tax consequences regarding the 2019 Certificates. We also express no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2019 Certificates in the event of termination of the Lease Agreement due to nonappropriation.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the County and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the County delivered in connection with this matter.

In rendering those opinions with respect to treatment of the Interest Portion under the federal tax laws and state tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the County. Failure to comply with certain of those covenants subsequent to the execution and delivery of the 2019 Certificates may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2019 Certificates.

The rights of the owners of the 2019 Certificates and the enforceability of the 2019 Certificates and the County Documents are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as special counsel in connection with the original execution and delivery of the 2019 Certificates is concluded upon delivery of this letter.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

**\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019**

CONTINUING DISCLOSURE UNDERTAKING

**FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (B)(5) OF RULE 15C2-12**

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by Pima County, Arizona (the “County”), in connection with the execution and delivery of \$20,940,000 principal amount of Certificates of Participation, Series 2019 (the “Certificates”), pursuant to a Trust Agreement, dated as of June 1, 2008, as amended (the “Trust Agreement”), between the County and U.S. Bank National Association, as trustee.

In connection with the Certificates, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Certificates and in order to assist the Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“Annual Information” means the financial information and operating data set forth in Exhibit I.

“Annual Information Disclosure” means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 5.

“Audited Financial Statements” means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of

(i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means the occurrence of any of the events with respect to the Certificates set forth in Exhibit II.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of Arizona.

“Underwriter” includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Certificates.

3. CUSIP Number. The base CUSIP Number of the Certificates is 721664.

4. Official Statement. The Final Official Statement relating to the Certificates is dated April 17, 2019.

5. Annual Information Disclosure. Subject to Section 9 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

6. Listed Events Disclosure. Subject to Section 9 of this Undertaking, the County hereby covenants that it will disseminate notice of occurrence of a Listed Event to the MSRB through EMMA not later than ten business days after the occurrence of the Listed Event, in a format prescribed by the MSRB, except that for the events 2, 7, 10, 13, 14 and 15, listed in Exhibit II, the County will provide such notice if it determines that such event would be material under applicable federal securities laws.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Certificate may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Certificates. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived, if:

The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

The amendment does not materially impair the interests of the beneficial owners of the Certificates, as determined by an independent counsel or other entity unaffiliated with the County.

9. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to the MSRB through EMMA.

10. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Certificates or the Rule no longer applies to the Certificates. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

11. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

12. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Listed Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Listed Event.

13. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Certificates, and shall create no rights in any other person or entity.

14. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Listed Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

15. Assignment. The County shall not transfer its obligations under the Trust Agreement unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

16. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: _____
Michelle Campagne
Finance and Risk Management Director

Date: [Closing Date]

EXHIBIT I
ANNUAL FINANCIAL INFORMATION AND AUDITED
FINANCIAL STATEMENTS

“Annual Financial Information” means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix B in the tables entitled “PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES,” “PIMA COUNTY, ARIZONA STATEMENT OF FUND BALANCES – ALL GOVERNMENTAL FUND TYPES” and “PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE.”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB through EMMA. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; and the Final Official Statement need not be available from the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2020. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles (“GAAP”), as applied to governmental units as modified by State law (“GAAP”), Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 5 of this Undertaking, the County will disseminate a notice of such change as required by Section 5, including changes in Fiscal Year or GAAP.

EXHIBIT II
EVENTS FOR WHICH NOTICE OF OCCURRENCE OF
LISTED EVENTS IS REQUIRED

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Certificate calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the County;

Note: for the purposes of the event identified in paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. The incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and
16. A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, SPECIAL COUNSEL, OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the 2019 Certificates. The 2019 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2019 Certificate certificate will be issued for each maturity of the 2019 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2019 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2019 Certificates ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2019 Certificates, except in the event that use of the book-entry system for the 2019 Certificates is discontinued.

To facilitate subsequent transfers, all 2019 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2019 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2019 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2019 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2019 Certificates will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Certificates at any time by giving reasonable notice to the Trustee or the County. Under such circumstances, in the event that a successor depository is not obtained, 2019 Certificate certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Certificate certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2019 CERTIFICATES UNDER THE TRUST AGREEMENT; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2019 CERTIFICATES; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2019 CERTIFICATES; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2019 CERTIFICATES; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2019 Certificates, as nominee of DTC, references herein to owner of the 2019 Certificates (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2019 Certificates.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by Pima County, Arizona (the “County”), in connection with the execution and delivery of \$20,940,000 principal amount of Certificates of Participation, Series 2019 (the “Certificates”), pursuant to a Trust Agreement, dated as of June 1, 2008, as amended (the “Trust Agreement”), between the County and U.S. Bank National Association, as trustee.

In connection with the Certificates, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Certificates and in order to assist the Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“Annual Information” means the financial information and operating data set forth in Exhibit I.

“Annual Information Disclosure” means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 5.

“Audited Financial Statements” means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means the occurrence of any of the events with respect to the Certificates set forth in Exhibit II.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of Arizona.

“Underwriter” includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Certificates.

3. CUSIP Number. The base CUSIP Number of the Certificates is 721664.
4. Official Statement. The Final Official Statement relating to the Certificates is dated April 17, 2019.
5. Annual Information Disclosure. Subject to Section 9 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

6. Listed Events Disclosure. Subject to Section 9 of this Undertaking, the County hereby covenants that it will disseminate notice of occurrence of a Listed Event to the MSRB through EMMA not later than ten business days after the occurrence of the Listed Event, in a format prescribed by the MSRB, except that for the events 2, 7, 10, 13, 14 and 15, listed in Exhibit

II, the County will provide such notice if it determines that such event would be material under applicable federal securities laws.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Certificate may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Certificates. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived, if:

The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

The amendment does not materially impair the interests of the beneficial owners of the Certificates, as determined by an independent counsel or other entity unaffiliated with the County.

9. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to the MSRB through EMMA.

10. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Certificates or the Rule no longer applies to the Certificates. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

11. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

12. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Listed Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Listed Event.

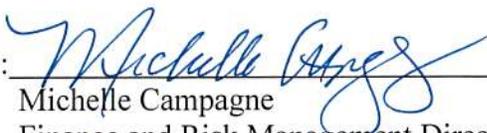
13. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Certificates, and shall create no rights in any other person or entity.

14. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Listed Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

15. Assignment. The County shall not transfer its obligations under the Trust Agreement unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

16. Governing Law. This Undertaking shall be governed by the laws of the State.

PIMA COUNTY, ARIZONA

By: 
Michelle Campagne
Finance and Risk Management Director

Date: May 7, 2019

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix B in the tables entitled “PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF ALL GOVERNMENTAL FUND TYPES,” “PIMA COUNTY, ARIZONA STATEMENT OF FUND BALANCES – ALL GOVERNMENTAL FUND TYPES” and “PIMA COUNTY, ARIZONA COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE.”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB through EMMA. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; and the Final Official Statement need not be available from the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2020. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles (“GAAP”), as applied to governmental units as modified by State law (“GAAP”), Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF LISTED EVENTS IS REQUIRED

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Certificate calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the County;

Note: for the purposes of the event identified in paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.
13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. The incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and

16. A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

FINAL BLUE SKY SURVEY

May 7, 2019

CITIGROUP GLOBAL MARKETS INC.,
AS UNDERWRITER OF THE CAPTIONED CERTIFICATES

Ladies and Gentlemen:

This Memorandum supplements and completes our Preliminary Blue Sky Survey dated April 3, 2019 (the "Preliminary Survey") prepared in connection with the issuance of the captioned Certificates (the "Certificates"). This is written to inform you that the Certificates remain exempt in each of the jurisdictions listed in Part I of the Preliminary Survey and that the Certificates may be sold in such jurisdictions in any amount.

Action is being taken to qualify the Certificates for exemption in the State of New York as stated in Part IIA so that the Certificates may be offered and sold to the public in such jurisdiction.

We remind you that no action was taken to qualify the Certificates for offers and sales to the public in the States of Nevada and New Hampshire as stated in Part IIB of the Preliminary Survey and therefore offers and sales of the Certificates may not be made to the public in such jurisdictions. Reference is hereby made to the provisions of Part III - Sales to Dealers and Part IV - Sales to Certain Institutions of the Preliminary Survey.

This Memorandum is subject to the assumptions, limitations, qualifications and exceptions contained in the Preliminary Survey, including our cover letter thereto, and should be read in conjunction therewith .

Very truly yours,

GREENBERG TRAUIG, LLP

\$21,125,000*
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION,
Evidencing a Proportionate Interest of Owners thereof in
Lease Payments to be Made by
PIMA COUNTY, ARIZONA, As Lessee
SERIES 2019

PRELIMINARY BLUE SKY SURVEY

April 3, 2019

CITIGROUP GLOBAL MARKETS INC.,
AS UNDERWRITER OF THE CAPTIONED CERTIFICATES

Ladies and Gentlemen:

This Preliminary Survey summarizes our comments relating to the requirements of the securities or “blue sky” laws of the jurisdictions listed herein with respect to the proposed offering and sale to the public of the captioned Certificates (the “Certificates”). It is based upon an examination of the statutes and the related rules and regulations, if any, of the various jurisdictions as reported in standard compilations customarily relied upon in this connection, upon interpretive advice obtained from representatives of certain securities commissions and upon statements contained in the Preliminary Official Statement prepared in connection with the issuance of the Certificates.

This Preliminary Survey also incorporates the responses of the state securities commissions, to the extent that they are available, to the National Securities Markets Improvement Act of 1996, Public Law 104-290 (the “1996 Act”). Consequently, this Preliminary Survey addresses certain filing requirements imposed by the securities administrators of the various jurisdictions in response to and in compliance with the 1996 Act. The 1996 Act provides for preemption of registration and merit review provisions of state securities laws with regard to specific type of securities (described in the 1996 Act as “Covered Securities”). However, the 1996 Act also provides that the state regulators are permitted to collect the same fees at the same time they would have prior to the enactment of the 1996 Act. Therefore, even though a full registration or exemption filing would be preempted, the fee for that filing and a cover letter explaining that such a fee would have been due to the state for a registration or exemption filing preempted by the

* Preliminary, subject to change.

1996 Act should be sent to the state. If the fee is not sent, then the state securities regulators could require registration of the offering or suspend the offer and sale of the municipal securities in the state. It should also be noted that although certain states have revised their current statutes, rules and regulations to comply with the 1996 Act, others are still in the process of reviewing the 1996 Act and have not yet published their positions, with regard thereto. Accordingly, as these various states clarify their positions and revise their statutes, rules and regulations, new requirements may be imposed by such states during the course of the proposed securities offering.

In preparing this Preliminary Survey, we have obtained neither opinions from members of the Bar of any jurisdiction nor formal rulings from regulatory commissions or other administrative bodies or officials thereof. The statements made or conclusions expressed herein are subject to change upon the exercise of broad discretionary powers vested in securities commissioners or other authorized officials, enabling them, among other things, to withdraw or deny the exempt status accorded by statute to particular classes of securities, to impose additional requirements, or to suspend offerings for non-payment of applicable fees, in accordance with the 1996 Act.

This Preliminary Survey does not purport to cover the requirements of the laws of the various jurisdictions with respect to the registration or licensing of dealers, brokers or salesmen, or the restrictions, if any, pertaining to the form or substance of advertising. In addition, any statement made herein concerning sales to banks, savings institutions, trust companies, insurance companies or any other institutional investor refers only to the requirements of the securities laws relating to such sales and does not purport to address the question of whether the Certificates will be legal for investment by such institution.

Very truly yours,

GREENBERG TRAURIG, LLP

I

**JURISDICTIONS IN WHICH SALES
TO THE PUBLIC MAY BE MADE WITHOUT FILING OR FEES**

Offers and sales of the Certificates may be made to the public in any amount in the following jurisdictions without registration of the Certificates, filings, or payment of applicable fees being made, subject to the specific requirement that the sellers must be dealers or brokers registered or licensed in the respective jurisdictions:

Alabama	Hawaii (1)	Mississippi	Puerto Rico
Alaska	Idaho	Missouri	Rhode Island
Arizona	Illinois	Montana	South Carolina
Arkansas	Indiana	Nebraska	South Dakota
California	Iowa	New Jersey	Tennessee
Colorado	Kansas	New Mexico	Texas
Connecticut	Kentucky	North Carolina	Utah
Delaware	Louisiana	North Dakota	Vermont
District of Columbia	Maine	Ohio (2)	Virginia
Florida	Maryland	Oklahoma	Washington
Georgia	Massachusetts	Oregon	West Virginia
Guam	Michigan	Pennsylvania	Wisconsin
	Minnesota		Wyoming

-
- (1) All offering material must clearly indicate the name of the person issuing, circulating, publishing or making it and the fact that such person is issuing, circulating, publishing or making the same.
 - (2) Provided at the time of first sale of the Certificates in Ohio there is no default in the payment of any of the interest or principal of the security and there are no adjudications or pending suits adversely affecting the validity of the Certificates.

II

JURISDICTIONS IN WHICH SALES TO THE PUBLIC MAY BE MADE WITH FEES AND/OR FILING

A. Jurisdictions Where Filings and Payment of Applicable Fees are Required

Offers and sales of the Certificates may be made to the public in the jurisdictions listed below only after certain requirements as to notice filing and payment of applicable fees to obtain an exempt status have been completed, but only if made by dealers or brokers registered or licensed in the jurisdiction. In the jurisdictions listed below, we have been advised by the Underwriter to take the action necessary to qualify the Certificates to be offered and sold to the public in such jurisdictions.

New York

No dealer should offer or sell the Certificates in the above jurisdiction until information that such offers or sales may be made has been received from the Underwriter, Underwriter's Counsel or administrative authorities of such jurisdiction.

B. Jurisdictions Where Payment of Applicable Fees in Lieu of Registration is Required

Offers and sales of the Certificates may be made to the public in the jurisdictions listed below only after certain requirements as to notice filing and payment of applicable fees have been completed, but only if made by dealers or brokers registered or licensed in the jurisdiction. In the jurisdictions listed below, unless such actions are taken to qualify the Certificates to be offered and sold to the public in such jurisdictions, offers and sales of the Certificates to the public are prohibited:

Nevada
New Hampshire

III

SALES TO DEALERS

In addition to the **offers** and **sales** of the Certificates which may be made as indicated in Part I herein, **offers** and **sales** of the Certificates may be made **in any amount** to dealers or brokers registered or licensed in the following jurisdictions, subject to the qualifications indicated in the Certificates, without registration of the Certificates or any filings being made to qualify the Certificates in the respective jurisdictions. Subject to the qualifications indicated below, such **offers** and **sales** may be made by dealers or brokers registered or licensed in the respective jurisdictions and by persons not so registered or licensed.

Alabama	Idaho (5)	Montana	Rhode Island (8)
Alaska (1)	Illinois	Nebraska	South Carolina (5)
Arizona	Indiana (5)	Nevada (6)	South Dakota (5)
Arkansas (1)	Iowa (5)	New Hampshire (1)	Tennessee (9)
California (2)	Kansas (5)	New Jersey (7)	Texas (10)
Colorado (3)	Kentucky	New Mexico (5)	Utah (1)
Connecticut (1)	Louisiana	New York	Vermont (5)
Delaware (1)	Maine (5)	North Carolina (1)	Virginia
District of Columbia (4)	Maryland (1)	North Dakota	Washington
Florida	Massachusetts (1)	Ohio	West Virginia (1)
Georgia (5)	Michigan (5)	Oklahoma (5)	Wisconsin (11)
Guam (1)	Minnesota (5)	Oregon	Wyoming (1)
Hawaii (5)	Mississippi (5)	Pennsylvania (1)	
	Missouri (5)	Puerto Rico (1)	

-
- (1) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in Part IV.
 - (2) Provided the offeror or seller (i) is a licensed broker-dealer in California (ii) has no place of business in California and either effects transactions exclusively with a licensed broker-dealer or is registered as a broker-dealer under the Securities Exchange Act of 1934, has not had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, and directs offers to sell or buy into California exclusively with licensed broker-dealers or the institutions specified with respect to California in Part IV hereof.
 - (3) Provided the offeror or seller (i) is a registered or licensed broker-dealer in Colorado or (ii) has no place of business in Colorado and is registered as a broker-dealer pursuant to

the Securities Exchange Act of 1934, and the business transacted in Colorado is exclusively with broker-dealers licensed or exempt from license requirements, financial or institutional investors specified with respect to Colorado in Part IV hereof, existing customers of the broker-dealer whose principal place of residence is not in Colorado and during any twelve consecutive months, not more than five persons in this jurisdiction excluding persons otherwise described herein.

- (4) Provided the offeror or seller is registered or licensed as a broker-dealer in the District of Columbia.
- (5) Provided the offeror or seller is a licensed dealer or broker in this state, or has no place of business in this state and effects transactions in this state exclusively with broker-dealers registered or not required to be registered in this state or the institutions specified with respect to this state in Part IV hereof (other than an investment adviser which is not registered under the Investment Advisers Act of 1940, is affiliated with the offeror or seller, or which has investments under management of less than \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record).
- (6) Provided the offeror or seller is a licensed broker-dealer in Nevada, or has no place of business in Nevada, is registered as a broker-dealer under the Securities Exchange Act of 1934, or is exempt from such registration, and (a) effects transactions in Nevada exclusively with other broker-dealers licensed or exempt from licensing in Nevada, or with the institutions specified with respect to Nevada in Part IV hereof, or (b) is licensed under the securities laws of the jurisdiction in which it maintains a place of business and (i) offers and sells in Nevada to a person who is an existing customer of the broker-dealer and whose principal place of residence is not in Nevada, or (ii) during any 12 consecutive months does not effect transactions with more than 5 persons in Nevada in addition to the issuers of securities involved in the transactions, financial or institutional investors or broker-dealers, whether or not the offeror or an offeree is then present in Nevada.
- (7) Provided the offeror or seller is a registered broker-dealer in New Jersey, or effects transactions in New Jersey exclusively with or through registered broker-dealers or the institutions specified with respect to New Jersey in Part IV hereof.
- (8) Provided the offeror or seller is a registered broker dealer in Rhode Island, or has no place of business in Rhode Island, is registered or exempt from registration as a broker-dealer under the Securities Exchange Act of 1934, and (a) effects transactions exclusively with other licensed or exempt broker-dealers or the institutions specified with respect to Rhode Island in Part IV hereof, or (b) is a registered broker-dealer in the state where it maintains a place of business and sells to persons in Rhode Island that are existing customers of the broker-dealer and whose principal place of residence is not Rhode Island.
- (9) Provided the offeror or seller is a registered broker-dealer in Tennessee, or has no place of business in Tennessee, is registered as a broker-dealer with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, Inc., and effects transactions in Tennessee exclusively with or through other broker-dealers or the institutions specified with respect to Tennessee in Part IV hereof.

- (10) Provided the offeror or purchaser is a registered dealer in Texas actually engaged in buying and selling securities.
- (11) Provided that the offeror or seller is registered as a broker-dealer in Wisconsin or effects transactions in Wisconsin exclusively with broker-dealers registered or not required to be registered in Wisconsin, or the institutions specified with respect to Wisconsin in Part IV hereof.

[Remainder of Page Intentionally Left Blank]

IV

SALES TO CERTAIN INSTITUTIONS

In addition to the offers and sales of the Certificates which may be made as indicated in Part I herein, offers and sales of the Certificates may be made in any amount to the specified institutions in the following jurisdictions, subject to the qualifications indicated in the Certificates, without registration of the Certificates or any filings being made to qualify the Certificates in the respective jurisdictions. Subject to the qualifications indicated in the Certificates, such offers and sales may be made by dealers or brokers registered or licensed in the respective jurisdictions and by persons not so registered or licensed. The status of the Certificates with respect to eligibility for investment by the institutions mentioned herein is not covered in this Preliminary Survey.

Alabama	Any bank, savings institution, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940 or pension or profit-sharing trust.
Alaska (1).....	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, <i>provided</i> that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
Arizona.....	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.
Arkansas (2).....	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, <i>provided</i> that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
California (3)(4).....	Any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan, or individual retirement account), or such other institutional

investor or governmental agency or instrumentality designated by rule of the California Commissioner of Corporations, whether the purchaser is acting for itself or as trustee or to any corporation with outstanding securities registered under Section 12 of the Securities Exchange Act of 1934, or any wholly owned subsidiary of such a corporation which after the offer and sale will own directly or indirectly 100 percent of the outstanding capital stock of the issuer; provided the purchaser represents that it is purchasing for its own account (or for such trust account) for investment and not with a view to or for sale in connection with any distribution of the security.

- Colorado (5)(6) Any financial institution or institutional investor.
- Connecticut (7)..... Any state bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
- Delaware (7)..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
- District of
Columbia (7) Any financial institution or institutional buyer, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser. “*Financial institution or institutional investor*” means any of the following, whether acting for itself or others in a fiduciary capacity: a depository institution an insurance company; a separate account of an insurance company; an investment company

registered under the Investment Company Act of 1940; a business development company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of \$5,000,000, or if investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; a “qualified institutional buyer” as defined in SEC Rule 144A; a broker-dealer; *provided*, that the seller has no place of business in the District of Columbia and effects transactions therein exclusively with the foregoing classes of purchasers. “*Depository institution*” means: a person that is organized, chartered, or holding an authorization certificate under the laws of a state or of the United States to receive deposits, including a savings, share, certificate or deposit account, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States; a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the Comptroller of the Currency and is supervised and examined by an official or agency of a state or the United States; and “*depository institution*” does not include an insurance company or other organization primarily engaged in the insurance business, or a Morris Plan bank, industrial loan company, or a similar bank or company unless its deposits are insured by a federal agency).

Florida.....

Any bank or trust company, savings institution, insurance company, investment company as defined by the Investment Company Act of 1940, or pension or profit-sharing trust, or qualified institutional buyer as defined by rule of the Florida Department of Banking and Finance in accordance with Securities and Exchange Commission Rule 144A, whether any of such entities is acting in its individual or fiduciary capacity, provided that such offer or sale of the securities is not for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of the Florida Securities and Investor Protection Act.

Georgia (7).....

An institutional investor or a a person registered under the Investment Advisers Act of 1940, 15 U.S.C. Section 80b-1, et seq., *provided* that any seller who is not registered as a broker-dealer in Georgia has no place of business in Georgia and effects transactions in Georgia exclusively with institutional investors. “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (A) A depository institution or international banking institution; (B) An insurance company; (C) A separate account of an insurance company; (D) An investment company as defined in the Investment Company Act of 1940, 15 U.S.C. Section 80a-1, et seq.; (E) A broker-dealer registered under the Securities Exchange Act of 1934, 15 U.S.C. Section 78a, et seq.; (F) An employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, 29 U.S.C. Section 1001, et seq., that is a broker-dealer registered under the Securities Exchange Act of 1934, 15 U.S.C. Section 78a, et seq., an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, 15 U.S.C. Section 80b-1, et seq., an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company; (G) A plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, 29 U.S.C. Section 1001, et seq., that is a broker-dealer registered under the Securities Exchange Act of 1934, 15 U.S.C. Section 78a, et seq., an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, 15 U.S.C. Section 80b-1, et seq., an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company; (H) A trust if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (F) or (G) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (I) An organization

that is not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, including an organization described in subsection 501(c)(3) of the Internal Revenue Code, 26 U.S.C. Section 501(c)(3), a corporation, a Massachusetts trust or similar business trust, a limited liability company, or a partnership; (J) A small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958, 15 U.S.C. Section 681(c), with total assets in excess of \$10,000,000; (K) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, 15 U.S.C. Section 80b-2(a)(22), with total assets in excess of \$10,000,000; (L) A federal covered investment adviser acting for its own account; (M) A qualified institutional buyer as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), 17 C.F.R. 230.144A, adopted under the Securities Act of 1933, 15 U.S.C. Section 77a, et seq.; (N) A major United States institutional investor as defined in Rule 15a-6(b)(4)(I), 17 C.F.R. 240.15a-6, adopted under the Securities Exchange Act of 1934, 15 U.S.C. Section 78a, et seq.; (O) Any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state's uniform securities act; or (P) Any other person specified by rule adopted or order issued under the state's uniform securities act. *"Depository institution"* means: (i) A bank; or (ii) A savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or a successor authorized by federal law. The term does not include: (i) An insurance company or other organization primarily engaged in the business of insurance; (ii) A Morris Plan bank; or (iii) An industrial loan company that is not an 'insured depository institution' as defined in subsection 3(c)(2) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1813(c)(2), or any successor federal statute. *"Bank"* means: (A) A banking institution organized under the laws of the United States; (B) A member bank of the Federal Reserve System; (C) Any other banking institution,

whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of P. L. 87-722, 12 U.S.C. Section 92a, and which is supervised and examined by a state or federal agency having supervision over banks and which is not operated for the purpose of evading the state’s uniform securities act; or (D) A receiver, conservator, or other liquidating agent of any institution or firm included in clause (A), (B), or (C) of this paragraph. “*Insurance company*” means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state.

- Guam (2) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether, the purchaser is acting for itself or in some fiduciary capacity, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.

- Hawaii (2)(8)..... An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.

- Idaho (2)(8) An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.

- Illinois (9)..... Any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, pension fund, pension trust, or employees’ profit-sharing trust, other financial institution or institutional investor, government or

political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities; any trust in respect of which a bank or trust company is trustee or co-trustee; any entity in which at least 90% of the equity is owned by persons described under subsection C, D, H, or S of Section 4 of the Illinois Securities Law of 1953; or any employee benefit plan within the meaning of Title I of the Federal ERISA if (i) the investment decision is made by a plan fiduciary as defined in Section 3(21) of the Federal ERISA and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or an investment adviser registered under the Federal 1940 Investment Advisers Act, or (ii) the plan has total assets in excess of \$5,000,000, or (iii) in the case of a self-directed plan, investment decisions are made solely by persons that are described under subsection C, D, H or S of Section 4 of the Illinois Securities Law, or to any plan established and maintained by, and for the benefit of the employees of any state or political subdivision or agency or instrumentality thereof if such plan has total assets in excess of \$5,000,000, or to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar business trust, or any partnership, if such organization, trust, or partnership has total assets in excess of \$5,000,000, *provided* that any seller who is not registered as a dealer or broker-dealer in the state is not regularly engaged in the business of offering or selling securities in reliance upon the exemptions set forth in Sections 4.G or 4.M. of the Illinois Securities Act which sections relate to limited offerings and pre-organization subscriptions.

Indiana (10)..... An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.

Iowa (11)(12) An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with an institutional investor.

Kansas (8)	An institutional investor or a person registered under the Investment Advisers Act of 1940, <i>provided</i> , that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.
Kentucky	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
Louisiana.....	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, or other financial institution, whether the purchaser is acting for itself or in some fiduciary capacity.
Maine (13)(14).....	An institutional investor or a person registered under the Investment Advisers Act of 1940, <i>provided</i> , that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.
Maryland (2)	Any investment company as defined in the Investment Company Act of 1940; an investment advisor with assets under management of not less than \$1,000,000; a bank; trust company; savings and loan association; insurance company; employee benefit plan with assets of not less than \$1,000,000; governmental agency or instrumentality, whether acting for itself or as a trustee or as a fiduciary with investment control or other institutional investor as designated by rule or order of the Maryland Securities Commissioner, <i>provided</i> that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
Massachusetts (2)(15).....	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some

fiduciary capacity, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.

- Michigan (2)(16)..... An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.
- Minnesota (7)(10) An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.
- Mississippi (2)(17) An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.
- Missouri (2)(8) An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.
- Montana Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity.
- Nebraska (18)..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, or to an individual accredited investor, whether the purchaser is acting for itself or in some fiduciary capacity.
- Nevada (19)(20) Any financial or institutional investor, *provided* that the seller either is registered or is not required to be registered as a broker-dealer under the Securities Exchange Act of

1934 and has no place of business in Nevada and effects transactions therein exclusively with or through the foregoing classes of purchaser.

- New Hampshire (7)..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, a venture capital company which operates a small business investment company under the Small Business Act of 1958, as amended, or other financial institution or institutional buyer (“institutional buyer” is defined as an organization or person with a net worth of more than \$25,000,000, but excluding from the calculation of net worth certain intangible and other assets as provided by administrative order of the New Hampshire Bureau of Securities Regulation), whether the purchaser is acting for itself or in some fiduciary capacity, *provided* that any seller who is not registered as a broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
- New Jersey (2) Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity, *provided* that any seller who is not registered as a broker-dealer in this state effects transactions therein exclusively with or through the foregoing classes of purchaser. The term “*savings institution*” means any savings and loan association or building and loan association operating pursuant to the Savings and Loan Act of New Jersey, and any federal savings and loan association and any association or credit union organized under the laws of the United States or of any state whose accounts are insured by a federal corporation or agency),
- New Mexico (21) Any institutional investor, *provided* that any seller who is not registered as a broker-dealer in this state has no place of business there and effects transactions therein exclusively with an institutional investor.
- New York..... *Provided* the offeror or seller is a registered or licensed broker or dealer in New York, any state or national bank, trust company or savings institution incorporated under the

laws and subject to the examination, supervision and control of any state or of the United States or of any insular possession thereof, or any syndicate, corporation or group formed for the specific purpose of acquiring the Certificates for resale to the public directly or through other syndicates or groups, if the seller is engaged in the business of effecting securities transactions with or through such persons, and *provided* further that if the offered securities are subject to the requirements of Section 352-e of the New York General Business Law an exemption is available from the applicable requirements and the appropriate filing to secure such exemption is made with the State's Department of Law).

- North Carolina (22)..... Any corporation which has a net worth in excess of \$1,000,000 as determined by generally accepted accounting principles; bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for itself or in some fiduciary capacity, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
- North Dakota (23)..... An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no place of business in this state and effects transactions in this state exclusively with an institutional investor.
- Ohio..... *Provided* the offeror or seller is a registered or licensed broker or dealer in Ohio, any corporation, bank, insurance company, pension fund or pension fund trust, employees' profit-sharing fund or employees' profit-sharing trust, or any association engaged, as a substantial part of its business or operations, in purchasing or holding securities, or any trust in respect of which a bank is trustee or co-trustee, whether the purchaser is acting for itself or in some fiduciary capacity.
- Oklahoma (1)(8)..... An institutional investor or a person registered under the Investment Advisers Act of 1940, *provided*, that any. seller who is not registered as a broker-dealer in this state has no

place of business in this state and effects transactions in this state exclusively with an institutional investor.

- Oregon..... Any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, or other financial institution or institutional buyer (including but not limited to (i) the Federal National Mortgage Association; (ii) the Federal Home Loan Mortgage Corporation; (iii) the Federal Housing Administration; (iv) the United States Veterans Administration; (v) the Government National Mortgage Association or (iv) a mortgage broker or mortgage banker), whether the purchaser is acting for itself or in a fiduciary capacity when the purchaser has discretionary authority to make investment decisions.
- Pennsylvania (24)(25)..... Any institutional investor, whether the buyer is acting for itself or in some fiduciary capacity, *provided* that any seller who is not registered as a broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.

[Remainder of Page Intentionally Left Blank]

Puerto Rico (1).....	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional purchaser whether the purchaser is acting for itself or in some fiduciary capacity, <i>provided</i> that any seller who is not registered as a broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
Rhode Island (26).....	Any financial or institutional investor, <i>provided</i> either the seller is registered or is not required to be registered as a broker-dealer under the Securities Exchange Act of 1934 and has no place of business there and effects transactions therein exclusively with the foregoing classes of purchaser.
South Carolina (1)(8)	Any institutional investor, federal covered investment adviser or any other person exempted by rule adopted or order issued under the South Carolina Uniform Securities Act, <i>provided</i> that any seller who is not registered as a broker-dealer in this state has no place of business there and effects transactions therein exclusively with an institutional investor.
South Dakota (8)(27)	Any institutional investor, federal covered investment adviser or any other person exempted by rule adopted or order issued under the South Dakota Uniform Securities Act, <i>provided</i> that any seller who is not registered as a broker-dealer in this state has no place of business there and effects transactions therein exclusively with an institutional investor.
Tennessee (28)	Any institutional investor, defined as any bank, unless the bank is acting as a broker-dealer, as such term is defined in the Tennessee Securities Act of 1980, trust company, insurance company, investment company registered under the Investment Company Act of 1940, as amended, a holding company which controls any of the foregoing, a trust or fund over which any of the foregoing has or shares investment discretion, a pension or profit-sharing plan, an institutional buyer (as the commissioner may define by rule) or any other person engaged as a substantial part of its business in investing in securities, unless such other person is within the definition of a broker-dealer, in each case having a net worth in excess of \$1,000,000), <i>provided</i> that any seller who is not registered as a broker-dealer in

this state has no place of business there, is registered as a broker-dealer with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, and effects transactions therein exclusively with the foregoing classes of purchaser.

- Texas Any bank, trust company, building and loan association, insurance company surety or guaranty company, savings institution, investment company as defined in the Investment Company Act of 1940, or small business investment company as defined in the Small Business Investment Act of 1958, as amended, any qualified institutional buyer under SEC Rule 144A, as amended and interpreted by the SEC; or any corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than \$5,000,000 or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the Certificates, *provided* that such financial institutions or other institutional investors are acting for their own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the Certificates. The term “*savings institution*” includes any federally chartered credit union or savings and loan association, or federal savings bank, and any credit union or savings and loan association chartered under the laws of any state of the United States.
- Utah (29) A depository institution, a trust company, an insurance company, an investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
- Vermont (8)(30) Any financial or institutional investor whether acting for itself or others in a fiduciary capacity, *provided* that any seller who is not registered as a broker-dealer in this state has no place of business there and effects transactions therein exclusively with an institutional investor.
- Virginia Any corporation, investment company or pension or profit-sharing trust.

Washington (31).....	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity. The Administrator has interpreted the term “ <i>institutional buyer</i> ” to mean: (1) a corporation, business trust, or a partnership or wholly owned subsidiary of such an entity, which has been operating for at least 12 months and which has a net worth on a consolidated basis of at least \$10,000,000 as determined by the entity’s most recent audited financial statements, such statements to be dated within 16 months of the transaction made in reliance upon this exemption; (2) any entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 and which has a total endowment or trust funds of \$5,000,000 or more according to its most recent audited financial statements, such statements to be dated within 16 months of the transaction made in reliance upon this exemption; or (3) any wholly owned subsidiary of a bank, savings, institution, insurance company or investment company as defined in the Investment Company Act of 1940. The Administrator has further found that the term “ <i>institutional buyer</i> ” does not include a natural person, individual retirement account, Keogh account or other self-directed pension plan.
West Virginia (2)	Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer whether the purchaser is acting for itself or in some fiduciary capacity, <i>provided</i> that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.
Wisconsin (32).....	An institutional investor, federal covered investment adviser or any other person exempted by rule adopted or order issued under the Wisconsin Uniform Securities Act, <i>provided</i> . that any seller who is not registered as a broker-dealer in this state effects transactions therein exclusively with institutional investors.
Wyoming (2).....	Any bank, savings institution, trust company, insurance company, investment company as defined in the

Investment Company Act of 1940; pension or profit-sharing trust, or other financial institution or institutional buyer, whether the purchaser is acting for himself or in some fiduciary capacity, *provided* that any seller who is not registered as a dealer or broker-dealer in this state has no place of business there and effects transactions therein exclusively with or through the foregoing classes of purchaser.

-
- (1) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part.
 - (2) Provided the offeror or seller (i) is registered as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part.
 - (3) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction or (ii) is a broker-dealer registered under the Securities Exchange Act of 1934 who has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, has no place of business in this jurisdiction and does not direct offers to sell or buy into this jurisdiction in any manner to persons other than registered broker-dealers or institutions enumerated with respect to this jurisdiction in this Part.
 - (4) The institutional investors, governmental agencies and instrumentalities designated by rule of the Commissioner of Corporations are: (a) any organization described in Section 501(c)(3) of the Internal Revenue Code, as amended December 29, 1981, which has total assets, (including endowment, annuity and life income funds) of not less than \$5,000,000 according to its most recent audited financial statement; (b) any corporation which has a net worth on a consolidated basis according to its most recent audited financial statement of not less than \$14,000,000; and (c) any wholly-owned subsidiary of any institutional investor designated by the institutions enumerated with respect to this jurisdiction in this Part.
 - (5) Provided the offeror or seller (i) is registered as a broker or dealer in this jurisdiction, or (ii) is a broker or dealer registered pursuant to the Securities Exchange Act of 1934, has no place of business in this jurisdiction and the business transacted in this jurisdiction is exclusively with broker-dealers licensed or exempt from license requirements, financial or institutional investors, existing customers of the broker-dealer whose principal place of residence is not in the jurisdiction and during any twelve consecutive months, not more than five persons in this jurisdiction excluding persons otherwise described herein.

- (6) The Colorado Department of Regulatory Agencies Division of Securities has defined “*financial or institutional investor*” to mean any of the following, whether acting for itself or others in a fiduciary capacity: (a) a depository institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company registered under the federal Investment Company Act of 1940; (e) a business development company as defined in the federal Investment Company Act of 1940; (f) any private business development company as defined in the federal Investment Advisers Act of 1940; (g) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the federal Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the federal Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, a depository institution, or an insurance company; (h) an entity, but not an individual, a substantial part of whose business activities consist of investing, purchasing, selling, or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of \$5,000,000 as of the end of its latest fiscal year; (i) a small business investment company licensed by the Federal small business administration under the federal Small Business Investment Act of 1958; and (j) any other institutional buyer. A “*depository institution*” is defined as any of the following: a person that is organized or chartered, or is doing business or holds an authorization certificate, under the laws of a state or of the United States which authorize the person to receive deposits, including deposits in savings, share, certificate, or other deposit accounts, and that is supervised and examined for the protection of depositors by an official or agency of a state or the United States; and a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the comptroller of the currency and is supervised and examined by an official or agency of a state or the United States).
- (7) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part.
- (8) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution, (b) an insurance company, (c) a separate account of an insurance company, (d) an investment company as defined in the Investment Company Act of 1940, (e) a broker-dealer registered under the Securities Exchange Act of 1934, (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company, (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of

its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company, (h) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, (i) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), a corporation, Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of \$10,000,000, (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of \$10,000,000, (l) a federal covered investment adviser acting for its own account, (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A), (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6), (o) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state's uniform securities act, or (p) any other person specified by rule adopted or order issued under the state's uniform securities act. "*Depository institution*" means: (a) a bank or (b) a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank, or (iii) an industrial loan company. "*Bank*" means: (a) banking institution organized under the laws of the United States, (b) a member bank of the Federal Reserve System, (c) any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of United States Public Law 87-722, 12 United States Code, Section 92a, and that is supervised and examined by a state or federal agency having supervision over banks and that is not operated for the purpose of evading the state's uniform securities act, or (d) a receiver, conservator or other liquidating agent of any institution or firm described in the foregoing clauses (a), (b) or (c). "*Insurance company*" means a company organized as an insurance company

whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state.

- (9) The Illinois Securities Department has, by regulation, defined “*institutional investor*” to include, but not be limited to: (i) investment companies, universities, and other organizations whose primary purpose is to invest its own assets or those held in trust by it for others; (ii) trust accounts and individual or group retirement accounts in which a bank, trust company, insurance company or savings and loan institution acts in a fiduciary capacity; and (iii) foundations and endowment funds exempt from taxation under the Internal Revenue Code, a principal business function of which is to invest funds to produce income in order to carry out the purpose of the foundation or fund. The Illinois Securities Department has also defined “*financial institution*” to include, but not be limited to, a manager of investment accounts on behalf of other than natural persons who, with affiliates, exercises sole investment discretion with respect to such accounts, provided such accounts exceed ten (10) in number and have a fair market value of not less than \$10,000,000 at the end of the calendar month preceding the month during which the transaction occurred for which the exemption is utilized, any government or political subdivision or instrumentality thereof, whether the purchaser is acting for itself or in some fiduciary capacity; or any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities, or any trust in respect of which a bank or trust company is trustee or co-trustee; or any employee benefit plan within the meaning of Title I of the Federal ERISA Act if (i) the investment decision is made by a plan fiduciary as defined in Section 3(21) of the Federal ERISA Act and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or an investment adviser registered under the Federal 1940 Investment Advisers Act or (ii) the plan has total assets in excess of \$5,000,000 or (iii) in the case of a self-directed plan, investment decisions are made solely by persons that are described in this paragraph; *provided*, however, that any seller who is not registered as a dealer or broker-dealer in the state is not regularly engaged in the business of offering or selling securities in reliance upon the exemptions set forth in Sections 4.G or 4.M. (relating to limited offerings and preorganization subscriptions) of the Illinois Securities Act of 1953.
- (10) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution, (b) an insurance company, (c) a separate account of an insurance company, (d) an investment company as defined in the Investment Company Act of 1940, (e) a broker-dealer registered under the Securities Exchange Act of 1934, (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company, (g) a plan established and maintained by a state, a political subdivision of a state, or an

agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company, (h) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, (i) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), a corporation, Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of \$10,000,000, (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of \$10,000,000, (l) a federal covered investment adviser acting for its own account, (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A), (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6), (o) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state's uniform securities act, or (p) any other person specified by rule adopted or order issued under the state's uniform securities act. "*Depository institution*" means: (a) a bank or (b) a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank, or (iii) an industrial loan company that is not an "insured depository institution" as defined in section 3(c)(2) of the Federal Deposit Insurance Act, United States Code, title 12, section 1813(c)(2), or any successor federal statute. "*Bank*" means: (a) banking institution organized under the laws of the United States, (b) a member bank of the Federal Reserve System, (c) a banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of United States Public Law 87-722, 12 United States Code, Section 92a, and that is supervised and examined by a state or federal agency having supervision over banks and that is not

operated for the purpose of the state's uniform securities act, or (d) a receiver, conservator or other liquidating agent of any institution or firm described in the foregoing clauses (a), (b) or (c). "*Insurance company*" means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state

- (11) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part.
- (12) The term "*institutional investor*" means any of the following, whether acting for itself or for others in a fiduciary capacity: (i) a depository institution or international banking institution; (ii) an insurance company or a separate account of an insurance company; (iii) an investment company as defined in the Investment Company Act of 1940; (iv) an employee pension, profit-sharing or benefit plan, if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a named fiduciary, as defined in the federal Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the federal Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, an investment adviser registered under the Iowa Uniform Securities Act, a depository institution or an insurance company; (v) a plan established and maintained by a state, a political subdivision of a state or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$5,000,000 or its investment decisions are made by a duly designated public official or a named fiduciary, as defined in the federal Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the federal Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, an investment adviser registered under the Iowa Uniform Securities Act, a depository institution or an insurance company; (vi) a trust if it has total assets in excess of \$5,000,000, its trustee is a depository institution and its participants are exclusively plans of the types identified in the foregoing clause, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (vii) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts trust or similar business trust, a limited liability company or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000; (viii) a small business investment company licensed by the United States Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958, with total assets in excess of \$5,000,000; (ix) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 with total assets in excess of \$5,000,000; (x) a federal covered investment adviser acting for its own account; (xi) a qualified institutional buyer as defined in 17 CFR, 230.144A(a)(1), except as defined in 17 CFR 230.144A(a)(1)(i)(H); (xii) a major U.S. institutional investor as defined in 17 CFR 240.15a-6(b)(4)(i); (xiii) any other person, other than an individual, of institutional

character with total assets in excess of \$5,000,000 not organized for the specific purpose of evading the Iowa Uniform Securities Act; or (xiv) any other person specified by rule adopted or order issued under the Iowa Uniform Securities Act. “*Depository institution*” means: (a) a bank or (b) a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank, or (iii) an industrial loan company. “*Bank*” means: (a) banking institution organized under the laws of the United States, (b) a member bank of the Federal Reserve System, (c) any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of United States Public Law 87-722, 12 United States Code, Section 92a, and that is supervised and examined by a state or federal agency having supervision over banks and that is not operated for the purpose of evading the Iowa Uniform Securities Act, or (d) a receiver, conservator or other liquidating agent of any institution or firm described in the foregoing clauses (a), (b) or (c). “*Insurance company*” means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state.

- (13) Provided the offeror or seller (i) is licensed as a broker-dealer in this jurisdiction, or (ii) has no place of business in this state if its only transactions effected in this state are with: (1) the issuer of the securities involved in the transactions, (2) a broker-dealer licensed as such under the Maine Uniform Securities Act or not required to be so licensed (except when the person is acting as a clearing broker-dealer), (3) an institutional investor as defined in this Part, (4) a nonaffiliated federal covered investment adviser with investments under management in excess of \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record.
- (14) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution, (b) an insurance company, (c) a separate account of an insurance company, (d) an investment company as defined in the Investment Company Act of 1940, (e) a broker-dealer registered under the Securities Exchange Act of 1934, (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company,

(g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company, (h) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, (i) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), a corporation, Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of \$5,000,000, (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of \$5,000,000, (l) a federal covered investment adviser acting for its own account, (m) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A), (n) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6), (o) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state's uniform securities act, or (p) any other person specified by rule adopted or order issued under the state's uniform securities act. "*Depository institution*" means: (a) a bank or (b) a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank, or (iii) an industrial loan company. "*Bank*" means: (a) banking institution organized under the laws of the United States, (b) a member bank of the Federal Reserve System, (c) any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of United States Public Law 87-722, 12 United States Code, Section 92a, and that is supervised and examined by a state or federal agency having supervision over banks and that is not operated for the purpose of evading the state's uniform securities act, or (d) a receiver, conservator or

other liquidating agent of any institution or firm described in the foregoing clauses (a), (b) or (c). “*Insurance company*” means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state.

- (15) The term “*institutional buyer*” includes, but is not limited to, (i) any Small Business Investment Company licensed by the U.S. Small Business Administration under the Small Business Investment Act of 1958, as amended; (ii) any private business development company as defined in Section 202 (a)(22) of the Investment Advisers Act of 1940, as amended; (iii) any Business Development Company as defined in Section 2(a)(48) of the Investment Advisers Act of 1940, as amended; (iv) any entity with total assets in excess of \$5,000,000 and which is either (a) a company (whether a corporation, a Massachusetts or similar business trust or partnership) not formed for the specific purpose of acquiring the securities offered, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investment or (b) an organization described in Section 501 (c)(3) of the Internal Revenue Code and (v) a “qualified institutional buyer” as defined in 17 CFR 230.144A (a).
- (16) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (i) a depository institution or international banking institution, (ii) an insurance company, (iii) a separate account of an insurance company, (iv) an investment company as defined in the investment company act of 1940, (v) a broker-dealer registered under the securities exchange act of 1934, (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the employee retirement income security act of 1974, that is a broker-dealer registered under the securities exchange act of 1934, an investment adviser registered or exempt from registration under the investment advisers act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company, (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the employee retirement income security act of 1974, that is a broker-dealer registered under the securities exchange act of 1934, an investment adviser registered or exempt from registration under the investment advisers act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company, (viii) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clauses (vi) or (vii), regardless of size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, (ix) an organization described in section 501(c)(3) of the internal revenue code, 26 USC

501, a corporation, Massachusetts or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, (x) a small business investment company licensed by the small business administration under section 301(c) of the small business investment act of 1958, 15 USC 681, with total assets in excess of \$10,000,000, (xi) a private business development company as defined in section 202(a)(22) of the investment advisers act of 1940, 15 USC 80b-2, with total assets in excess of \$10,000,000, (xii) a federal covered investment adviser acting for its own account, (xiii) a “qualified institutional buyer” as defined in rule 144A(a)(1), other than rule 144A(a)(1)(i)(H), adopted under the securities act of 1933, 17 CFR 230.144A, (xiv) A “major U.S. institutional investor” as defined in rule 15a-6(b)(4)(i) adopted under the securities exchange act of 1934, 17 CFR 240.15a-6(b)(4)(i), (xv) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state’s uniform securities act, and (xvi) any other person specified by rule or order under the state’s uniform securities act. “*Depository institution*” means a bank; or a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by federal statute by the federal deposit insurance corporation, the national credit union share insurance fund, or a successor authorized by federal law; or a bank that does not receive deposits because of a limitation in its charter, articles of incorporation, or articles of association. The term does not include any of the following: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank, or (iii) an industrial loan company that is not an insured depository institution, as that term is defined in section 3(c)(2) of the federal deposit insurance act, 12 USC 1813(c)(2). “*Bank*” means any of the following: (i) a banking institution organized under the laws of the United States, (ii) a member bank of the federal reserve system, (iii) any other banking institution that meets all of the following: (A) it is doing business under the laws of a state or of the United States, (B) a substantial portion of its business consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the comptroller of the currency pursuant to 12 USC 92a, (C) it is supervised and examined by a state or federal agency having supervision over banks, and (D) it is not operated for the purpose of evading the state’s uniform securities act, (iv) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (i), (ii), or (iii). “*Insurance company*” means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state.

- (17) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (A) A depository institution or international banking institution; (B) An insurance company; (C) A separate account of an insurance company; (D) An investment company as defined in the Investment Company Act of 1940; (E) A broker-dealer registered under the Securities Exchange Act of 1934; (F) An employee pension,

profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company; (G) A plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state's uniform securities act, a depository institution, or an insurance company; (H) A trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (F) or (G), regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (I) An organization described in Section 501(c)(3) of the Internal Revenue Code (26 USC Section 501(c)(3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000; (J) A small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 USC Section 681(c)) with total assets in excess of \$10,000,000; (K) A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 USC Section 80b-2(a)(22)) with total assets in excess of \$10,000,000; (L) A federal covered investment adviser acting for its own account; (M) A "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 CFR 230.144A); (N) A "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 CFR 240.15a-6); (O) Any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state's uniform securities act; or (P) Any other person specified by rule adopted or order issued under the state's uniform securities act. "*Depository institution*" means: (A) A bank; or (B) A savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include: (i) An insurance company or other organization primarily engaged in the business of insurance; (ii) A Morris Plan bank; or (iii) An industrial loan company that is not an "insured depository institution" as defined in Section 3(c)(2) of the Federal Deposit Insurance Act, 12 USC 1813(c)(2), or any successor federal statute. "*Bank*" means: (A) A banking institution organized under the laws of the United States; (B) A member

bank of the Federal Reserve System; (C) Any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of Public Law 87-722 (12 USC Section 92a), and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the state's uniform securities act; and (D) A receiver, conservator, or other liquidating agent of any institution or firm included in clause (A), (B) or (C). "Insurance company" means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state.

- (18) The Nebraska Department of Banking and Finance, Bureau of Securities has, by interpretative opinion, defined "*financial institution or institutional buyer*" to include: (i) any bank as defined in Section 3(a)(2) of the Securities Act of 1933, whether acting in its individual or fiduciary capacity; (ii) any insurance company as defined in Section 2(13) of the Securities Act of 1933; (iii) any business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940; and (iv) any small business investment company licensed by the United States Small Business Administration pursuant to Section 301(c) or (d) of the Small Business Investment Company Act of 1958. "Pension or profit-sharing trust" has been defined by the Nebraska Department of Banking and Finance, Bureau of Securities to mean: (i) an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decisions are made by a "plan fiduciary" (as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974) which is either a bank, insurance company, or registered investment advisor; or (ii) an employee benefit plan that has total assets in excess of \$5,000,000. "Individual accredited investor" means (a) any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer, (b) any manager of a limited liability company that is the issuer of the securities being offered or sold, (c) any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase, exceeds \$1,000,000, or (d) any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.
- (19) Provided the offeror or seller (i) is licensed as a broker-dealer in this jurisdiction; (ii) is a broker-dealer registered or, except with respect to subsection (b) hereof, exempt from registration under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with other broker-dealers licensed or exempt from licensing in this jurisdiction or with institutions enumerated with respect to this jurisdiction in this Part, (b) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and such broker-dealer offers and sells in this jurisdiction to a person who is an existing customer and

whose principal place of residence is not in this jurisdiction, or (c) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and during any twelve consecutive months does not effect more than transactions with more than five persons in this jurisdiction, in addition to the transactions with institutions enumerated with respect to this jurisdiction in this Part or other broker-dealers; or (iii) is a depository institution. The term “*depository institution*” means: (i) a person, other than an insurance company or other organization primarily engaged in the insurance business, or a Morris plan bank, industrial loan company or a similar bank or company, unless its deposits are insured by a Federal agency, which is: (a) organized, chartered or holding an authorization certificate under the laws of a state or of the United States which authorizes the person to receive deposits, and (b) supervised and examined for the protection of depositors by an official or agency of a state or the United States; or (ii) any trust company or other institution which is authorized by Federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the United States Comptroller of the Currency, and is supervised and examined by an official or agency of a state or the United States.

- (20) The term “*financial institution or institutional buyer*” means: (i) a depository institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) an employee pension, profit-sharing or benefit plan if: (a) its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisors Act of 1940, a depository institution or an insurance company, or (b) the plan has total assets in excess of \$5,000,000 (\$5,000,000); and (vi) any other institutional buyer.
- (21) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (i) a depository institution or international banking institution, (ii) an insurance company, (iii) a separate account of an insurance company, (iv) an investment company as defined in the investment company act of 1940, (v) a broker-dealer registered under the securities exchange act of 1934, (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the employee retirement income security act of 1974, that is a broker-dealer registered under the securities exchange act of 1934, an investment adviser registered or exempt from registration under the investment advisers act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company, (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the employee retirement income security act of 1974, that is a broker-dealer registered under the securities exchange act of 1934, an investment adviser registered or exempt from registration under the investment advisers act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance

company, (viii) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clauses (vi) or (vii), regardless of size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, (ix) an organization described in section 501(c)(3) of the internal revenue code, 26 USC 501, a corporation, Massachusetts or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, (x) a small business investment company licensed by the small business administration under section 301(c) of the small business investment act of 1958, 15 USC 681, with total assets in excess of \$10,000,000, (xi) a private business development company as defined in section 202(a)(22) of the investment advisers act of 1940, 15 USC 80b-2(a)(22), with total assets in excess of \$10,000,000, (xii) a federal covered investment adviser acting for its own account, (xiii) a “qualified institutional buyer” as defined in rule 144A(a)(1), other than rule 144A(a)(1)(i)(H), adopted under the securities act of 1933, 17 CFR 230.144A, (xiv) A “major U.S. institutional investor” as defined in rule 15a-6(b)(4)(i) adopted under the securities exchange act of 1934, 17 CFR 240.15a-6(b)(4)(i), (xv) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state’s uniform securities act, and (xvi) any other person specified by rule or order under the state’s uniform securities act. “*Depository institution*” means a bank; or a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by federal statute by the federal deposit insurance corporation, the national credit union share insurance fund, or a successor authorized by federal law; or a receiver, conservator or other liquidating agent or such institutions or entities. “*Depository institution*” does not include: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank, or (iii) an industrial loan company that is not an “insured depository institution” as defined in section 3(c)(2) of the federal deposit insurance act, 12 USC 1813(c)(2), or any successor federal statute. “*Bank*” means: (i) a banking institution organized pursuant to the laws of the United States, (ii) a member bank of the federal reserve system, (iii) any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of its business consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks pursuant to the authority of the comptroller of the currency pursuant to Section 1 of Public Law 87-722 (12 USC 92a) and that is supervised and examined by a state or federal agency having supervision over banks, and that is not operated for the purpose of evading the state’s uniform securities act, and (iv) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (i), (ii), or (iii). “*Federal covered investment adviser*” means a person registered under the federal investment advisers act of 1940. “*Insurance company*” means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and that is subject to supervision by the insurance commissioner or a similar official or agency of a state.

- (22) Provided the offeror or seller (i) is registered or licensed in this jurisdiction, or (ii) has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with or through other broker-dealers registered or licensed in the jurisdiction or with institutions enumerated with respect to this jurisdiction in this Part or (b) is registered as a dealer with the Securities and Exchange Commission under the Securities Exchange Act of 1934 and in one or more states and during any period of twelve consecutive months does not effect more than fifteen purchases or sales in this jurisdiction in any manner with persons other than those specified with respect to this jurisdiction in this Part, whether or not the dealer or any of the purchasers or sellers is then present in the jurisdiction.
- (23) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution, (b) an insurance company, (c) a separate account of an insurance company, (d) an investment company as defined in the Investment Company Act of 1940, (e) a broker-dealer registered under the Securities Exchange Act of 1934, (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the North Dakota’s Securities Act, a depository institution, or an insurance company, (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the North Dakota Securities Act, a depository institution, or an insurance company, (h) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (f) or (g) of this paragraph, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, (i) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), a corporation, Massachusetts trust or similar business trust, a limited liability company, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, (j) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of \$10,000,000, (k) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of \$10,000,000, (l) a federal covered investment adviser acting for its own account, (m) a “qualified institutional buyer” as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A), (n) a “major U.S.

institutional investor” as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6), or (o) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state’s uniform securities act. “*Depository institution*” means: (a) a bank or (b) a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank, or (iii) an industrial loan company. “*Bank*” means: (a) banking institution organized under the laws of the United States, (b) a member bank of the Federal Reserve System, (c) any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to Section 1 of United States Public Law 87-722, 12 United States Code, Section 92a, and that is supervised and examined by a state or federal agency having supervision over banks and that is not operated for the purpose of evading the state’s uniform securities act, or (d) a receiver, conservator or other liquidating agent of any institution or firm described in the foregoing clauses (a), (b) or (c).

- (24) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered broker-dealers or with institutions enumerated with respect to this jurisdiction in this Part.
- (25) The Pennsylvania Securities Commission has, by regulation, defined “*institutional investor*” to include: (a) a corporation or business trust or a wholly-owned subsidiary of such person which has been in existence for eighteen (18) months and which has a tangible net worth on a consolidated basis, as reflected in its most recent audited financial statements, of \$10,000,000 or more; (b) a college, university or other public or private institution which has received exempt status under §501(c)(3) of the Internal Revenue Code of 1954 and which has a total endowment or trust funds (including annuity and life income funds) of \$5,000,000 or more according to its most recent audited financial statements provided that the aggregate dollar amount of securities being sold to the person under the exemption contained in Section 203(c) of the Pennsylvania Securities Act of 1972 and Title 64 of the Pennsylvania Code, as amended, may not exceed 5% of the endowment or trust funds; (c) a wholly-owned subsidiary of a bank (as defined in the Pennsylvania Securities Act of 1972); (d) a person, except an individual or an entity whose security holders consist entirely of one individual or group of individuals who are related, which is organized primarily for the purpose of purchasing, in non-public offerings, securities of corporations or issuers engaged in research and development activities in conjunction with a corporation and which complies with one of the following:

(i) has purchased \$5,000,000 or more of the securities excluding both of the following: (A) a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities, but securities purchased under a leveraged buy-out financing in which the person does not intend to provide direct management to the issuer, is not excluded and (B) a dollar amount of purchase of securities of a corporation which investment represents more than 20% of the person's net worth; (ii) is capitalized at \$2,500,000 or more and is controlled by an individual controlling a person which meets the criteria contained in subparagraph (i); (iii) is capitalized at \$10,000,000 or more and has purchased \$500,000 or more of the securities, excluding a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities; or (iv) is capitalized at \$250,000 or more and is a side by side fund as defined in the Pennsylvania Code, as amended; (e) a Small Business Investment Company as defined in the Small Business Investment Act of 1958, which either has a total capital of \$1,000,000 or more, or is controlled by institutional investors (as defined in the Pennsylvania Securities Act of 1972); (f) a Seed Capital Fund as defined and authorized in the Small Business Incubators Act; (g) a Business Development Credit Corporation, as authorized by the Business Development Credit Corporation Law; (h) a person whose security holders consist solely of institutional investors or broker-dealers; or (i) a person as to which the issuer reasonably believes qualifies as an institutional investor under Section 102.111 of the Pennsylvania Code at the time of the offer or sale of the securities on the basis of written representations made to the issuer by the purchaser or (j) a qualified institutional buyer as that term is defined in Rule 144A under the Securities Act of 1933, or any successor rule thereto. The term "bank" ("bank" means a bank, savings bank, savings institution, savings and loan association, thrift institution, trust company or similar organization which is organized or chartered under the laws of a state or of the United States, is authorized to and receives deposits and is supervised and examined by an official or agency of a state or by the United States if its deposits are insured by the Federal Deposit Insurance Corporation or a successor authorized by Federal law; the term "bank" does not include a holding company for a bank or a bank-in-organization.

- (26) Provided the offeror or seller (i) is licensed as a dealer or broker in this jurisdiction, (ii) is a broker-dealer registered, or, exempt from registration under the Securities Exchange Act of 1934, has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with other broker-dealers licensed or exempt from licensing in this jurisdiction or with institutions enumerated with respect to this jurisdiction in this Part, or (b) is licensed under the securities laws of a state in which the broker-dealer maintains a place of business and such broker-dealer offers and sells in this jurisdiction to a person who is an existing customer of such broker dealer and whose principal place of residence is not in this jurisdiction. The General Laws of Rhode Island, 1956, as amended defines the term "financial or institutional investor" to include: (a) a depository institution; (b) an insurance company; (c) a separate account of an insurance company; (d) an investment company as defined in the Investment Company Act of 1940; (e) an employee pension, profit sharing or benefit plan if the plan has total assets in excess of \$5,000,000 (\$5,000,000), or if investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a

broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution or an insurance company; and (f) any other institutional buyer, whether acting for itself or another in a fiduciary capacity. The term “*depository institution*” means: a person which is organized, chartered, or holding an authorization certificate under the laws of a state or of the United States which authorizes the person to receive deposits, including a savings, share, certificate or deposit account, and which is supervised and examined for the protection of depositors by an official or agency of a state or the United States; a trust company or other institution that is authorized by federal or state law to exercise fiduciary powers of the type a national bank is permitted to exercise under the authority of the comptroller of the currency and is supervised and examined by an official or agency of a state or the United States; and “*depository institution*” does not include an insurance company or other organization primarily engaged in the insurance business, or a Morris plan bank, industrial loan company, or a similar bank or company unless its deposits are insured by a federal agency)

- (27) Provided the offeror or seller (i) is registered in this jurisdiction or (ii) has no place of business in this jurisdiction and (a) effects transactions in this jurisdiction exclusively with or through other broker-dealers registered or licensed in this jurisdiction or not required to be registered in this jurisdiction, or the institutions specified, other than an investment adviser that is not registered under the Investment Advisers Act of 1940, is affiliated with the offeror or seller, or which has investments under management of less than \$100,000,000 acting for the account of others pursuant to discretionary authority in a signed record.
- (28) Provided the offeror or seller (i) is registered or licensed as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and is registered as a broker-dealer with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, or any successor regulatory authority, who effects transactions in this jurisdiction exclusively with or through registered or licensed broker-dealers or with institutions enumerated with respect to this jurisdiction in this Part and during any period of twelve consecutive months does not effect more than fifteen transactions in securities from, in, or into this jurisdiction other than to persons described herein.
- (29) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) during any period of twelve consecutive months does not direct more than fifteen offers to sell or buy into this jurisdiction in any manner to persons other than those specified in this Part, whether or not the offeror or any of the offerees is then present in this jurisdiction.
- (30) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part.

- (31) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part, or (iii) has no place of business in this jurisdiction, and during any period of twelve consecutive months, does not direct more than fifteen offers to sell or to buy in this jurisdiction in any manner to persons other than those specified in this Part.
- (32) “*Institutional investor*” means any of the following, whether acting for itself or for others in a fiduciary capacity: (a) a depository institution or international banking institution, (b) an insurance company, (c) a separate account of an insurance company, (d) an investment company as defined in the Investment Company Act of 1940, (e) a broker-dealer registered under the Securities Exchange Act of 1934, (f) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company, (g) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of \$10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the state’s uniform securities act, a depository institution, or an insurance company, (h) a trust, if it has total assets in excess of \$10,000,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in clause (f) or (g), regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans, (i) an organization described in section 501 (c) (3) of the Internal Revenue Code (26 USC 501 (c) (3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$10,000,000, (j) a small business investment company licensed by the Small Business Administration under section 301 (c) of the Small Business Investment Act of 1958 (15 USC 681 (c)) with total assets in excess of \$10,000,000, (k) a private business development company as defined in section 202 (a) (22) of the Investment Advisers Act of 1940 (15 USC 80b-2 (a) (22)) with total assets in excess of \$10,000,000, (l) a federal covered investment adviser acting for its own account, (m) a qualified institutional buyer, as defined in Rule 144A (a) (1), other than Rule 144A (a) (1) (i) (H), adopted under the Securities Act of 1933 (17 CFR 230.144A), (n) a major U.S. institutional investor, as defined in Rule 15a-6 (b) (4) (i) adopted under the Securities Exchange Act of 1934 (17 CFR 240.15a-6), (o) any other person, other than an individual, of institutional character with total assets in excess of \$10,000,000 not organized for the specific purpose of evading the state’s uniform securities act, or (p) any other person

specified by rule adopted or order issued under the state's uniform securities act. "*Depository institution*" means any of the following: (a) a bank or (b) a savings institution, trust company, credit union, or similar institution that is organized or chartered under the laws of a state or of the United States, authorized to receive deposits, and supervised and examined by an official or agency of a state or the United States if its deposits or share accounts are insured to the maximum amount authorized by statute by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, or a successor authorized by federal law. The term does not include any of the following: (i) an insurance company or other organization primarily engaged in the business of insurance, (ii) a Morris Plan bank or (iii) an industrial loan company. "*Bank*" means any of the following: (a) a banking institution organized under the laws of the United States, (b) a member bank of the Federal Reserve System, (c) any other banking institution, whether incorporated or not, doing business under the laws of a state or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to be exercised by national banks under the authority of the Comptroller of the Currency pursuant to section 1 of Public Law 87-722 (12 USC 92a), and which is supervised and examined by a state or federal agency having supervision over banks, and which is not operated for the purpose of evading the state's uniform securities act or (d) a receiver, conservator, or other liquidating agent of any institution or firm included described in the foregoing clauses (a), (b), or (c). "*Insurance company*" means a company organized as an insurance company whose primary business is writing insurance or reinsuring risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state. "*International banking institution*" means an international financial institution if which the United States is a member and whose securities are exempt from registration under the Securities Act of 1933.

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona

County of Pima ^{SS}

I, Julie Castañeda, do hereby certify that I am the duly appointed and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.

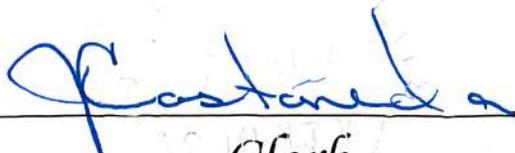
I further certify that the attached resolution entitled

RESOLUTION NO. 2018 – 28

(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 15th day of May, 2018, 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 30th day of April, 2019.



Clerk

RESOLUTION NO. 2018-28

A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA AUTHORIZING THE LEASE AND LEASE-PURCHASE BACK OF CERTAIN REAL PROPERTY, INCLUDING BUILDINGS AND STRUCTURES, IN ORDER TO FINANCE CAPITAL PROJECTS FOR THE COUNTY; AUTHORIZING NOTICE TO THE PUBLIC OF THE LEASE OR SALE OF THE PROPERTY AND PROVIDING FOR THE AWARD THEREOF TO THE HIGHEST RESPONSIBLE BIDDER; AUTHORIZING THE EXECUTION AND DELIVERY OF A GROUND LEASE, AMENDMENTS AND SUPPLEMENTS TO A LEASE-PURCHASE AGREEMENT AND A TRUST AGREEMENT AND OTHER NECESSARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS; APPROVING THE EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION TO PROVIDE THE NECESSARY FINANCING THEREFOR; AND AUTHORIZING OTHER ACTIONS AND MATTERS IN CONNECTION THEREWITH.

WHEREAS, Pima County, Arizona (the “County”) upon due investigation and consideration deems it advantageous and necessary to lease at public auction and to lease-purchase back certain land, buildings, structures and improvements comprised of the 33 North Stone Building, located at 33 North Stone Avenue, Tucson, Arizona (the “Facilities”); and

WHEREAS, the Board of Supervisors (the “Board”), is authorized to lease, at public auction, after notice to the public, County property pursuant to Arizona Revised Statutes § 11-256; and

WHEREAS, the County, in accordance with applicable law, will request bids for the lease of the Facilities, all as more fully described in the legal notice requesting such bids (the “Request for Bids”); and

WHEREAS, upon receipt of sealed bid proposals and following the public auction, the County intends that the Facilities be leased and awarded to the bidder which submits the highest bid as determined by the requirements of and responsive to the Request for Bids (the “Successful Bidder”); and

WHEREAS, the County intends that the proceeds received from the lease of the Facilities be applied by the County to pay or to reimburse costs of the acquisition, construction, improvement and equipping of various County sites, buildings and facilities and for other capital purposes (the “Projects”); and

WHEREAS, the County intends to lease-purchase back the Facilities through amendments or supplements to an existing lease-purchase agreement executed and delivered pursuant to Arizona Revised Statutes § 11-251(46);

WHEREAS, it is presently anticipated that (a) any Successful Bidder of the Facilities will finance its bid through the execution and delivery of certificates of participation, in one or more series (the "Certificates"), evidencing and representing proportionate interests of the owners thereof in lease payments to be made by the County pursuant to amendments or supplements to an existing lease-purchase agreement (collectively, the "Lease Agreement") between the County and the Trustee (defined below), as lessor, and to approve and execute all required legal documents in connection with such financing, including, without limitation a ground lease (the "Ground Lease") between the County and the Trustee, as lessee, relating to the Facilities; and

WHEREAS, the Certificates will be executed, delivered and paid in accordance with the terms of amendments or supplements to an existing Trust Agreement (collectively, the "Trust Agreement"), between the County and U.S. Bank National Association or another corporate trustee specified by the County, as trustee thereunder (the "Trustee"), in connection with the Certificates; and

WHEREAS, the Certificates of each series will be offered for sale pursuant to a Preliminary Official Statement (the "Preliminary Official Statement"), which, with conforming changes, will become the Official Statement (the "Official Statement") and sold, in a principal amount not exceeding the principal amount specified in the bid of the Successful Bidder, pursuant to one or more Certificate Purchase Agreements (collectively, the "Purchase Agreement") between the County and the purchaser of such series of the Certificates (collectively, the "Original Purchaser"); and

WHEREAS, in connection with the execution and delivery of the Certificates, Securities and Exchange Commission Rule 15(c)2-12 may require the County to make certain agreements for the benefit of holders and beneficial owners from time to time of the Certificates, as evidenced in one or more Continuing Disclosure Undertakings from the County (the "Continuing Disclosure Undertaking"); and

WHEREAS, the County has the power and authority to enter into and deliver the Lease Agreement, the Ground Lease, the Trust Agreement, the Purchase Agreement, the Continuing Disclosure Undertaking and such additional agreements (collectively, the "County Documents") or amendments thereto and has determined that it is advantageous and in the public interest to approve the execution, sale and delivery of the Certificates in order to secure the financial advantages for the County;

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

Section 1. It is hereby found and determined that the lease and lease-purchase back of all or a portion of the Facilities pursuant to the Request for Bids are advantageous to the County and in furtherance of the purposes of the County and in the public interest.

Section 2. The Board hereby directs, approves and authorizes the lease and lease-purchase back of all or a portion of the Facilities pursuant to the Request for Bids and in accordance with the requirements of all applicable laws. The County

Administrator, the Director of Finance of the County and all other appropriate officers and employees of the County are hereby authorized and directed to prepare the form of the Request for Bids. The publication and advertisement of such lease in accordance with the applicable law and the taking of all necessary steps to effectuate such lease in accordance with the applicable law is hereby authorized, approved, ratified, and confirmed in all respects.

Section 3. Upon the receipt of sealed bid proposals at the date, time and place prescribed by the Request for Bids, whether continued, postponed or rescheduled, and following the public auction and the consideration of bids received and the recommendation of the Director of Finance of the County, the lease of the Facilities described in the Request for Bids will be awarded to the Successful Bidder by this Board acting through its Chairman on behalf of the County to the highest bid as determined by the requirements of and responsive to the Request for Bids, unless all bids are rejected.

Section 4. The Chairman, Vice Chairman or Acting Chairman of this Board, the County Administrator of the County or the Director of Finance of the County (each an "Authorized Officer") are each hereby authorized, empowered and directed, with the approval of counsel to the County, in the name and on behalf of the County, to execute or attest, as required, and deliver the County Documents, in such forms as shall be reviewed by counsel to the County and approved by the Authorized Officer executing the same.

Section 5. From and after the execution and delivery of the County Documents in definitive form by the County and the other parties thereto, as required, the officers, agents and employees of the County are hereby authorized, empowered and directed to do all such acts and things and to execute all such agreements, documents, instruments and certificates as may be necessary to carry out and comply with the provisions thereof, including but not limited to the execution of tax compliance certificates or any other such document necessary in relation to the tax-exempt status of any series of Certificates intended by the County to be executed and delivered bearing tax-exempt interest or otherwise required by the related Purchase Agreement.

Section 6. The execution, sale and delivery of Certificates, which in the aggregate will not exceed the principal amount specified in the bid of the Successful Bidder, plus any amount approved by an Authorized Officer as being necessary to fund a debt service reserve fund and to pay the costs associated with the execution and delivery of the Certificates, bearing interest at the rate or rates per annum not to exceed a yield of 6.00% per annum computed in accordance with Section 148 of the Internal Revenue Code of 1986 as amended, and having the other terms and conditions to be provided in the related Purchase Agreement and the Trust Agreement (as executed and delivered) and consistent with this Resolution, are in all respects approved. Each series of Certificates shall be sold and awarded to the Original Purchaser at a price of not less than 98% of par (excluding any original issue discount). Each series of Certificates shall mature over a period ending not later than fifteen years from its execution and delivery, may be subject to mandatory or optional redemption prior to maturity, and shall have such other terms, all as provided in the related Trust Agreement and Purchase Agreement (as executed and delivered). The Certificates shall be executed and delivered for any or all of the following

purposes: (a) financing or reimbursing costs of the Projects, and (b) funding any amount required to be deposited into a debt service reserve fund and paying the costs associated with the execution and delivery of such Certificates.

Section 7. The distribution of the Preliminary Official Statement by the Original Purchaser with respect to each series of Certificates is hereby ratified and approved in the form approved by an Authorized Officer and an Official Statement for such series is hereby authorized and approved, in substantially the form of the related Preliminary Official Statement, with such changes or revisions as may be approved by the Authorized Officer executing the same. Any Authorized Officer is hereby authorized, empowered and directed, in the name and on behalf of the County, to execute and deliver the same to the Original Purchaser, and to execute and deliver instruments confirming that the Preliminary Official Statement is “deemed final” in accordance with Securities and Exchange Commission Rule 15(c)2-12.

Section 8. If the Director of Finance of the County or his designee determines that the purchase of an insurance policy securing payment of any series of Certificates, or a surety bond or other reserve fund guaranty, would be advantageous to the County, any officer, agent or employee of the County is hereby authorized to negotiate with and secure, with proceeds of such series of Certificates or otherwise, such an insurance policy or reserve fund guaranty, or both, from one or more institutions the claims-paying ability of which are then assigned a rating of “Aa3/AA-” or better by a nationally recognized credit rating agency at the time of issuance of the insurance policy and/or reserve fund guaranty. Each Authorized Officer is hereby further authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such insurance policy and/or reserve fund guaranty, including those making provision for the repayment of amounts advanced by the institutions issuing such insurance policy and/or reserve fund guaranty.

Section 9. The Authorized Officers, and the designees of any of them, are each hereby designated and appointed as the Lessee Representative, as defined in the Lease Agreement, and each of them is authorized to execute in the name of and on behalf of the County any closing documents, certificates, or other instruments or documents necessary or appropriate in connection with the transactions described in or contemplated by the related Official Statement, Purchase Agreement, Lease Agreement, Ground Lease or Trust Agreement or amendments or supplements thereto and to do all acts and things as may be necessary or desirable to carry out the terms and intent of this Resolution and of any of the documents referred to herein.

Section 10. The proceeds received by the Trustee from the sale of each series of Certificates shall immediately be applied as provided in the related Trust Agreement. Pending disbursement of any such proceeds received by the County and held by the County Treasurer, the County Treasurer is directed to invest the amounts so received and held in the State Treasurer’s Local Government Investment Pool (LGIP); provided, however, that the Director of Finance of the County may at any time provide other written investment instructions to the County Treasurer and the County Treasurer, to the

extent that such investments are lawful, is authorized and directed to invest monies as set forth in the instructions.

Section 11. All actions of the officers, agents and employees of the County which are in conformity with the purposes and intent of the foregoing resolutions be, and the same are hereby, in all respects, authorized, approved, ratified and confirmed.

[Remainder of page intentionally left blank.]

PASSED, ADOPTED AND APPROVED, by the Board of Supervisors of Pima County, Arizona, on May 15, 2018.

PIMA COUNTY, ARIZONA

By:  **MAY 15 2018**
Chairman, Board of Supervisors

ATTEST:

By: 
Clerk, Board of Supervisors

Approved as to Form:
SQUIRE PATTON BOGGS (US) LLP,
Special Counsel

By: 
Timothy E. Pickrell

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2019

GENERAL CERTIFICATE OF THE COUNTY

The undersigned, the Chairman and the Clerk, respectively, of the Board of Supervisors of Pima County, Arizona (the “County”), acting for and on behalf of the County, do hereby certify as follows with respect to the County’s \$20,940,000 aggregate principal amount of Certificates of Participation, Series 2019 (the “2019 Certificates”):

1. They are the duly appointed, qualified and acting Chairman and Clerk of the Board of Supervisors of the County and, as such, are familiar with the books, records and proceedings of the County and are charged with the responsibility on behalf of the County for the execution and delivery of the 2019 Certificates.

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 or by the Finance and Risk Management Director of the County:

<u>Document</u>	<u>Dated Date</u>	<u>Other Party(ies)</u>
Eighth Amendment to Lease-Purchase Agreement (the “Eighth Amendment”)	May 1, 2019	U.S. Bank National Association, as Trustee (the “Trustee”)
Eighth Supplement to Trust Agreement (the “Eighth Supplement”)	May 1, 2019	Trustee
2019 Ground Lease (the “Ground Lease”)	May 1, 2019	Trustee
Certificate Purchase Contract	April 17, 2019	Citigroup Global Markets Inc., as Underwriter
Continuing Disclosure Undertaking	May 7, 2019	None
Tax Compliance Certificate	May 7, 2019	None

The Lease-Purchase Agreement, dated as of June 1, 2008, between the County and the Trustee, as amended by the First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009, by the Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010, by the Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013, by the Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014, by the Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015, by the Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016, by the Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 and by the Eighth Amendment, is herein collectively referred to as the “Lease-Purchase Agreement.” The Trust Agreement, dated as of June 1, 2008, between the County and the Trustee, as amended by the First Supplement to Trust Agreement, dated as of June 1, 2009, by the Second Supplement to Trust Agreement, dated as of February 1, 2010, by the Third Supplement to Trust Agreement, dated as of May 1, 2013, by the Fourth Supplement to Trust Agreement, dated as of January 1, 2014, by the Fifth Supplement to Trust Agreement, dated as of April 1, 2015, by the Sixth Supplement to Trust Agreement, dated as of April 1, 2016, by the Seventh Supplement to Trust Agreement, dated as of April 1, 2018 and by the Eighth Supplement, is herein collectively referred to as the “Trust Agreement.” The Lease-Purchase Agreement, the Trust Agreement, the Certificate Purchase Contract, the Continuing Disclosure Undertaking, the Ground Lease and the Tax Compliance Certificate are herein sometimes collectively referred to as the “County Documents.”

3. The duly elected, qualified and acting members and incumbents of the Board of Supervisors of the County from May 15, 2018 to and including the date hereof, are as follows:

<u>Title</u>	<u>Name</u>
Chairman and Supervisor	Richard Elías
Supervisor	Sharon Bronson
Supervisor	Steve Christy
Supervisor	Ally Miller
Supervisor	Ramon Valadez

4. No authority or proceedings for the execution and delivery of the 2019 Certificates or the execution and delivery of the County Documents has been rescinded or superseded and no referendum or other petition to revoke or alter the authorization of the 2019 Certificates or the County Documents has been filed with or received by the County.

5. The adoption of Resolution No. 2018-28 on May 15, 2018 by the Board of Supervisors, authorizing the 2019 Certificates and the execution and delivery of the County Documents not theretofore executed and delivered, and the execution and delivery of the County Documents and compliance with the provisions thereof does not and will not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under, any existing ordinance or resolution of the County, including without limitation any requirement of competitive bidding, any existing law, court or administrative regulation, decree, order or any agreement, indenture, mortgage, lease, sublease or other instrument to which the County is a party or by which it or any of its properties is bound.

6. The self-insurance program of the County is maintained in accordance with the requirements of Arizona Revised Statutes Section 11-981 and 11-952.01 or their successors.

7. The County's insurance or self-insurance in effect on the date hereof meets the requirements of Sections 5.3, 5.4 and 5.6 of the Lease-Purchase Agreement.

8. By execution and delivery hereof, the County requests that the 2019 Certificates be executed and delivered by the appropriate officials of the Trustee and delivered against payment therefor as provided in the Trust Agreement and the Certificate Purchase Contract.

9. Responsive to the Certificate Purchase Contract, to the best knowledge, information and belief of the undersigned (for purposes of this paragraph, capitalized terms used and not defined shall have the meaning assigned to such term in the Certificate Purchase Contract):

(i) the representations and warranties of the County contained in the Certificate Purchase Contract are true and correct in all material respects on and as of the date hereof as if made on the date hereof;

(ii) except as otherwise described in the Official Statement, no litigation or proceeding against it is pending or threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the members or officials of the County to hold and exercise their respective positions, (b) contest the due organization and valid existence of the County, (c) contest the validity, due authorization and execution of the 2019 Certificates, the County Documents or the Trustee Documents, (d) attempt to limit, enjoin or otherwise restrict or prevent the County from functioning and appropriating lease payments or other amounts, including payments on the 2019 Certificates, pursuant to the County Documents, or (e) which if resolved adversely to the County, would have a material adverse effect on (I) the functioning of the County, the operations of the County, its revenues or its properties, or payment by the County of the amounts due under the Lease in the manner and time required thereby or (II) the validity or enforceability of the Lease or the financial condition of the County or its operations;

(iii) the Resolution has been duly adopted by the Board of Supervisors of the County, is in full force and effect and has not been modified, amended or repealed;

(iv) the audited financial statements included in the Official Statement were true and correct as of June 30, 2018, and the other financial statements and other financial and statistical data included in the Official Statement are true and correct as of the date hereof, and

(v) no event affecting the County has occurred since the respective dates of the Preliminary Official Statement and the Official Statement which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of April 17, 2019 with respect to the Preliminary Official Statement and as of the date hereof with respect to the Official Statement, and the information contained in the Preliminary Official Statement and the Official Statement (excluding the information under the headings "TAX MATTERS,"

“RATINGS,” and “UNDERWRITING” and in Appendix G thereof) is correct in all material respects and, as of its date and as of April 17, 2019 with respect to the Preliminary Official Statement and, as of its date and as of the date hereof with respect to the Official Statement, does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

10. The undersigned Chairman and the persons named on the attached Schedule A are the persons initially designated to act on behalf of the County as Lessee Representatives.

[Signature page to follow]

Dated: May 7, 2019

PIMA COUNTY, ARIZONA

By: 
Richard Elías
Chairman, Board of Supervisors

By: 
Julie Castañeda
Clerk, Board of Supervisors

[Signature page of General Certificate of the County]

SCHEDULE A

Name	Title	Signature
C.H. Huckelberry	County Administrator	
Michelle Campagne	Director of Finance	

**TAX COMPLIANCE CERTIFICATE
OF ISSUER**

Pertaining to

\$20,940,000

**PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2019**

Dated as of May 7, 2019

PIMA COUNTY, ARIZONA (“Issuer”), by its officer signing this Tax Compliance Certificate (“Certificate”), certifies, represents, and covenants as follows with respect to the captioned obligations (“Issue”) being issued pursuant to the Trust Agreement, dated as of June 1, 2008, as supplemented (the “Trust Agreement”), between the Issuer and U.S. Bank National Association, as trustee thereunder (the “Trustee”). All statements in this Certificate are of facts or, as to events to occur in the future, reasonable expectations. Terms used herein, to the extent not defined in Attachment A or below, have the same meanings as defined in the Trust Agreement.

I. DEFINITIONS

1.10 Attachment A. The definitions and cross references set forth in Attachment A apply to this Certificate and its Attachments. All capitalized terms relating to a particular issue, such as Sale Proceeds, relate to the Issue, unless indicated otherwise. (For example, “Sale Proceeds” refers to Sale Proceeds of the Issue, unless indicated otherwise.)

1.20 Special Definitions. In addition, the following definitions apply to this Certificate and its Attachments:

“2019 HURF Bonds” means the \$25,000,000 aggregate principal amount of Pima County, Arizona Street and Highway Revenue Bonds, Series 2019.

“2019 Obligations” means the \$21,245,000 aggregate principal amount of Pima County, Arizona Sewer System Revenue Obligations, Series 2019.

“Acquisition Fund” means the 2019 Project Fund in the Acquisition Fund created pursuant to the Trust Agreement and used to pay the costs of the Project.

“Certificate Fund” means the portion of the Lease Payment Fund established pursuant to the Trust Agreement that is allocable to the Issue.

“Instructions” means the Rebate Instructions attached hereto as Attachment C-2.

“Lease-Purchase Agreement” means the Lease-Purchase Agreement, dated as of June 1, 2008, as amended, between the Issuer and the Trustee.

“Leased Property” shall mean, collectively, the Public Works Building, the Legal Services Building, the Public Works Parking Garage, the Adult Detention Facility, the Public Service Center Office Tower and Parking Garage and 33 North Stone Avenue, as more fully described in Exhibit A to the Lease-Purchase Agreement.

“Project” means the costs of certain improvements, which consist of the completion of the Leased Property and for other capital projects, and interest up to three years from the Issuance Date of the Issue, or, if later, one year after the Project was placed in service, all of which are governmental purposes of the Code.

“Underwriter” means Citigroup Global Markets Inc.

1.30 References. Reference to a Section means a section of the Code. Reference by number only (for example, “2.10”) means that numbered paragraph of this Certificate. Reference to an Attachment means an attachment to this Certificate.

II. ISSUE DATA

2.10 Issuer. The Issuer is a Governmental Unit.

2.20 Purpose of Issue.

(A) The Issue is being issued to provide funds to (i) pay costs of the Project and (ii) pay certain Issuance Costs.

(B) The Proceeds paid by the Issuer to the Trustee for deposit in the Acquisition Fund (\$24,500,000.00) will be used by the Issuer to finance the construction of the Project.

2.30 Dates. The Sale Date is April 17, 2019 and the Issuance Date is May 7, 2019. The final maturity date of the Issue is December 1, 2033.

2.40 Issue Price. The Issue Price is set forth in Attachment B and is computed as follows:

Par Amount	\$20,940,000.00
Original Issue Premium	3,876,515.15
Pre-Issuance Accrued Interest	(0.00)
Issue Price	<u><u>\$24,816,515.15</u></u>

2.50 Sale Proceeds, Net Proceeds and Net Sale Proceeds. The Sale Proceeds, Net Proceeds and Net Sale Proceeds are as follows:

Issue Price	\$24,816,515.15
Pre-Issuance Accrued Interest	(0.00)
	<hr/>
Sale Proceeds	\$24,816,515.15
Deposit to reserve fund	(0.00)
	<hr/>
Net Proceeds	\$24,816,515.15
Minor Portion	(100,000.00)
	<hr/>
Net Sale Proceeds	\$24,716,515.15
	<hr/> <hr/>

2.60 Disposition of Sale Proceeds. The Sale Proceeds will be applied as follows:

To the Acquisition Fund	\$24,500,000.00
To pay Underwriter's discount	93,938.16
To pay other Issuance Costs	222,576.99
	<hr/>
Total Sale Proceeds	\$24,816,515.15
	<hr/> <hr/>

2.70 Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) those Gross Proceeds identified in 3.10, 3.20, and 3.30, but only during the applicable Temporary Periods there described for those Gross Proceeds, and (B) the Minor Portion to the extent provided in 3.70.

2.80 Single Issue. All of the obligations of the Issue were sold on the Sale Date pursuant to the same plan of financing and are expected to be paid from substantially the same source of funds. Whether obligations are expected to be paid from substantially the same source of funds is determined without regard to guarantees from a person who is not a Related Party to the Issuer. Accordingly, all of the obligations of the Issue constitute a single "issue" for federal income tax purposes. Except for the 2019 Obligations, which have a Sale Date of April 4, 2019, and the 2019 HURF Bonds, which have a Sale Date of April 10, 2019, no obligations, other than those comprising the Issue, have been or will be sold less than 15 days before or after the Sale Date. The Issue is not reasonably expected to be paid from substantially the same source of funds as the 2019 Obligations or the 2019 HURF Bonds, so the 2019 Obligations and the 2019 HURF Bonds are not treated as a single issue with the Issue. Accordingly, no obligations other than those comprising the Issue are a part of a single issue with the Issue.

III. ARBITRAGE (NONREBATE) MATTERS

3.10 Use of Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods.

(A) Pre-Issuance Accrued Interest. There is no Pre-Issuance Accrued Interest.

(B) Underwriter's Discount and Issuance Costs. Sale Proceeds in the amount of \$93,938.16 will be retained by the Underwriter from the Issue Price otherwise paid to the Issuer to purchase the Issue as compensation for its services in marketing the Issue to the public. Sale Proceeds in the amount of \$222,576.99 will be used to pay other Issuance Costs within 13 months from the Issuance Date, such period being the Temporary Period for that amount.

(C) Payment of Project Costs.

(1) Sale Proceeds of the Issue in the amount of \$24,500,000.00 will be used to pay a portion of the costs of the Project. Such Sale Proceeds may be used to acquire or hold Higher Yielding Investments for a period ending on the third anniversary of the Issuance Date (such period being the Temporary Period for such amount) because the following three tests are reasonably expected to be satisfied:

(i) At least 85% of the Net Sale Proceeds of the Issue will be allocated to expenditures on the Project by the end of the Temporary Period for such Net Sale Proceeds.

(ii) Within six months of the Issuance Date, the Issuer will incur substantial binding obligations to one or more third parties to expend at least 5% of the Net Sale Proceeds of the Issue on the Project; and

(iii) Completion of the Project and allocation of the Net Sale Proceeds of the Issue to expenditures with respect to the Project will proceed with due diligence.

Any Sale Proceeds of the Issue that remain unspent on the third anniversary of the Issuance Date, which is the expiration date of the Temporary Period for such Proceeds, shall not be invested in Higher Yielding Investments with respect to the Issue after that date except as part of the Minor Portion. In complying with the foregoing sentence, the Issuer may take into account “yield reduction payments” (within the meaning of Regulations §1.148-5(c)) timely paid to the United States.

(2) There is no Reimbursement Allocation.

3.20 Investment Proceeds; Temporary Period. Any Investment Proceeds of the Issue will be used to pay costs of the Project, and such Investment Proceeds may be invested in Higher Yielding Investments during the Temporary Period identified in 3.10(C)(1) or, if longer, during the one-year period from the date of receipt, such period being the Temporary Period for such Proceeds.

3.30 Certificate Fund. The Certificate Fund is a Bona Fide Debt Service Fund. Amounts deposited from time to time in the Certificate Fund will be used to pay Debt Service within 13 months after the amounts are so deposited, such period being the Temporary Period for such amounts.

3.40 No Other Replacement Fund or Assured Available Funds. The Issuer has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay Debt Service other than the Certificate Fund. Except for money referred to in 3.30 and Proceeds of a Refunding Issue, if any, no other money or Investment Property is or will be pledged as collateral or used for the payment of Debt Service (or for the reimbursement of any others who may provide money to pay that Debt Service), or is or will be restricted, dedicated, encumbered,

or set aside in any way as to afford the holders of the Issue reasonable assurance of the availability of such money or Investment Property to pay Debt Service.

3.50 No Overissuance. The Proceeds are not reasonably expected to exceed the amount needed for the governmental purposes of the Issue as set forth in 2.20.

3.60 Other Uses of Proceeds Negated. Except as stated otherwise in this Certificate, none of the Proceeds will be used:

(A) to pay principal of or interest on, refund, renew, roll over, retire, or replace any other obligations issued by or on behalf of the Issuer or any other Governmental Unit,

(B) to replace any Proceeds of another issue that were not expended on the project for which such other issue was issued,

(C) to replace any money that was or will be used directly or indirectly to acquire Higher Yielding Investments,

(D) to make a loan to any person or other Governmental Unit,

(E) to pay any Working Capital Expenditures other than expenditures identified in Regulations §1.148-6(d)(3)(ii)(A) and (B) (i.e., Issuance Costs, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee or for a Qualified Hedge, interest on the Issue for a period commencing on the Issuance Date and ending on the date that is the later of three years from such Issuance Date or one year after the date on which the Project financed by the Issue is Placed in Service, payments of the Rebate Amount, costs, other than those already described, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed by the Issue, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund) and expenditures for extraordinary, nonrecurring items that are not customarily payable from current revenues, such as casualty losses or extraordinary legal judgments in amounts in excess of reasonable insurance coverage), or

(F) to reimburse any expenditures made prior to the Issuance Date that do not satisfy the requirements for a Reimbursement Allocation.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.70 Minor Portion. The Minor Portion of \$100,000.00 may be invested in Higher Yielding Investments.

3.80 No Other Replacement Proceeds. That portion of the Issue that is to be used to finance Capital Expenditures has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of the property resulting from such Capital Expenditures.

3.90 Written Procedures to Monitor the Requirements of Section 148. The procedures set forth in Attachments C-1 (Compliance Policy) and C-2 (Rebate Instructions) constitute the Issuer's written procedures to monitor compliance with the arbitrage Yield restriction and rebate requirements of Section 148.

IV. REBATE MATTERS

4.10 Issuer Obligation Regarding Rebate. Consistent with its covenants contained in the Lease-Purchase Agreement, the Issuer will calculate and make, or cause to be calculated and made, payments of the Rebate Amount in the amounts and at the times and in the manner provided in Section 148(f) and the Instructions with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

4.20 No Avoidance of Rebate Amount. No amounts that are required to be paid to the United States will be used to make any payment to a party other than the United States through a transaction or a series of transactions that reduces the amount earned on any Investment Property or that results in a smaller profit or a larger loss on any Investment Property than would have resulted in an arm's length transaction in which the Yield on the Issue was not relevant to either party to the transaction.

4.30 Exceptions. Notwithstanding the foregoing, the computations and payments of amounts to the United States referred to in IV. need not be made to the extent that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Issue, based on an Opinion of Bond Counsel.

V. OTHER TAX MATTERS

5.10 Not Private Activity Bonds or Pool Bonds. No obligation of the Issue will be a Private Activity Bond or a pooled financing bond (within the meaning of Section 149(f)), based on the following:

(A) Not more than 5% of the Proceeds, if any, directly or indirectly, will be used for a Private Business Use and not more than 5%, if any, of the Debt Service, directly or indirectly, will be derived from or secured by Private Security or Payments.

(B) Less than 5% or \$5,000,000, whichever is less, of the Proceeds, if any, will be used to make or finance loans to any Private Person or Governmental Unit other than the Issuer.

(C) The lesser of the Proceeds that are being or will be used for any Private Business Use or the Proceeds with respect to which there are or will be Private Security or Payments does not exceed \$15,000,000 and none of the Proceeds will be used with respect to an "output facility" (other than a facility for the furnishing of water) within the meaning of Section 141(b)(4).

5.20 Disposition of Property. The Issuer does not intend to sell or otherwise dispose of the Project or any portion thereof during the term of the Issue except for dispositions of property in the normal course at the end of such property's useful life to the Issuer. With respect to

tangible personal property, if any, that is part of the Project financed by the Issue, the Issuer reasonably expects that:

(A) Dispositions of such tangible personal property, if any, will be in the ordinary course of an established governmental program;

(B) The weighted average maturity of the bonds of the Issue financing or refinancing such property (treating the bonds of the Issue properly allocable to such personal property, as a separate issue for this purpose) will not be greater than 120% of the reasonably expected actual use of such property for governmental purposes;

(C) The fair market value of such property on the date of disposition will not be greater than 25% of its cost;

(D) The property will no longer be suitable for its governmental purposes on the date of disposition; and

(E) The amounts received from any disposition of such property are required to, and will be, deposited in the Issuer's General Fund and commingled with substantial tax or other governmental revenues and will be spent on governmental programs within 6 months from the date of such deposit and commingling.

5.30 Issue Not Federally Guaranteed. The Issue is not Federally Guaranteed.

5.40 Not Hedge Bonds. At least 85% of the Spendable Proceeds of the Issue will be used to carry out the governmental purposes of the Issue within three years from the Issuance Date. Not more than 50%, if any, of the Proceeds of the Issue will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more, including but not limited to any investment contract or fixed Yield investment having a maturity of four years or more. The reasonable expectations stated above were not and are not based on and do not take into account (A) any expectations or assumptions as to the occurrence of changes in market interest rates or changes of federal tax law or regulations or rulings thereunder or (B) any prepayments of items other than items that are customarily prepaid.

5.50 Hedge Contracts. The Issuer has not entered into, and does not reasonably expect to enter into, any Hedge with respect to the Issue, or any portion thereof. The Issuer acknowledges that entering into a Hedge with respect to the Issue, or any portion thereof, may change the Yield and that bond counsel should be contacted prior to entering into any Hedge with respect to the Issue in order to determine whether payments/receipts pursuant to the Hedge are to be taken into account in computing the Yield on the Issue.

5.60 Written Procedures to Remediate Nonqualified Bonds. The Issuer acknowledges and establishes the Post Issuance Compliance for Debt Issues set forth in Attachment C-1 as its written procedures to ensure that all "nonqualified bonds" (as defined therein) are remediated in accordance with Regulations § 1.141-12. The Issuer will monitor the expenditure of Gross Proceeds and the use of facilities financed by the Issue, and will undertake, if necessary, any available measures under Regulations § 1.141-12 to ensure compliance after the Issuance Date with the applicable covenants contained in V.

5.70 Internal Revenue Service Information Return. Within the time and on the form prescribed by the Internal Revenue Service under Section 149(e), the Issuer will file with the Internal Revenue Service an Information Return setting forth the required information relating to the Issue. The information reported on that Information Return will be true, correct and complete to the best of the knowledge and belief of the undersigned.

5.80 Recordkeeping. The Issuer will maintain records to support the representations, certifications and expectations set forth in this Certificate until the date three (3) years after the last obligation of the Issue has been retired, and if any portion of the Issue is refunded by a Refunding Issue, the Issuer will maintain all records listed hereunder until the later of the date three (3) years after the last obligation of the Issue has been retired or the date three (3) years after the last obligation of the Refunding Issue has been retired. The records to be retained include, but are not limited to:

- (A) Basic records and documents relating to the Issue (including this Certificate and all Opinions of Bond Counsel relating to the Issue).
- (B) Documentation evidencing the timing and allocation of expenditures of Proceeds of the Issue.
- (C) Documentation evidencing the use of the Project by all persons, including Private Persons (e.g., copies of any management contracts, leases, etc.).
- (D) Documentation evidencing all sources of payment or security for the Issue.
- (E) Documentation pertaining to all investments of Proceeds (including the purchase and sale of securities, SLGs subscriptions, actual investment income received from the investment of Proceeds, Guaranteed Investment Contracts, and rebate calculations).
- (F) Records of all amounts paid to the United States pursuant to 4.10.
- (G) Any elections or revocations of elections under the Code relating to the Issue.

5.90 Tax Covenant. The Issuer hereby agrees and covenants to do all things necessary to ensure that interest on the Issue shall be, and shall continue to be, excluded from the gross income of the holders thereof for federal income tax purposes.

5.95 Responsibility of Officer. The officer signing this Certificate is one of the officers of the Issuer responsible for issuing the Issue.

In making the representations in this Certificate, the Issuer relies in part on the representations of the Underwriter as set forth in the Underwriter's Certificate attached hereto as Attachment B. To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate and in Attachment B are the expectations of the Issuer and are reasonable, all facts stated are true, and there are no other existing facts, estimates, or circumstances that would or could materially change the statements made in this Certificate or in

Attachment B. The certifications and representations made in this Certificate are intended to be relied upon as certifications described in Treasury Regulations §1.148-2(b) and may be relied upon by bond counsel in connection with the rendering of any opinion with respect to the Issue. The Issuer acknowledges that any change in the facts or expectations from those set forth in this Certificate or in Attachment B may result in different requirements or a change in status of the Issue or interest thereon under the Code, and that bond counsel should be contacted if such changes are to occur.

The date of this Certificate is May 7, 2019.

PIMA COUNTY, ARIZONA

By:  _____
Michelle Campagne
Finance and Risk Management Director

[Signature page of Tax Compliance Certificate]

List of Attachments

- Attachment A – Definitions for Tax Compliance Certificate
- Attachment B – Underwriter's Certificate
- Attachment C-1 – Compliance Policy
- Attachment C-2 – Rebate Instructions

Attachment A

Definitions for Tax Compliance Certificate

The following terms, as used in Attachment A and in the Tax Compliance Certificate to which it is attached and in the other Attachments to the Tax Compliance Certificate, have the following meanings unless therein otherwise defined or unless a different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in Attachment A have the meanings ascribed to them in the Tax Compliance Certificate to which this Attachment A is attached. The word “Issue,” in lower case, refers either to the Issue or to another issue of obligations or portion thereof treated as a separate issue for the applicable purposes of Section 148, as the context requires. The word “obligation” or “obligations,” in lower case, includes any obligation, whether in the form of bonds, notes, certificates, or any other obligation that is a “bond” within the meaning of Section 150(a)(1). All capitalized terms used in this Certificate include either the singular or the plural. All terms used in this Attachment A or in the Tax Compliance Certificate to which this Attachment A is attached, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. All references to Section, unless otherwise noted, refer to the Code.

“Advance Refunding Issue” means any Refunding Issue that is not a Current Refunding Issue.

“Advance Refunding Portion” means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as an Advance Refunding Issue if it had been issued as a separate issue.

“Available Construction Proceeds” means an amount equal to (a) the sum of (i) the Issue Price of an issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocable to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocable to the underwriter’s discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocable to the issue. “Available Construction Proceeds” does not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocable to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the project financed by the issue is substantially completed, provided, however, that such Investment Proceeds or earnings shall be excluded from “Available Construction Proceeds” if the Issuer has timely elected such exclusion. If an issue is a Multipurpose Issue that includes a New Money Portion that is a Construction Issue, this definition shall be applied by substituting “New Money Portion” for “issue” each place the latter term appears. If an issue or the New Money Portion of a Multipurpose Issue, as applicable, is not a Construction Issue, and the Issuer makes the bifurcation election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting “Construction Portion” for “issue” each place the latter term appears.

“Available Project Proceeds” means “available project proceeds” as defined in Section 54A(e)(4), being (A) the excess of (i) Sale Proceeds, over (ii) Issuance Costs paid with Proceeds (to the extent that such Issuance Costs do not exceed 2% of Sale Proceeds), plus (B) Proceeds actually or constructively received from any investment of such excess.

“Bifurcated Issue” means a New Money Issue or the New Money Portion of a Multipurpose Issue that the Issuer, pursuant to Section 148(f)(4)(C)(v) and Regulations §1.148-7(j), has elected in its Tax Compliance Certificate to bifurcate into a Construction Portion, which finances 100% of the Construction Expenditures, and a Nonconstruction Portion.

“Bona Fide Debt Service Fund” means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more issues, the portion of that fund properly allocable to an issue), or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues with Debt Service on an issue within each Bond Year and that is depleted at least once each year except for a reasonable carryover amount not to exceed the greater of the earnings thereon for the immediately preceding Bond Year or one-twelfth of the annual Debt Service on the issue for the immediately preceding Bond Year.

“Bond Counsel’s Opinion” or **“Opinion of Bond Counsel”** means an opinion or opinions of a nationally recognized bond counsel firm whose opinion is given with respect to the Issue when issued, or its successors or other nationally recognized bond counsel appointed by the Issuer.

“Bond Year” means the annual period relevant to the application of Section 148(f) to an issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of an issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

“Build America Bond” means any obligation described in Section 54AA(d)(1), including, where applicable, any Recovery Zone Economic Development Bond.

“Capital Expenditures” means costs of a type that are properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles, including capitalized interest computed taking into account the Placed in Service date.

“Code” means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

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

“Commingled Investment Proceeds” means Investment Proceeds of an issue (other than Investment Proceeds held in a Refunding Escrow) that are deposited in a Commingled Fund with substantial tax or other revenues from governmental operations of the Issuer and that are reasonably expected to be spent for governmental purposes within six months from the date of deposit in the Commingled Fund, using any reasonable accounting assumptions.

“Computation Date” means each date on which the Rebate Amount for an issue is required to be computed under Regulations §1.148-3(e). In the case of a Fixed Yield Issue, the first Computation Date shall not be later than five years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than five years after the immediately preceding Computation Date for which an installment payment of the Rebate Amount was paid. In the case of a Variable Yield Issue, the first Computation Date shall be the last day of any Bond Year irrevocably selected by the Issuer ending on or before the fifth anniversary of the Issuance Date of such issue and subsequent Computation Dates shall be the last day of each Bond Year thereafter or each fifth Bond Year thereafter, whichever is irrevocably selected by the Issuer after the first date on which any portion of the Rebate Amount is required to be paid to the United States. The final Computation Date is the date an issue is retired.

“Computational Base” means the amount of Gross Proceeds the Issuer or Conduit Borrower reasonably expects, as of the date a Guaranteed Investment Contract is required, to be deposited in that Guaranteed Investment Contract over its term.

“Conduit Borrower” means the obligor on a purpose investment.

“Conduit Financing Issue” means an issue the Proceeds of which are reasonably expected to be used to finance one or more Conduit Loans.

“Conduit Loan” means a purpose investment acquired by the Issuer with Proceeds of a Conduit Financing Issue, thereby effecting a loan to the Conduit Borrower.

“Construction Expenditures” means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

“Construction Issue” means an issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization. If an issue is a Multipurpose Issue that includes a New Money Portion, this definition shall be applied by substituting “New Money Portion” for “Construction Issue” each place the latter term appears. If an election under Section 148(f)(4)(C)(v) and Regulations §1.148-7(j) is made to bifurcate an issue or the New Money Portion of a Multipurpose Issue, this definition shall be applied by substituting “Construction Portion” for “Construction Issue” each place the latter term appears.

“Construction Portion” means that portion of an issue or the New Money Portion of a Multipurpose Issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned

by a Governmental Unit or a 501(c)(3) Organization and that finances 100% of the Construction Expenditures.

“Controlled Group” means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Regulations §1.150-1(e).

“Current Refunding Issue” means a Refunding Issue that is issued not more than 90 days before the last expenditure of any Proceeds of the Refunding Issue for the payment of Debt Service on the Refunded Bonds.

“Current Refunding Portion” means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as a Current Refunding Issue if it had been issued as a separate issue.

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

“Excess Gross Proceeds” means all Gross Proceeds of an Advance Refunding Issue that exceed an amount equal to 1% of the Sale Proceeds of such Advance Refunding Issue, other than Gross Proceeds allocable to: (a) payment of Debt Service on the Refunded Bonds; (b) payment of Pre-Issuance Accrued Interest on the Advance Refunding Issue and interest on the Advance Refunding Issue that accrues for a period up to the completion date of any capital project financed by the Prior Issue, plus one year; (c) a reasonably required reserve or replacement fund for the Advance Refunding Issue or Investment Proceeds of such fund; (d) payment of Issuance Costs of the Advance Refunding Issue; (e) payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Advance Refunding Issue, or investments of the Advance Refunding Issue; (f) Transferred Proceeds allocable to expenditures for the governmental purpose of the Prior Issue (treating for this purpose all unspent Proceeds of the Prior Issue properly allocable to the Refunded Bonds as of the Issuance Date of the Advance Refunding Issue as Transferred Proceeds); (g) interest on purpose investments; (h) Replacement Proceeds in a sinking fund for the Advance Refunding Issue; and (i) fees for a Qualified Guarantee for the Advance Refunding Issue or the Prior Issue. If an Issue is a Multipurpose Issue that includes an Advance Refunding Portion, this definition shall be applied by substituting “Advance Refunding Portion” for “Advance Refunding Issue” each place the latter term appears.

“Federally Guaranteed” means that (a) the payment of Debt Service on an issue, or the payment of principal or interest with respect to any loans made from the Proceeds of the issue, is directly or indirectly guaranteed in whole or in part by the United States or by an agency or instrumentality of the United States, within the meaning of Section 149(b), or (b) more than 5% of the Proceeds of an issue will be invested directly or indirectly in federally insured deposits or accounts. The preceding sentence does not apply to (a) Proceeds invested during an initial Temporary Period until such Proceeds are needed to pay costs of the project, (b) investments of a Bona Fide Debt Service Fund, (c) direct purchases from the United States of obligations issued by the United States Treasury, or (d) other investments permitted by Section 149(b) or Regulations §1.149(b)-1(b).

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

“Fixed Yield Issue” means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

“Future Value” means the value of a Payment or Receipt at the end of a period determined using the economic accrual method as the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the applicable issue, using the same compounding interval and financial conventions that were used to compute that Yield.

“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.

“Guaranteed Investment Contract” means any Nonpurpose Investment that has specifically negotiated withdrawal or retirement provisions and a specifically negotiated interest rate and any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

“Gross Proceeds” means Proceeds and Replacement Proceeds of an issue.

“Hedge” means a contract entered into by the Issuer or the Conduit Borrower primarily to modify the Issuer’s or the Conduit Borrower’s risk of interest rate changes with respect to an obligation (*e.g.*, an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option).

“Higher Yielding Investments” means any Investment Property that produces a Yield that (a) in the case of Investment Property allocable to Replacement Proceeds of an issue and Investment Property in a Refunding Escrow, is more than one thousandth of one percentage point (.00001) higher than the Yield on the applicable issue, and (b) for all other purposes is more than one-eighth of one percentage point (.00125) higher than the Yield on the issue.

“Investment Proceeds” means any amounts actually or constructively received from investing Proceeds of an issue in Investment Property.

“Investment Property” means investment property within the meaning of Sections 148(b)(2) and 148(b)(3), including any security (within the meaning of Section 165(g)(2)(A) or (B)), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) in the case of any bond other than a Private Activity Bond). Investment Property includes a Tax-Exempt Obligation that is a “specified private activity bond” as defined in Section 57(a)(5)(C), but does not include other Tax-Exempt Obligations.

“Issuance Costs” means costs to the extent incurred in connection with, and allocable to, the issuance of an issue, and includes underwriter’s compensation withheld from the

Issue Price, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification and authentication fees, accounting fees, printing costs for bonds and offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees other than for a Qualified Guarantee and similar costs, but does not include fees charged by the Issuer.

“Issuance Date” means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue.

“Issue Price” has the meaning set forth in the Tax Compliance Certificate.

“Minor Portion” means an amount equal to the lesser of \$100,000 or 5% of the Sale Proceeds of an issue.

“Multipurpose Issue” means an issue the bonds of which are allocable to two or more separate governmental purposes within the meaning of Regulations §1.148-9(h).

“Net Proceeds” means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue.

“Net Sale Proceeds” means the Sale Proceeds of an issue less (a) the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and (b) the portion invested as a part of a Minor Portion for the issue.

“New Money Issue” means an issue that is not a Refunding Issue.

“New Money Portion” means that portion of a Multipurpose Issue other than the Refunding Portion.

“Nonconstruction Portion” means that portion of a New Money Issue or of the New Money Portion other than the Construction Portion.

“Nonpurpose Investments” means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of an issue. “Nonpurpose Investments” does not include any investment that is not regarded as “investment property” or a “nonpurpose investment” for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a “nonpurpose investment” within the applicable meaning of Section 148.

“Payment” means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)(i) through (v).

“Placed in Service” means the date on which, based on all the facts and circumstances, a facility has reached a degree of completion that would permit its operation at substantially its design level and the facility is, in fact, in operation at such level.

“Pre-Issuance Accrued Interest” means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after such Issuance Date.

“Preliminary Expenditures” means any Capital Expenditures that are “preliminary expenditures” within the meaning of Regulations §1.150-2(f)(2), *i.e.*, architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project other than land acquisition, site preparation, and similar costs incident to commencement of construction. The aggregate amount of Preliminary Expenditures may not exceed 20% of the aggregate Issue Price of the issue or issues that financed or are reasonably expected to finance the project for which such Preliminary Expenditures are or were incurred.

“Prior Issue” means an issue of obligations all or a portion of the Debt Service on which is paid or provided for with Proceeds of a Refunding Issue. The Prior Issue may be a Refunding Issue.

“Private Activity Bond” means (a) obligations of an issue more than 10% of the Proceeds of which, directly or indirectly, are or are to be used for a Private Business Use and more than 10% of the Debt Service on which, directly or indirectly, is or is to be paid from or secured by payments with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue, the Proceeds of which are or are to be used to make or finance loans to any Private Person that, in the aggregate, exceed the lesser of 5% of such Proceeds or \$5,000,000. In the event of Unrelated or Disproportionate Use, the tests in (a) shall be applied by substituting 5% for 10% each place the latter term is used.

“Private Business Use” means use (directly or indirectly) in a trade or business carried on by any Private Person other than use as a member of, and on the same basis as, the general public. Any activity carried on by a Private Person (other than a natural person) shall be treated as a trade or business. In the case of a Qualified 501(c)(3) Bond, Private Business Use excludes use by a 501(c)(3) Organization that is not an unrelated trade or business activity by such 501(c)(3) Organization within the meaning of Section 513(a).

“Private Person” means any natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Unit. “Private Person” includes the United States and any agency or instrumentality of the United States.

“Private Security or Payments” means (i) any interest in property used or to be used for a Private Business Use, or in payments in respect of such property, that directly or indirectly secures any payment of principal of, or interest on, an issue, or (ii) payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use from which payments of principal of, or interest on, an issue are directly or indirectly derived, all as determined and measured in accordance with Treasury Regulations Section 1.141-4.

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

“Qualified Administrative Costs” means the reasonable, direct administrative costs, other than carrying costs, of purchasing or selling Nonpurpose Investments such as separately stated brokerage or selling commissions. Qualified Administrative Costs do not include legal and accounting fees, recordkeeping, custody and similar costs, general overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount. In general, Qualified Administrative Costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

“Qualified 501(c)(3) Bonds” means an issue of obligations that satisfies the requirements of Section 145(a).

“Qualified Guarantee” means any guarantee of an obligation that constitutes a “qualified guarantee” within the meaning of Regulations §1.148-4(f).

“Qualified Hedge” means a Hedge that is a “qualified hedge” within the meaning of Regulations §1.148-4(h)(2).

“Reasonable Retainage” means an amount, with respect to an issue, not to exceed 5% of the Net Sale Proceeds of the issue, that is retained for reasonable business purposes relating to the property financed with Proceeds of the issue. For example, Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

“Rebate Amount” means the excess of the future value, as of any date, of all receipts on Nonpurpose Investments acquired with Gross Proceeds of an issue over the future value, as of that date, of all payments on those Nonpurpose Investments, computed in accordance with Section 148(f) and Regulations §1.148-3.

“Rebate Analyst” means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f).

“Receipt” means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

“Recovery Zone Economic Development Bond” means any Build America Bond described in Section 1400U-2(b)(1).

“Refunded Bonds” means obligations of a Prior Issue the Debt Service on which is or is to be paid from Proceeds of a Refunding Issue.

“Refunding Bonds” means obligations of a Refunding Issue.

“Refunding Escrow” means one or more funds established as part of a single transaction, or a series of related transactions, containing Proceeds of a Refunding Issue and any other amounts to be used to pay Debt Service on Refunded Bonds of one or more issues.

“Refunding Issue” means an issue the Proceeds of which are or are to be used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs of the Refunding Issue.

“Refunding Portion” means that portion of a Multipurpose Issue the Proceeds of which are, or are to be, used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs properly allocable to the Refunding Portion.

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

“Reimbursement Allocation” means an allocation of the Proceeds of an issue for the reimbursement of Capital Expenditures paid prior to the Issuance Date of such issue that: (a) is evidenced on the books or records of the Issuer maintained with respect to the issue, (b) identifies either actual prior Capital Expenditures or the fund or account from which the prior Capital Expenditures were paid, (c) evidences the Issuer’s use of Proceeds of the issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of the issue and (d) satisfies the following requirements: except for Preliminary Expenditures, (i) the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e) prior to, or within 60 days after, payment of the Capital Expenditure, and (ii) the allocation in reimbursement of that Capital Expenditure occurs or will occur within 18 months after the later of the date the Capital Expenditure was paid or the date the project resulting from such Capital Expenditure was Placed in Service or abandoned, but in no event more than three years after the Capital Expenditure was paid.

“Related Party” means, in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a “related person” as defined in Section 144(a)(3).

“Replacement Proceeds” means, with respect to an issue, amounts (including any investment income, but excluding any Proceeds of any issue) replaced by Proceeds of that issue within the meaning of Section 148(a)(2). “Replacement Proceeds” includes amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

“Sale Date” means, with respect to an issue, the first date on which there is a binding contract in writing with the Issuer for the sale and purchase of an issue (or of respective obligations of the issue if sold by the Issuer on different dates) on specific terms that are not later modified or adjusted in any material respect.

“Sale Proceeds” means that portion of the Issue Price actually or constructively received by the Issuer upon the sale or other disposition of an issue, including any underwriter’s compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest.

“Spensible Proceeds” means the Net Sale Proceeds of an issue.

“Tax-Exempt Obligation” means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidence of

indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150, and includes any obligation or any investment treated as a “tax-exempt bond” for the applicable purpose of Section 148.

“Tax-Exempt Organization” means a Governmental Unit or a 501(c)(3) Organization.

“Temporary Period” means the period of time, as set forth in the Tax Compliance Certificate, applicable to particular categories of Gross Proceeds of an issue during which such category of Gross Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148.

“Transferred Proceeds” means that portion of the Proceeds of an issue (including any Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of the Refunded Bonds of that issue is discharged with the Proceeds of a Refunding Issue and that thereupon becomes Proceeds of the Refunding Issue as provided in Regulations §1.148-9(b). “Transferred Proceeds” does not include any Replacement Proceeds.

“Unrelated or Disproportionate Use” means Private Business Use that is not related to or is disproportionate to use by a Governmental Unit within the meaning of Section 141(b)(3) and Regulations §1.141-9.

“Variable Yield Issue” means any Issue that is not a Fixed Yield Issue.

“Working Capital Expenditures” means any costs of a type that do not constitute Capital Expenditures, including current operating expenses.

“Yield” has the meaning assigned to it for purposes of Section 148, and means that discount rate (stated as an annual percentage) that, when used in computing the present worth of all applicable unconditionally payable payments of Debt Service, all payments for a Qualified Guarantee, if any, and payments and receipts with respect to a Qualified Hedge, if any, as required by the Regulations, paid and to be paid with respect to an obligation (paid and to be paid during and attributable to the Yield Period in the case of a Variable Yield Issue), reduced by the credit, if any, allowed by Section 6431, produces an amount equal to (a) the Issue Price in the case of a Fixed Yield Issue or the present value of the Issue Price at the commencement of the applicable Yield Period in the case of a Variable Yield Issue, or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation provided for under Section 148, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of an issue are invested is computed on a basis consistent with the computation of Yield on that issue, including the same compounding interval of not more than one year selected by the Issuer.

“Yield Period” means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

The terms “bond,” “obligation,” “reasonably required reserve or replacement fund,” “reserve or replacement fund,” “loan,” “sinking fund,” “purpose investment,” “same plan of financing,” “other replacement proceeds” and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

(End of Attachment A)

**Attachment B
to Tax Compliance Certificate of Issuer**

Pertaining to

\$20,940,000

**PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2019**

Dated as of May 7, 2019

UNDERWRITER'S CERTIFICATE

Citigroup Global Markets Inc. ("Citigroup"), as Underwriter for the certificates identified above (the "Issue"), executed and delivered on behalf of Pima County, Arizona (the "Issuer"), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

(1) **Issue Price.**

(A) As of the date of this certificate, for each Maturity of the Issue, the first price at which at least 10% of such Maturity of the Issue was sold to the Public is the respective price listed in Schedule A attached hereto (the "Sale Price" as applicable to respective Maturities). The aggregate of the Sale Prices of each Maturity is \$24,816,515.15 (the "Issue Price").

(B) **Definitions.**

"Maturity" means certificates of the Issue with the same credit and payment terms. Certificates of the Issue with different maturity dates, or certificates of the Issue with the same maturity date but different stated interest rates, are treated as separate Maturities.

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

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

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer's Tax Compliance Certificate or in Attachment A to it.

(2) **Yield.** The Yield on the Issue is 2.2102%, being the discount rate that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360-day year and semi-annual compounding, produces an amount equal to the Issue Price of the Issue as stated in paragraph (1) and computed with the adjustments stated in paragraph (6).

(3) **Weighted Average Maturity.** The weighted average maturity (defined below) of the Issue is 8.7993 years. The weighted average maturity of an issue is equal to the sum of the products of the issue price of each maturity of the issue and the number of years to the maturity date of the respective maturity (taking into account mandatory but not optional redemptions), divided by the issue price of the entire issue.

(4) **Underwriter's Discount.** The Underwriter's discount is \$93,938.16, being the amount by which the aggregate Issue Price (as set forth in paragraph (1)) exceeds the price paid by Citigroup to the Issuer for the Issue.

(5) **No Discount Maturities.** No Maturity was sold at an original issue discount.

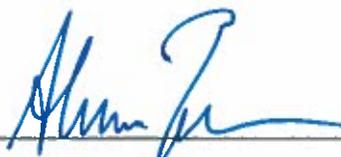
(6) **Premium Maturities Subject to Optional Redemption.** The Maturities that mature in the years 2029 through and including 2033 are the only Maturities that are subject to optional redemption before maturity and have an Initial Offering Price or Sale Price, as applicable, that exceeds their stated redemption price at maturity by more than one fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the Yield on the Issue stated in paragraph (2), each such Maturity was treated as retired on its optional redemption date or at maturity to result in the lowest yield on that Maturity. No Maturity is subject to optional redemption within five years of the Issuance Date of the Issue.

(7) **No Stepped Coupon Maturities.** No Maturity bears interest at an increasing interest rate.

The signer is an officer of Citigroup and duly authorized to execute and deliver this Certificate. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Citigroup's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Issue, and by Squire Patton Boggs (US) LLP, as special counsel, in connection with rendering its opinion that the portion of the purchase payments made by the Issuer and denominated as interest under the Purchase Agreement and received by the owners of the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

Dated: May 7, 2019

CITIGROUP GLOBAL MARKETS INC.

By:  _____
Title: Director

**SCHEDULE A
SALE PRICES**

<u>Maturity (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>
2019	\$ 575,000	5.00%	101.886	1.64%
2020	1,040,000	5.00	105.142	1.66
2021	1,090,000	5.00	108.252	1.70
2022	1,145,000	5.00	111.262	1.73
2023	1,205,000	5.00	114.061	1.78
2024	1,265,000	5.00	116.530	1.86
2025	1,325,000	5.00	118.915	1.92
2026	1,395,000	5.00	121.045	1.99
2027	1,460,000	5.00	122.891	2.07
2028	1,535,000	5.00	124.425	2.16
2029	1,610,000	5.00	123.549*	2.25*
2030	1,695,000	5.00	122.680*	2.34*
2031	1,775,000	5.00	121.913*	2.42*
2032	1,865,000	5.00	121.342*	2.48*
2033	1,960,000	5.00	120.963*	2.52*

* Price and yield calculated to December 1, 2028, the first optional redemption date.

**Attachment C-1
to Tax Compliance Certificate of Issuer**

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 1 of 14
Internal Operating Procedures	Responsible Division: Financial Management
	Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

WCH
3-29-19

TABLE OF CONTENTS

Statement:.....2

I. General Matters2

II. Market Trading Activity.....3

III. IRS Information Return Filing3

IV. Use of Proceeds.....3

V. Monitoring Private Business Use5

VI. Arbitrage and Rebate6

VII. Record Retention9

VIII. Compliance Checklist and Remedial Actions9

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 2 of 14
Internal Operating Procedures	Responsible Division: Financial Management
	Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

Statement: The policies and procedures provided herein shall be followed in order to ensure compliance with the requirements of the Internal Revenue Code (the “Code”) that are applicable to the issuance of Tax-Exempt Bonds or other Obligations (hereinafter called “Bonds”). Undefined terms used herein have the meanings assigned to them in the Code and the related Treasury Regulations. These policies and procedures, coupled with requirements contained in the Arbitrage Certificate (the “Tax Certificate”) executed at the time of issuance of the Bonds, are intended to constitute written procedures for compliance with the federal tax requirements applicable to the Bonds and for timely identification of violations of such requirements. Throughout the term of each issue of Bonds, the federal tax law requirements on which the following procedures are based may change. The County will regularly consult with bond counsel, who can assist with amending these procedures where necessary, and tailor them to the changing laws and the County’s changing needs.

I. General Matters

A. Responsible Officer

The Director of the Department of Finance and Risk Management will have overall responsibility for ensuring that the ongoing requirements described herein are met with respect to the Bonds (the “Responsible Officer”).

B. Identify Additional Responsible Employees

The Responsible Officer shall identify any additional employees who will be responsible for each of the procedures described herein, notify the current holder of that office of the responsibilities, and provide that person a copy of the procedures.

1. Upon employee or officer transitions, new personnel should be advised of responsibilities under the procedures and ensure they understand the importance of the procedures.
2. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all procedures have been appropriately assigned.

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 3 of 14
Internal Operating Procedures	Responsible Division: Financial Management Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

C. Periodic Review

The Responsible Officer should periodically review compliance with these procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be remedied through the “remedial action” regulations (Treasury Regulation §1.141-12) or the Voluntary Closing Agreement Program described in Internal Revenue Service (“IRS”) Notice 2008-31 (or successor guidance).

D. Change in Bond Terms

If any changes to the terms of the Bonds are contemplated, bond counsel will be consulted.

II. Market Trading Activity

- A. Ensure that the market trading activity of the Bonds is reviewed after their sale date but before their issuance date, that questions concerning such data are answered, and that reports concerning the sales data as necessary are produced. (Market trading information is generally available through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (EMMA) (<http://www.emma.msrb.org>).
- B. Records of reports produced, including copies of the market trading information, should be maintained in the bond book.

III. IRS Information Return Filing – 8038 G

Ensure that IRS Form 8038 G is timely filed with respect to each Bond issue, including the required debt service schedule and other required schedules and attachments and maintain it as part of the transcript for the Bond issue.

IV. Use of Proceeds

- A. Consistent Accounting Procedures

Clear accounting procedures for tracking investment and expenditures of proceeds, including investment proceeds.



Effective Date: 11/30/11
Review Date:
Revision Date: 03/29/19
Page: 4 of 14

Internal Operating Procedures

Responsible Division: Financial Management
Responsible Section: Cash Management

Subject: Post Issuance Compliance for Debt Issues

B. Reimbursement Allocations at Closing

At or shortly after issuance of a Bond issue, allocation of proceeds of the Bond issue to reimbursement of prior expenditures, as appropriate.

C. Cost of Issuance

Ensure that no more than 2% of the sale proceeds of a Bond issue are used to pay issuance costs.

D. Capital Expenditures

Ensure that 100% of all sale proceeds and investment proceeds, other than sale proceeds used to pay issuance costs or deposited in a reasonably required reserve fund, are allocated to capital expenditures.

E. Requisitions

Ensure that requisitions are used to draw Bond proceeds and verify the requisitions contain the information needed to show what and how Bond proceeds were spent, reviewing them carefully before submission to ensure proper use of Bond proceeds to minimize need for reallocations.

F. Final Allocation

Ensure that a final allocation of Bond proceeds (including investment proceeds) to qualifying expenditures is made if Bond proceeds are to be allocated to project expenditures on a basis other than "direct tracing" (direct tracing means treating the Bond proceeds as spent as shown in the accounting records for bond draws and project expenditures). An allocation other than on the basis of "direct tracing" is often made to reduce the private business use of Bond proceeds that would otherwise result from "direct tracing" of Bond proceeds to project expenditures. This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the issuance date of the Bonds or 60 days after the Bond issue is retired. Bond counsel can assist with the final allocation of Bond proceeds to project costs.

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 5 of 14
Internal Operating Procedures	Responsible Division: Financial Management Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

G. Record Retention

Maintain careful records of all project and other costs (e.g., issuance costs, credit enhancement, and capitalized interest) and uses (e.g., deposit to reserve fund) for which Bond proceeds were spent or used. These records should be maintained separately for each issue of Bonds.

V. **Monitoring Private Business Use**

A. Review of Contracts with Private Persons

Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as “Private Persons”) with respect to the Bond-financed facilities which could result in private business use of the Bond-financed facilities:

1. Sales of Bond-financed facilities.
2. Leases of Bond-financed facilities.
3. Management or service contracts relating to Bond-financed facilities.
4. Research contracts under which a Private Person sponsors research in Bond financed facilities.
5. Any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) granted to a Private Person with respect to Bond-financed facilities.

B. Review of New Leases, Management, Research and Other Contracts

Review any documentation that amends an existing agreement with a Private Person or enters into any new lease, management, service, or research agreement with a Private Person, review such amendment or agreement to determine whether it results in private business use.

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 6 of 14
Internal Operating Procedures	Responsible Division: Financial Management Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

C. Establish Procedures to Ensure Proper Use

Establish procedures to ensure Bond financed facilities are identified and are not used for private use without approval of the Responsible Officer.

D. Analyze Use

Analyze any private business use of Bond-financed facilities and, for each issue of Bonds, determining whether the 10% limit on private business use (5% in the case of “unrelated or disproportionate” private business use) is exceeded, and contacting bond counsel or other tax advisors if either of these limits is exceeded.

E. Record Retention

Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with Private Persons for the period indicated in VII. below.

VI. Arbitrage and Rebate

A. Yield

Record the yield of the Bond issue, as shown on the Form 8038-G.

B. Temporary Period

Review the Tax Certificate to determine the temporary periods for the Bond issue, during which periods various categories of gross proceeds of the Bond issue may be invested without yield restriction.

C. Post-Temporary Period Investments

Ensure that proceeds of the Bond issue are not invested in investments with a yield above the yield for the Bonds following the end of the applicable temporary period identified above unless Yield reduction payments may be made.

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 7 of 14
	Internal Operating Procedures
Responsible Division: Financial Management Responsible Section: Cash Management	
Subject: Post Issuance Compliance for Debt Issues	

D. Monitoring Temporary Period Compliance

Monitor expenditures of Bond proceeds, including investment proceeds, against issuance date expectations for satisfaction of three-year or five-year temporary period from yield restriction on investment of Bond proceeds and to avoid “hedge bond” status.

E. Establishing Fair Market Value of Investments

Ensure that investments acquired with Bond proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures) and maintaining records to demonstrate satisfaction of such safe harbors.

F. Debt Service, Credit Enhancement, and Sinking Funds

Consult with bond counsel before engaging in credit enhancement or hedging transactions in respect of a Bond issue and before creating separate funds that are reasonably expected to be used to pay debt service on the Bonds.

G. Document Retention

Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions.

H. Donations

Before beginning a capital campaign that may result in gifts that are restricted to Bond-financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), to determine whether replacement proceeds may result.

I. Bona Fide Debt Service Fund

Even after all proceeds of a given Bond issue have been spent, ensure that the debt service fund meets the requirements of a bona fide debt service fund, i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of:

- the earnings on the fund for the immediately preceding bond year; or

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 8 of 14
Internal Operating Procedures	Responsible Division: Financial Management Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

- one-twelfth of the debt service on the issue for the immediately preceding bond year.

To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.

J. Debt Service Reserve Fund

Ensure that amounts invested in any reasonably required debt service reserve fund do not exceed the least of:

- 10% of the stated principal amount of the Bonds (or the sale proceeds of the Bond issue if the Bond issue has original issue discount or original issue premium that exceeds 2% of the stated principal of the Bond issue plus, in the case of premium, reasonable underwriter's compensation);
- maximum annual debt service on the Bond issue;
- 125% of average annual debt service on the Bond issue.

K. Rebate Requirement

Review the arbitrage rebate covenants noted in the Tax Certificate. Subject to the exceptions described below, investment earnings on Bond proceeds at a yield in excess of the bond yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.

1. Ensure that rebate calculations will be timely performed and payment of rebate amounts, if any, will be timely made; such payments are generally due 60 days after the fifth anniversary of the issuance date of the Bond issue, then in succeeding installments every five years; the final rebate payment for a Bond issue is due 60 days after retirement of the last Bond of the issue; hiring a rebate consultant if necessary.
2. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement may apply to the Bonds, ensuring that the spending of proceeds is monitored prior to semi-annual spending dates for the applicable exception.
3. Timely making rebate and yield reduction payments and filing Form 8038-T.

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 9 of 14
	Internal Operating Procedures
Subject: Post Issuance Compliance for Debt Issues	

4. Even after all other proceeds of a given Bond issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement.

L. Record Retention

Maintain records of investments and expenditures of Proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and Yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions.

VII. Record Retention

Procedures will be set forth for maintaining all records and documents described in these procedures while any of the bonds of the issue are outstanding and during the three-year period following the final maturity or redemption of the bond issue or, if later, while any bonds that refund (or re-refund) bonds of that original issue are outstanding and for the three-year period following the final maturity or redemption date of the latest refunding bond issue.

VIII. Compliance Checklist and Remedial Actions

A. The County will spend the Gross Proceeds of the Issue and use the facilities financed with those Gross Proceeds (“Bond-Financed Facilities”) in a manner that complies with the restrictions and requirements imposed by the Code and Regulations on Tax-Exempt Bonds. The County will comply with the remedial action requirements, if necessary, set forth in Regulations §1.141-12. These Instructions provide guidance for that compliance.

B. Annual Review and Approval

1. On an annual basis, Cash Management will complete their sections of the Post Issuance Compliance checklist (see Attachment 1) and submit it to management to finalize, review and approve.

C. Remedial Action

Consult with Bond Counsel to undertake any necessary remedial actions, discussed below, in respect of “nonqualified bonds” of the Issue.

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 10 of 14
	Internal Operating Procedures
Responsible Division: Financial Management	
Responsible Section: Cash Management	
Subject: Post Issuance Compliance for Debt Issues	

1. Deliberate Action

A deliberate action (Deliberate Action) is any action taken after the Issuance Date by the Issuer that is within the Issuer’s control and that causes:

- more than 5% or 10%, as applicable, of the Proceeds to be used for a Private Business Use (Private Business Use Limit), and
- more than 5% or 10%, as applicable, of either the principal of or interest on the Issue to be secured by or derived, directly or indirectly, from Private Security or Payments (collectively with the Private Business Use Limit, the Private Business Limits).

An action by the Issuer is not a Deliberate Action if the action was (i) the result of an involuntary conversion of all or a portion of the Project, or (ii) an action that was taken in response to a regulatory directive made by the federal government (see Regulations §1.141-2(d)(3)(ii)).

2. Timely Reallocation

If a Deliberate Action occurs, the Issuer may reallocate the Proceeds that had been allocated to the Project or portion thereof as to which the Deliberate Action occurred to other permitted uses not later than 18 months after the later of (i) the date of the expenditure to which the Proceeds were originally allocated or (ii) the placed in service date of the Project or portion thereof to which such Proceeds were originally allocated, but not later than 60 days after the fifth anniversary of the Issuance Date or the retirement of the Issue, if earlier (see Regulations §§1.141-6(a) and 1.148-6(d)(1)(iii)).

3. Remedial Action

a. Effect

A “remedial action” cures the use of Proceeds that caused the Private Business Use limit to be exceeded. A remedial action will not impact the amount of Private Security or Payments.

b. Ability to Use

In order to achieve either or both of the effects set forth in 3.a, five conditions must be satisfied (see 3.c) and one of three alternative remedial actions must be taken (see D.).

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 11 of 14
	Internal Operating Procedures
Subject: Post Issuance Compliance for Debt Issues	

c. Conditions

The Issuer may use a “remedial action” only if the following five conditions are satisfied:

- (1) On the Issuance Date, the Issuer did not reasonably expect the Private Business Limits to be exceeded at any time while any portion of the Issue was outstanding.
- (2) On the Issuance Date, the weighted average maturity of the Issue did not exceed 120% of the weighted average of the reasonably expected economic lives of the assets comprising the Project.
- (3) Unless the Project is being used for an alternative use (as described in 4 below), the new user of all or any portion of the Project must have paid fair market value.
- (4) The Issuer must treat any “disposition proceeds,” which are all proceeds received from the sale, transfer or other disposition of all or a portion of the Project, as Gross Proceeds for arbitrage purposes.
- (5) Prior to the Deliberate Action, the Proceeds were used for a governmental purpose unless the remedial action to be taken is described in D.1.

D. Types of Remedial Action

1. Redemption of Non-Qualified Bonds

The “non-qualified bonds” are the portion of the Issue allocable to the Deliberate Action that causes the Issue to exceed the Private Business Limits. In general, within 90 days after the Deliberate Action, either the non-qualified bonds must be redeemed or an escrow that defeases the non-qualified bonds to their earliest redemption date must be established. A defeasance escrow may not be used, however, if the period between the Issuance Date and the earliest redemption date of the non-qualified bonds is more than 10.5 years; in such case, a closing agreement with the IRS may be necessary. If a defeasance escrow is established, the Issuer must notify the IRS within 90 days of its

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 12 of 14
Internal Operating Procedures	Responsible Division: Financial Management
	Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

establishment. Notwithstanding the general requirement stated above that all non-qualified bonds must be redeemed or defeased, if the disposition proceeds consist exclusively of cash, it is sufficient that the disposition proceeds be used to redeem or defease a pro rata portion of the non-qualified bonds.

2. Alternative Use of Disposition Proceeds

The Issue satisfies the requirements of this remedial action if:

- a. all disposition proceeds consist exclusively of cash;
- b. the Issuer reasonably expects to spend the disposition proceeds within two years after the date of the Deliberate Action;
- c. the disposition proceeds are treated as Proceeds for purposes of the Private Business Limits, the use of the disposition proceeds does not cause the Issue to exceed these Limits, and the Issuer does not take a subsequent Deliberate Action that causes either of these Limits to be exceeded;
- d. any unspent disposition proceeds must be used to redeem all or a portion of the Issue;
- e. if the disposition proceeds are to be used by a 501(c)(3) Organization, from the date of the Deliberate Action, the non-qualified bonds must constitute Qualified 501(c)(3) Bonds and be treated as reissued for that purpose.

3. Alternative Use of Project

The Issuer satisfies the requirements of this remedial action if:

- a. the portion of the Project that is transferred or disposed of could have been financed by another type of Tax-Exempt Bond;
- b. the Deliberate Action taken by the Issuer did not involve a purchase financed by another issue of Tax-Exempt Bonds;
- c. any disposition proceeds resulting from the Deliberate Action (other than those related to the provision of services) are used to pay Debt Service on the Issue on the next available payment date or, within 90

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 13 of 14
	Internal Operating Procedures
Responsible Division: Financial Management	
Responsible Section: Cash Management	
Subject: Post Issuance Compliance for Debt Issues	

days of receipt, are deposited into a Yield-restricted escrow to be used to pay Debt Service on the next available payment date.

Under these circumstances, the non-qualified bonds are treated as re-issued as of the date of the Deliberate Action, and must remain qualifying Tax-Exempt Bonds throughout their term.

E. Examples of Deliberate Action

1. Lease to a Private Person

A Deliberate Action generally occurs if the Issuer

- leases space within the Project to a Private Person and that use, when added to any other Private Business Use, exceeds 5% or 10%, as applicable, of the Bond-Financed Facilities so that more than 5% or 10%, as applicable, of the Proceeds of the Issue are considered used for a Private Business Use
- receives rent under that lease that, when added to any other Private Security or Payments, exceeds 5% or 10%, as applicable, of the Proceeds.

2. Service Contract

A Deliberate Action generally occurs if:

- (the Issuer enters into a “service contract” (defined below) with a Private Person,
- that Service Contract will be performed (or will be deemed to be performed) within the Project,
- that Service Contract does not satisfy the requirements set forth in Revenue Procedure 97-13 (or its successor),
- that use, when added to any other Private Business Use of the Project, exceeds 5% or 10%, as applicable, of the Proceeds, and
- payments received or deemed received with respect to the Project in which the Service Contract is performed, when added to any other

	Effective Date: 11/30/11 Review Date: Revision Date: 03/29/19 Page: 14 of 14
Internal Operating Procedures	Responsible Division: Financial Management Responsible Section: Cash Management
Subject: Post Issuance Compliance for Debt Issues	

Private Security or Payments, exceed 5% or 10%, as applicable, of the Proceeds.

A service contract is an arrangement under which services are to be provided by a Private Person involving the use of all or any portion of, or any function of, the Bond-Financed Facilities (for example, management services for an entire facility or a specific department of a facility).

3. Sale of Project

A Deliberate Action generally occurs if the Issuer sells all or more than 5% or 10%, as applicable, of the Bond-Financed Facilities to a Private Person, which results in Private Business Use, and receives commensurate disposition proceeds for that sale.

**Attachment C-2
to Tax Compliance Certificate**

**INSTRUCTIONS FOR COMPLIANCE WITH REBATE
REQUIREMENTS OF SECTION 148(f) OF THE CODE
(Governmental Use Bonds)**

The Issuer¹ covenanted in the operative documents (*i.e.*, Ordinance/Resolution/Trust Indenture/Tax Compliance Certificate) to comply with the arbitrage rebate requirement of Section 148(f) of the Code. These Instructions provide guidance for that compliance, including the spending exceptions that free the Issue from all or part of the rebate requirements. Capitalized terms that are not defined in these Rebate Instructions are defined in Attachment A to the Tax Compliance Certificate.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount with respect to the Issue must be paid (rebated) to the United States to prevent the bonds of the Issue from being arbitrage bonds, the interest on which is subject to federal income tax. In general, the Rebate Amount is the amount by which the actual earnings on Nonpurpose Investments purchased (or deemed to have been purchased) with Gross Proceeds of the Issue exceed the amount of earnings that would have been received if those Nonpurpose Investments had a Yield equal to the Yield on the Issue.² Stated differently, the Rebate Amount for the Issue as of any date is the excess of the Future Value, as of that date, of all Receipts on Nonpurpose Investments over the Future Value, as of that date, of all Payments on Nonpurpose Investments, computed using the Yield on the Issue as the Future Value rate.³

If the Issue is a Fixed Yield Issue, the Yield on the Issue generally is the Yield to maturity, taking into account mandatory redemptions prior to maturity. If the Issue is a Variable Yield Issue, the Yield on the Issue is computed separately for each Yield Period selected by the Issuer.

¹ For purposes of these Instructions, the term “Issuer” includes the borrower in a conduit financing issue.

² Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount: (1) for any Bond Year in which the gross earnings on such Fund for such Year are less than \$100,000; (2) if the average annual Debt Service on the Issue does not exceed \$2,500,000; or (3) if none of the obligations of the Issue are Private Activity Bonds, the rates of interest on the Issue do not vary and the average maturity of the Issue is at least five years.

³ The scope of these Instructions does not permit a detailed description of the computation of the Rebate Amount with respect to the Issue. If you need assistance in computing the Rebate Amount on the Issue or want Squire Patton Boggs (US) LLP to do the computations, please feel free to contact the Squire Patton Boggs (US) LLP attorney with whom you normally consult to discuss engaging the Firm to provide such assistance.

PART II: EXCEPTIONS TO REBATE

SECTION 2.01. SPENDING EXCEPTIONS.

The rebate requirements with respect to the Issue are deemed to have been satisfied if any one of three spending exceptions (the 6-Month, the 18-Month, or the 2-Year Spending Exception, collectively, the “Spending Exceptions”) is satisfied. The Spending Exceptions are each independent exceptions. The Issue need not meet the requirements of any other exception in order to use any one of the three exceptions. For example, a Construction Issue may qualify for the 6-Month Spending Exception or the 18-Month Spending Exception even though the Issuer makes one or more elections under the 2-Year Exception with respect to the Issue.

The following rules apply for purposes of all of the Spending Exceptions except as otherwise noted.

Refunding Issues. The only spending exception available for a Refunding Issue⁴ is the 6-Month Spending Exception.

Special Transferred Proceeds Rules. In applying the Spending Exceptions to a Refunding Issue, unspent Proceeds of the Prior Issue that become Transferred Proceeds of the Refunding Issue are ignored. If the Prior Issue satisfies one of the rebate Spending Exceptions, the Proceeds of the Prior Issue that are excepted from rebate under that exception are not subject to rebate either as Proceeds of the Prior Issue or as Transferred Proceeds of the Refunding Issue.

However, if the Prior Issue does not satisfy any of the Spending Exceptions and is not otherwise exempt from rebate, the Transferred Proceeds from the Prior Issue will be subject to rebate, even if the Refunding Issue satisfies the 6-Month Spending Exception. The Rebate Amount will be calculated on the Transferred Proceeds on the basis of the Yield of the Prior Issue up to each transfer date and on the basis of the Yield of the Refunding Issue after each transfer date.

Application of Spending Exceptions to a Multipurpose Issue. If the Issue is a Multipurpose Issue, the Refunding Portion and the New Money Portion are treated for purposes of the rebate Spending Exceptions as separate issues. Thus, the Refunding Portion is eligible to use only the 6-Month Spending Exception. The New Money Portion is eligible to use any of the three Spending Exceptions.

Expenditures for Governmental Purposes of the Issue. Each of the spending exceptions requires that expenditures of Gross Proceeds be for the governmental purposes of the Issue. These purposes include payment of interest (but not principal) on the Issue.

⁴ For purposes of these Instructions, references to “Refunding Issue” include the Refunding Portion of a Multipurpose Issue.

SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

The Issue will be treated as satisfying the rebate requirements if all of the Gross Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue within the 6-month period beginning on the Issuance Date and the Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or a Bona Fide Debt Service Fund if and to the extent that such Fund is subject to rebate (see footnote 3) is timely paid to the United States. If no bond of the Issue is a Private Activity Bond (other than a Qualified 501(c)(3) Bond) or a tax or revenue anticipation bond, the 6-month period is extended for an additional six months if the unexpended Gross Proceeds of the Issue at the end of the 6-month period do not exceed 5% of the Proceeds of the Issue.

For purposes of the 6-Month Spending Exception, Gross Proceeds required to be spent within six months do not include amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue.

SECTION 2.03. 18-MONTH SPENDING EXCEPTION.

The Issue (or the New Money Portion if the Issue is a Multipurpose Issue) is treated as satisfying the rebate requirement if the conditions set forth in (A), (B) and (C) are satisfied.

(A) All of the Gross Proceeds of the Issue (excluding amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue) are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

- (1) at least 15% within six months;
- (2) at least 60% within 12 months; and
- (3) 100% within 18 months, subject to the Reasonable Retainage exception described below.

(B) The Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund for the Issue, to the extent such Fund is subject to rebate (see footnote 3), is timely paid to the United States.

(C) The Gross Proceeds of the Issue qualify for the initial 3-year Temporary Period.

If the only unspent Gross Proceeds at the end of the 18th month are Reasonable Retainage, the requirement that 100% of the Gross Proceeds be spent by the end of the 18th month is treated as met if the Reasonable Retainage, and all earnings thereon, are spent for the governmental purposes of the Issue within 30 months of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first two spending periods, the amount of Investment Proceeds that the Issuer reasonably expects as of the Issuance Date to earn on the Sale Proceeds and Investment Proceeds of the Issue during the 18-month period are included in Gross Proceeds of the Issue. The final spend-down requirement includes actual Investment Proceeds for the entire 18 months.

The 18-Month Spending Exception does not apply to the Issue (or the New Money Portion, as applicable) if any portion of the Issue (or New Money Portion) is treated as meeting the rebate requirement under the 2-Year Spending Exception discussed below. This rule prohibits use of the 18-Month Spending Exception for the Nonconstruction Portion of a Bifurcated Issue. The only Spending Exception available for the Nonconstruction Portion of a Bifurcated Issue is the 6-Month Spending Exception.

SECTION 2.04. 2-YEAR SPENDING EXCEPTION FOR CERTAIN CONSTRUCTION ISSUES.

(A) In general. A Construction Issue no bond of which is a Private Activity Bond (other than a Qualified 501(c)(3) Bond or a Bond that finances property to be owned by a Governmental Unit or a 501(c)(3) Organization) is treated as satisfying the rebate requirement if the Available Construction Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

- (1) at least 10% within six months;
- (2) at least 45% within one year;
- (3) at least 75% within 18 months; and
- (4) 100% within two years, subject to the Reasonable Retainage exception described below.

Amounts in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund for the Issue are not treated as Gross Proceeds for purposes of the expenditure requirements. However, unless the Issuer has elected otherwise in the Tax Compliance Certificate, earnings on amounts in a reasonably required reserve or replacement fund for the Issue are treated as Available Construction Funds during the 2-year period and therefore must be allocated to expenditures for the governmental purposes of the Issue.

If the Issuer elected in the Tax Compliance Certificate to exclude from Available Construction Proceeds the Investment Proceeds or earnings on a reasonably required reserve or replacement fund for the Issue during the 2-year spend-down period, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings from the Issuance Date must be timely paid to the United States. If the election is not made, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings after the earlier of the date construction is substantially completed or two years after the Issuance Date must be timely paid to the United States. The

Rebate Amount, if any, with respect to earnings on amounts in a Bona Fide Debt Service Fund must be timely paid to the extent such Fund is subject to the rebate requirements (see footnote 3).

The Issue does not fail to satisfy the spending requirement for the fourth spend-down period (*i.e.*, 100% within two years of the Issuance Date) if the only unspent Available Construction Proceeds are amounts for Reasonable Retainage if such amounts (together with all earnings on such amounts) are allocated to expenditures within three years of the Issuance Date.

For purposes of determining whether the spend down requirements have been met as of the end of each of the first three spend-down periods, Available Construction Proceeds include the amount of Investment Proceeds or earnings that the Issuer reasonably expected as of the Issuance Date to earn during the 2-year period unless the Issuer elects, on or before the Issuance Date, to apply these spend-down requirements on the basis of actual facts rather than reasonable expectations. For purposes of satisfying the final spend-down requirement, Available Construction Proceeds include actual Investment Proceeds or earnings from the Issuance Date through the end of the 2-year period.

Available Construction Proceeds do not include Gross Proceeds used to pay Issuance Costs financed by the Issue, but do include earnings on such Proceeds. Thus, an expenditure of Gross Proceeds to pay Issuance Costs does not count toward meeting the spend-down requirements, but expenditures of earnings on such Gross Proceeds to pay Issuance Costs do count.

(B) 1½% penalty in lieu of rebate for Construction Issues. If the Issuer elected in the Tax Compliance Certificate for a Construction Issue, or for the Construction Portion of a Bifurcated Issue, to pay a 1½% penalty in lieu of the Rebate Amount on Available Construction Proceeds in the event that the Construction Issue fails to satisfy any of the spend-down requirements, the 1½% penalty is calculated separately for each spend-down period, including each semiannual period after the end of the fourth spend-down period until all Available Construction Proceeds have been spent. The penalty is equal to 0.015 times the underexpended Proceeds as of the end of the applicable spend-down period. The fact that no arbitrage is in fact earned during such spend-down period is not relevant. The Rebate Amount with respect to Gross Proceeds other than Available Construction Proceeds (*e.g.*, amounts in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund, to the extent subject to rebate (see footnote 3)) must be timely paid.

PART III: COMPUTATION AND PAYMENT

SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

If none of the Spending Exceptions described above is satisfied (and if the 1½% penalty election for a Construction Issue or the Construction Portion of a Bifurcated Issue has not been made), then within 45 days after each Computation Date the Issuer shall compute, or cause to be computed, the Rebate Amount as of such Computation Date. The first Computation Date is a date selected by the Issuer, but shall be not later than five years after the Issuance Date. Each subsequent Computation Date shall end five years after the previous Computation Date except that, in a Variable Yield Issue, the Issuer may select annual Yield Periods. The final

Computation Date shall be the date the last obligation of the Issue matures or is finally discharged.

Within 60 days after each Computation Date (except the final Computation Date), the Issuer shall pay to the United States not less than 90% of the Rebate Amount, if any, computed as of such Computation Date. Within 60 days after the final Computation Date, the Issuer shall pay to the United States 100% of the Rebate Amount, if any, computed as of the final Computation Date. In computing the Rebate Amount, a computation credit may be taken into account on the last day of each Bond Year to the Computation Date during which there are unspent Gross Proceeds that are subject to the rebate requirement, and on the final maturity date.

If the operative documents pertaining to the Issue establish a Rebate Fund and require the computation of the Rebate Amount at the end of each Bond Year, the Issuer shall calculate, or cause to be calculated, within 45 days after the end of each Bond Year the Rebate Amount, taking into account the computation credit for each Bond Year. Within 50 days after the end of each Bond Year, if the Rebate Amount is positive, the Issuer shall deposit in the Rebate Fund such amount as will cause the amount on deposit therein to equal the Rebate Amount, and may withdraw any amount on deposit in the Rebate Fund in excess of the Rebate Amount. Payments of the Rebate Amount to the Internal Revenue Service on a Computation Date shall be made first from amounts on deposit in the Rebate Fund and second from other amounts specified in the operative documents.

Each payment of the Rebate Amount or portion thereof shall be payable to the Internal Revenue Service and shall be made to the Internal Revenue Service Center, Ogden, UT 84201 by certified mail. Each payment shall be accompanied by Internal Revenue Service Form 8038-T and any other form or forms required to be submitted with such remittance.

SECTION 3.02. BOOKS AND RECORDS.

(A) The Issuer or Trustee, as applicable, shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the Gross Proceeds of the Issue. Such records shall specify the account or fund to which each Nonpurpose Investment (or portion thereof) held by the Issuer or Trustee is to be allocated and shall set forth as to each Nonpurpose Investment (1) its purchase price, (2) identifying information, including par amount, interest rate, and payment dates, (3) the amount received at maturity or its sales price, as the case may be, including accrued interest, (4) the amounts and dates of any payments made with respect thereto, and (5) the dates of acquisition and disposition or maturity.

(B) The Issuer, Trustee, or Rebate Analyst, as applicable, shall retain the records of all calculations and payments of the Rebate Amount until three years after the retirement of the last obligation that is a part of the Issue.

SECTION 3.03. FAIR MARKET VALUE.

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

(B) The fair market value of any Nonpurpose Investment shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in an arm's-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (*i.e.*, the trade date rather than the settlement date). Except as otherwise provided in this Section, a Nonpurpose Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code) is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(C) Obligations purchased directly from the Treasury. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(D) Safe harbor for Guaranteed Investment Contracts. The purchase price of a Guaranteed Investment Contract shall be treated as its fair market value on the purchase date if all the following conditions are met.

(1) The Issuer or broker makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from reasonably competitive providers (of Guaranteed Investment Contracts) that have no material financial interest in the Issue.

(2) The Issuer purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees).

(3) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

(4) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a Bona Fide Debt Service Fund and a reasonably required reserve or replacement fund.

(5) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable.

(6) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

(E) Safe harbor for certificates of deposit. The purchase price of a certificate of deposit shall be treated as its fair market value on the purchase date if all of the following requirements are met.

(1) The certificate of deposit has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal.

(2) The Yield on the certificate of deposit is not less than (a) the Yield on reasonably comparable direct obligations of the United States, or (b) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

Certificates evidencing the foregoing requirements should be obtained before purchasing any Guaranteed Investment Contract or certificate of deposit.

SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.

(A) Nonpurpose Investments that are held by the Issuer or Trustee as of any Computation Date (or Bond Year if the computations are required to be done annually) shall be treated for purposes of computing the Rebate Amount as of such date as having been sold for their fair market value as of such date. Investment Property that becomes allocated to Gross Proceeds of the Issue on a date after such Investment Property has actually been purchased shall be treated for purposes of the rebate requirements as having been purchased by the Issuer on such date of allocation at its fair market value on such date.

(B) For purposes of constructive or deemed sales or purchases of Investment Property (other than Investment Property in the Escrow Fund or that is otherwise not invested for a Temporary Period or is not part of a reasonably required reserve or replacement fund for the Issue) must be valued at its fair market value on the date of constructive or deemed sale or purchase.

(C) Except as set forth in (B), fixed-rate Investment Property that is (1) issued with not more than 2% of original issue discount or original issue premium, (2) issued with original issue premium that is attributable exclusively to reasonable underwriters' compensation or (3) acquired with not more than 2% of market discount or market premium may be treated as having a fair market value equal to its outstanding stated principal amount plus accrued interest. Fixed-rate Investment Property also may be treated as having a fair market value equal to its present value.

SECTION 3.05. ADMINISTRATIVE COSTS.

(A) Administrative costs shall not be taken into account in determining the payments for or receipts from a Nonpurpose Investment unless such administrative costs are Qualified Administrative Costs. Thus, administrative costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire Nonpurpose Investments generally do not increase the Payments for, or reduce the Receipts from, Nonpurpose Investments.

(B) Qualified Administrative Costs are taken into account in determining the Payments and Receipts on Nonpurpose Investments and thus increase the Payments for, or decrease the Receipts from, Nonpurpose Investments. In the case of a Guaranteed Investment Contract, a broker's commission or similar fee paid on behalf of either the Issuer or the provider

is a Qualified Administrative Cost to the extent that (1) the amount of the fee treated as a Qualified Administrative Cost does not exceed the lesser of (a) \$41,000, or such higher amount as determined and published by the Internal Revenue Service as the “cost of living adjustment” for the calendar year in which the Guaranteed Investment Contract is acquired and (b) 0.2% of the Computational Base or, if more, \$4,000, or such higher amount as determined and published by the Internal Revenue Service as the “cost of living adjustment” for the calendar year in which the Guaranteed Investment Contract is acquired and (2) the aggregate amount of broker’s commissions or similar fees with respect to all Guaranteed Investment Contracts and Nonpurpose Investments acquired for a yield-restricted defeasance escrow purchased with Gross Proceeds of the Issue treated as Qualified Administrative Costs does not exceed a cap of \$115,000, or such higher amount as determined and published by the Internal Revenue Service as the “cost-of-living adjustment” for the calendar year in which the Guaranteed Investment Contract is acquired less the portion of such cap, if any, used in prior years with respect to the Issue.

PART IV: COMPLIANCE AND AMENDMENT

SECTION 4.01. COMPLIANCE.

The Issuer, Trustee or Rebate Analyst, as applicable, shall take all necessary steps to comply with the requirements of these Instructions in order to ensure that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103(a) of the Code. However, compliance shall not be required in the event and to the extent stated therein the Issuer and the Trustee receive a Bond Counsel’s Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Issue or (B) compliance with some other requirement in lieu of such requirement will comply with Section 148(f) of the Code, in which case compliance with the other requirement specified in the Bond Counsel’s Opinion shall constitute compliance with such requirement.

SECTION 4.02. LIABILITY.

If for any reason any requirement of these Instructions is not complied with, the Issuer and the Trustee, if applicable, shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence. The Trustee shall have no duty or responsibility to independently verify any of the Issuer’s, or the Rebate Analyst’s, calculations with respect to the payments of the Rebate Amount due and owing to the United States. Under no circumstances whatsoever shall the Trustee be liable to the Issuer, any bondholder or any other person for any inclusion of the interest on the Issue in gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with these Instructions and the operative documents pertaining to the Issue.

(End of Attachment C-2)

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

(To be completed by Issuer and Co-Issuer(s), if applicable)

Pima County, Arizona

(Name of Issuer and Co-Issuer(s), if applicable)

April 3, 2019
(Date)

The Depository Trust Company
570 Washington Blvd, 4th FL
Jersey City, NJ 07310
Attention: Underwriting Department

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request to be made eligible for deposit by The Depository Trust Company ("DTC").

Issuer is: **(Note: Issuer shall represent one and cross out the other.)**

~~incorporated in~~ [formed under the laws of] the State of Arizona

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Very truly yours,

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

PIMA COUNTY, ARIZONA

(Issuer)

By: 
(Authorized Officer's Signature)

Michelle Campagne, Finance & Risk Mgmt Director
(Print Name)

130 West Congress, 6th Floor

(Street Address)

Tucson, Arizona (USA) 85701

(City) (State) (Country) (Zip Code)

(520) 740-8410

(Phone Number)

Michelle.Campagne@pima.gov

(E-mail Address)

DTCC

The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

Additional Signature Page to BLANKET ISSUER LETTER OF REPRESENTATIONS For use with Co-Issuers

(Name of Issuer and Co-Issuer(s), if applicable)

In signing this Blanket Issuer Letter of Representations dated as of _____.

Co-Issuer agrees to and shall be bound by all "Issuer" representations.

(Co-Issuer)

By: _____
(Authorized Officer's Signature)

(Print Name)

(Street Address)

(City) (State) (Country) (Zip Code)

(Phone Number)

(E-mail Address)

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

SCHEDULE A
(To Blanket Issuer Letter of Representations)

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2019

CERTIFICATE OF
FINANCE AND RISK MANAGEMENT DIRECTOR

I, the undersigned, do hereby certify that I am the Finance and Risk Management Director of Pima County, Arizona (the "County"), and as such officer, I do hereby further certify as follows:

1. Pursuant to Resolution No. 2018-28, adopted by the Board of Supervisors of the County on May 15, 2018, I did cause a public auction to be held on April 17, 2019 for the lease of the real property described in said Resolution No. 2018-28 (the "Property") and did cause the County's "Request for Sealed Bids, Public Auction for Lease of Real Property by Pima County, Arizona," in the form attached hereto as Exhibit A (the "Request for Sealed Bids"), to be published in The Daily Territorial on February 22, March 1, March 8 and March 15, 2019, respectively, and that attached hereto as Exhibit B are true and correct copies of such published notices.

2. The aggregate appraised value of the interests in the Property offered in the Request for Sealed Bids, was not less than \$18,230,000 and minimum bid price specified in the Request for Sealed Bids for such property was \$16,407,000, being 90% of such aggregate appraised value.

3. Pursuant to a "Notice of Postponement for Receipt of Sealed Bids Public Auction for Lease of Real Property by Pima County, Arizona", the public auction was postponed to 4:00 p.m. Tucson, Arizona time on April 17, 2019 and attached hereto as Exhibit C is a true and correct copy of such notice.

4. Pursuant to such notices, I conducted the public auction for the Property at 4:00 p.m. on April 17, 2019, at the place specified in the Request for Sealed Bids, at which time and place any bids received prior to such time were opened and announced.

5. The only bid received for the Property at such public auction was the bid of U.S. Bank National Association (the "Trustee"), as trustee, a true and correct copy of which is attached hereto as Exhibit D. Upon the opening of bids, those attending the auction were given the opportunity to submit verbal bids, the components of which would produce a higher result on the basis described in the Notice of Sealed Bids than the sealed bid received at the auction, and no verbal bids were submitted.

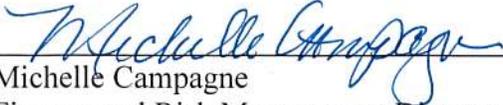
6. It was determined that said bid of U.S. Bank National Association, as trustee, was the highest and best bid received for the Property at the public auction as determined by the requirements set forth in the above-described Request for Sealed Bids and such bid was awarded

and confirmed by the Board of Supervisors of the County through the Notice of Award executed by the Chairman on April 17, 2019 and which was sent to the winning bidder and is attached hereto as Exhibit E.

7. Pursuant to Section 3.1 of the Eighth Supplement to Trust Agreement, dated as of May 1, 2019 (the "Eighth Supplement"), between the Trustee and the County, which supplemented the Trust Agreement, dated as of June 1, 2008, between the Trustee and the County, the County has received \$24,500,000 from the Trustee as consideration for the County leasing the Leased Property (as defined in the Eighth Supplement) to the Trustee pursuant to the 2019 Ground Lease (as defined in the Eighth Supplement).

[Remainder of page left blank intentionally]

Dated: May 7, 2019



Michelle Campagne
Finance and Risk Management Director
Pima County, Arizona

[Signature page of Certificate of Finance and Risk Management Director]

**REQUEST FOR SEALED BIDS
PUBLIC AUCTION FOR
LEASE OF REAL PROPERTY
BY PIMA COUNTY, ARIZONA**

NOTICE IS HEREBY GIVEN THAT Pima County, Arizona (the "County") will receive sealed bids from interested parties for the lease (the "Lease"), on an all-or-none basis, of certain County-owned parcels of land (the "Land") legally described at the end of this Notice, together with buildings and improvements thereon and appurtenant rights thereto (the Land and improvements are referred to in this Notice as the "Property"), subject to the terms and conditions described below. A draft of the Lease agreement is available from the County at the address below.

The Property: The Land and existing building and improvements is located in downtown Tucson, Arizona, at 33 North Stone, Tucson, Arizona 85701.

Lease Term: The Property will be leased to the successful bidder for a period of not to exceed 25 years, net of extension options.

Time and Place of Bid Opening; Receipt and Minimum Amount of Bids: The County will receive sealed bids and conduct a public auction at which the bids will be opened on April 17, 2019 at the hour of 8:30 AM, local time, at the Office of the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701. Sealed bids should be in written form and be signed on behalf of the bidder(s) and submitted prior to the time of the auction bid opening to the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701.

The appraised rental value of the Property is \$18,230,000 and the minimum bid price for the acquisition of the Lease is \$16,407,000. The acquisition price will be due and payable in full, in cash or by bank wire, on the date the lease transactions are closed, which is anticipated to be on or about May 7, 2019.

Terms and Conditions of Bid: The successful bidder must:

1. Agree to sublease the Property to the County pursuant to a lease-purchase agreement or an amendment or supplement to an existing lease-purchase agreement (the "Lease-Purchase Agreement"), which will provide, among other things, (a) for a lease term (comprising the initial and extended annual lease renewals) ending no later than May 1, 2034, and (b) that the County's obligation to make lease payments will be subject to the discretionary annual budgeting and appropriation of funds for such purpose by the County's Board of Supervisors, and (c) that ownership of the lessor's leasehold interest in the Property will vest in the County at the end of the lease term. The Lease-Purchase Agreement will be in the form approved by the County and its counsel, with only such changes as are approved by the County, which will include provision for the County, at its sole and exclusive option, to purchase the lessor's leasehold interest in the Property at any time, at a price no greater than that required to retire any outstanding financing used to acquire the Lease.

Under the Lease-Purchase Agreement, the County will agree to pay the expenses associated with the operation and maintenance of the Property during the term of the Lease-Purchase Agreement as well as insurance or self-insurance and taxes, if any, assessed against the Property. Additionally, the Lease-Purchase Agreement will permit the County to make such modifications, additions or alterations to the Property as it deems necessary for County purposes at no cost to the lessor and permit the County to use the Property for any County purpose and to sublease as provided in the Lease-Purchase Agreement.

2. Specify the rental payments due from the County and the dates due, during the entire term of the Lease-Purchase Agreement.

3. If a bidder proposes to finance its acquisition of the Lease, it must also specify (a) the source, type, amount and principal terms of the financing proposed, and (b) that the performance of the bidder's obligations under its bid will be subject to obtaining such financing.

4. Agree to refrain from encumbering, pledging, mortgaging, or in any other way using the Property as security for any obligation of whatever nature incurred by the successful bidder, except as permitted in the Lease or Lease-Purchase Agreement.

Review of Bids; Public Auction: Basis of Award: At the auction, the County's staff will open bids and will review them to determine which contain all of the foregoing provisions.

The highest bid will be the one that produces the highest result from (a) taking the Lease acquisition price bid, and deducting therefrom (b) the present value (by discounting at semiannual intervals and at a discount rate of 6.00 per cent per annum) of the aggregate rental payments due during the entire term of the Lease-Purchase Agreement.

Upon the opening of sealed bids, any bidder attending the public auction will be given the opportunity to submit a verbal bid, the components of which produce a higher result (of at least \$10,000.00) on the basis described above than the highest sealed bid received or the preceding highest verbal bid.

The County's staff will, not later than 10 days after the auction, announce the name of the bidder submitting the highest bid and, unless all bids are rejected, will forward the results of the auction to the Board of Supervisors of the County, acting through its Chairman, for award and confirmation of sale. Bidders are put on notice that no sale shall occur unless approved by the Chairman of the Board of Supervisors of the County and that such approval is a discretionary act of the Board of Supervisors acting through its Chairman. The evaluation by the County of the highest sealed bid proposal and the qualifications of the bidder are final. The County reserves the right to reject any or all bids or to waive informalities in the bid accepted.

Financial Responsibility of Bidders: The County may, in its sole discretion, require any bidder to submit, either prior to the opening of bids and the public auction or after such opening and public auction and prior to award, audited financial statements or other evidence of financial strength, or both. Failure of any bidder to provide such information promptly to satisfy the County shall disqualify that bidder.

Right to Postpone, Continue, Reschedule or Cancel the Auction: The County reserves the right to postpone, continue, reschedule or cancel the auction or modify terms and conditions of award. Notice of such postponement, continuation, rescheduling or cancellation shall be given by mail or fax to all interested bidders that have registered as described below.

Mandatory Information Packet Pick-up and Registry for Interested Bidders: Any party interested in bidding must, prior to April 10, 2019, pick up an information packet regarding the public auction at the Office of the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701 (520) 724-3669, and register as an interested party for purposes of receiving additional notices regarding the auction.

EXHIBIT A
LEGAL DESCRIPTION
FOR THE LAND

Parcel 1:

A Leasehold Estate in and to the following:

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

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

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

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

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

A three-sided parcel bounded on the:

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

PARCEL NO. 2:

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

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

Beginning at the Northeast corner of said Lot 4;

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

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

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

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

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

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

DAILY TERRITORIAL
WICK COMMUNICATIONS
SUITE 302
333 E W WILCOX DR
SIERRA VISTA AZ 85635
(520)294-1200

ORDER CONFIRMATION (CONTINUED)

Salesperson: Not Applicable

Printed at 02/20/19 12:51 by rgrad-wc

Acct #: 517140

Ad #: 136083

Status: New WHOLD WH

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

800-800-8000

**NOTICE OF POSTPONEMENT
FOR
RECEIPT OF SEALED BIDS
PUBLIC AUCTION FOR
LEASE OF REAL PROPERTY
BY PIMA COUNTY, ARIZONA**

NOTICE IS HEREBY GIVEN THAT Pima County, Arizona (the "County") has postponed the time and date for the receipt of sealed bids from interested parties for the lease (the "Lease") described in the attached Request for Sealed Bids Public Auction for Lease of Real Property by Pima County, Arizona (the "Request for Bids"). The County will now receive sealed bids and conduct a public auction at which the bids will be opened on April 17, 2019 at the hour of 4:00 PM, Tucson, Arizona time, at the Office of the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701. All other provisions in the Request for Bids remain the same.

The postponement is authorized under the caption "Right to Postpone, Continue, Reschedule or Cancel the Auction" contained in the Request for Bids and notice of the postponement is being given in accordance with the provisions under said caption. This notice is being sent to all interested parties that picked up an information packet regarding the public auction at the Office of the Director of Pima County Finance Department and registered as an interested party for purposes of receiving additional notices regarding the auction, as required by the Request for Bids. Please acknowledge receipt of this notice of postponement at the place provided below.

PIMA COUNTY, ARIZONA

Receipt Acknowledged:

By: 
Name: Keith Henselen
Entity: U.S. Bank National Association

Date: April 15, 2019

Received by Finance and Risk Management
4/17/19 3:15 pm

To: Director of Pima County Finance Department
6th Floor, County Administration Building
130 West Congress Avenue, Tucson Arizona 85701

From: U.S. Bank National Association, as bidder pursuant to the below-described Request for Bids

Re: The Request for Sealed Bids Public Auction for Lease of Real Property by Pima County, Arizona with a bid date of April 17, 2019 for the property located at 33 North Stone, Tucson, Arizona 85701

**BID PROPOSAL
OF
U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE
TO
PIMA COUNTY, ARIZONA**

Pima County, Arizona (the "County"), has, in accordance with applicable law, requested bids for (a) a ground lease interest in certain real property, owned by the County, together with buildings and improvements thereon and appurtenant rights thereto (collectively, the "2019 Property"), and (b) the lease-purchase back to the County of the 2019 Property, all as more fully set forth in the Request for Sealed Bids (the "Request for Bids"), requesting sealed bids, a copy of which is attached hereto as Exhibit A.

U.S. Bank National Association, as trustee ("U.S. Bank"), is a national banking association duly organized and existing under the laws of the United States of America.

U.S. Bank hereby submits a sealed bid proposal ("Bid Proposal") in response to the Request for Bids pursuant to which U.S. Bank will (a) purchase the ground leasehold interest in the 2019 Property from the County for a cash purchase price of \$24,500,000.00 which purchase will close on the date of closing of the sale of the 2019 Certificates (described below), anticipated to be May 7, 2019, and (b) lease-purchase the 2019 Property to the County pursuant to an Eighth Amendment to Lease-Purchase Agreement (the "2019 Lease-Purchase Agreement"), which supplements and amends a Lease-Purchase Agreement, dated as of June 1, 2008, as previously amended, as reflected in the form of the 2019 Lease-Purchase Agreement accompanying this proposal, and (c) comply with all other terms of the Request for Bids, including those listed in paragraphs 1 through 4 under the heading "Terms and Conditions of Bid" therein, all in accordance with the provisions of such Request for Bids and the form of the 2019 Lease-Purchase Agreement attached hereto as Exhibit C, the final form of which shall be substantially the form accompanying this Bid Proposal with only such changes as are agreed to by the County and by U.S. Bank.

The total lease-purchase payments (the "Lease Payments for the 2019 Property") due from the County and the dates due, during the entire term of the 2019 Lease-Purchase Agreement under this Bid Proposal is set forth on Exhibit B attached hereto. The present value (by discounting at semiannual intervals and at a discount rate of 6.00 per cent per annum, based on a 360-day year comprised of twelve 30-day months) of the aggregate Lease-Payments for the 2019 Property is \$19,610,055.75.

In order to obtain the funds to be used to pay for the acquisition of the 2019 Property, U.S. Bank will execute an Eighth Supplement to Trust Agreement (the "2019 Trust Agreement") with the County, continuing a trust including U.S. Bank's right, title and interest in and to the 2019 Property, the 2019 Lease-Purchase Agreement and the Lease Payments for the 2019 Property to be made by the County. The trust will be created for the benefit of the owners of the 2019 Certificates of Participation, executed and delivered pursuant to the 2019 Trust Agreement (the "2019 Certificates"). A portion of the proceeds of the sale of the 2019 Certificates will be used to pay for the acquisition of the 2019 Property, as shown on Exhibit B hereto. The 2019

Certificates will represent and evidence proportionate interests of the owners of the 2019 Certificates in the Lease Payments for the 2019 Property to be made by the County pursuant to the 2019 Lease-Purchase Agreement and all other interests in the trust to be created pursuant to the 2019 Trust Agreement.

The Certificates will be sold to Citigroup Global Markets Inc. The amount and principal terms of the 2019 Certificates are set forth on Exhibit B attached hereto.

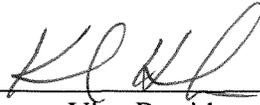
As provided in the Request for Bids, performance of U.S. Bank's obligations under this Bid Proposal will be conditioned upon and subject to obtaining funds through such financing.

U.S. Bank agrees to the terms specified in the Request for Bids not mentioned in this Bid Proposal.

[Signature page to follow]

Respectfully submitted,

U.S. BANK NATIONAL ASSOCIATION, as
trustee

By:  _____
Vice President

Date: April 17, 2019

EXHIBIT A

**NOTICE OF POSTPONEMENT
FOR
RECEIPT OF SEALED BIDS
PUBLIC AUCTION FOR
LEASE OF REAL PROPERTY
BY PIMA COUNTY, ARIZONA**

NOTICE IS HEREBY GIVEN THAT Pima County, Arizona (the "County") has postponed the time and date for the receipt of sealed bids from interested parties for the lease (the "Lease") described in the attached Request for Sealed Bids Public Auction for Lease of Real Property by Pima County, Arizona (the "Request for Bids"). The County will now receive sealed bids and conduct a public auction at which the bids will be opened on April 17, 2019 at the hour of 4:00 PM, Tucson, Arizona time, at the Office of the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701. All other provisions in the Request for Bids remain the same.

The postponement is authorized under the caption "Right to Postpone, Continue, Reschedule or Cancel the Auction" contained in the Request for Bids and notice of the postponement is being given in accordance with the provisions under said caption. This notice is being sent to all interested parties that picked up an information packet regarding the public auction at the Office of the Director of Pima County Finance Department and registered as an interested party for purposes of receiving additional notices regarding the auction, as required by the Request for Bids. Please acknowledge receipt of this notice of postponement at the place provided below.

PIMA COUNTY, ARIZONA

Receipt Acknowledged:

By: 
Name: Kent Hensel
Entity: U.S. Bank National Association

Date: April 15, 2019

**REQUEST FOR SEALED BIDS
PUBLIC AUCTION FOR
LEASE OF REAL PROPERTY
BY PIMA COUNTY, ARIZONA**

NOTICE IS HEREBY GIVEN THAT Pima County, Arizona (the "County") will receive sealed bids from interested parties for the lease (the "Lease"), on an all-or-none basis, of certain County-owned parcels of land (the "Land") legally described at the end of this Notice, together with buildings and improvements thereon and appurtenant rights thereto (the Land and improvements are referred to in this Notice as the "Property"), subject to the terms and conditions described below. A draft of the Lease agreement is available from the County at the address below.

The Property: The Land and existing building and improvements is located in downtown Tucson, Arizona, at 33 North Stone, Tucson, Arizona 85701.

Lease Term: The Property will be leased to the successful bidder for a period of not to exceed 25 years, net of extension options.

Time and Place of Bid Opening; Receipt and Minimum Amount of Bids: The County will receive sealed bids and conduct a public auction at which the bids will be opened on April 17, 2019 at the hour of 8:30 AM, local time, at the Office of the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701. Sealed bids should be in written form and be signed on behalf of the bidder(s) and submitted prior to the time of the auction bid opening to the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701.

The appraised rental value of the Property is \$18,230,000 and the minimum bid price for the acquisition of the Lease is \$16,407,000. The acquisition price will be due and payable in full, in cash or by bank wire, on the date the lease transactions are closed, which is anticipated to be on or about May 7, 2019.

Terms and Conditions of Bid: The successful bidder must:

1. Agree to sublease the Property to the County pursuant to a lease-purchase agreement or an amendment or supplement to an existing lease-purchase agreement (the "Lease-Purchase Agreement"), which will provide, among other things, (a) for a lease term (comprising the initial and extended annual lease renewals) ending no later than May 1, 2034, and (b) that the County's obligation to make lease payments will be subject to the discretionary annual budgeting and appropriation of funds for such purpose by the County's Board of Supervisors, and (c) that ownership of the lessor's leasehold interest in the Property will vest in the County at the end of the lease term. The Lease-Purchase Agreement will be in the form approved by the County and its counsel, with only such changes as are approved by the County, which will include provision for the County, at its sole and exclusive option, to purchase the lessor's leasehold interest in the Property at any time, at a price no greater than that required to retire any outstanding financing used to acquire the Lease.

Under the Lease-Purchase Agreement, the County will agree to pay the expenses associated with the operation and maintenance of the Property during the term of the Lease-Purchase Agreement as well as insurance or self-insurance and taxes, if any, assessed against the Property. Additionally, the Lease-Purchase Agreement will permit the County to make such modifications, additions or alterations to the Property as it deems necessary for County purposes at no cost to the lessor and permit the County to use the Property for any County purpose and to sublease as provided in the Lease-Purchase Agreement.

2. Specify the rental payments due from the County and the dates due, during the entire term of the Lease-Purchase Agreement.

3. If a bidder proposes to finance its acquisition of the Lease, it must also specify (a) the source, type, amount and principal terms of the financing proposed, and (b) that the performance of the bidder's obligations under its bid will be subject to obtaining such financing.

4. Agree to refrain from encumbering, pledging, mortgaging, or in any other way using the Property as security for any obligation of whatever nature incurred by the successful bidder, except as permitted in the Lease or Lease-Purchase Agreement.

Review of Bids; Public Auction: Basis of Award: At the auction, the County's staff will open bids and will review them to determine which contain all of the foregoing provisions.

The highest bid will be the one that produces the highest result from (a) taking the Lease acquisition price bid, and deducting therefrom (b) the present value (by discounting at semiannual intervals and at a discount rate of 6.00 per cent per annum) of the aggregate rental payments due during the entire term of the Lease-Purchase Agreement.

Upon the opening of sealed bids, any bidder attending the public auction will be given the opportunity to submit a verbal bid, the components of which produce a higher result (of at least \$10,000.00) on the basis described above than the highest sealed bid received or the preceding highest verbal bid.

The County's staff will, not later than 10 days after the auction, announce the name of the bidder submitting the highest bid and, unless all bids are rejected, will forward the results of the auction to the Board of Supervisors of the County, acting through its Chairman, for award and confirmation of sale. Bidders are put on notice that no sale shall occur unless approved by the Chairman of the Board of Supervisors of the County and that such approval is a discretionary act of the Board of Supervisors acting through its Chairman. The evaluation by the County of the highest sealed bid proposal and the qualifications of the bidder are final. The County reserves the right to reject any or all bids or to waive informalities in the bid accepted.

Financial Responsibility of Bidders: The County may, in its sole discretion, require any bidder to submit, either prior to the opening of bids and the public auction or after such opening and public auction and prior to award, audited financial statements or other evidence of financial strength, or both. Failure of any bidder to provide such information promptly to satisfy the County shall disqualify that bidder.

Right to Postpone, Continue, Reschedule or Cancel the Auction: The County reserves the right to postpone, continue, reschedule or cancel the auction or modify terms and conditions of award. Notice of such postponement, continuation, rescheduling or cancellation shall be given by mail or fax to all interested bidders that have registered as described below.

Mandatory Information Packet Pick-up and Registry for Interested Bidders: Any party interested in bidding must, prior to April 10, 2019, pick up an information packet regarding the public auction at the Office of the Director of Pima County Finance Department, 6th Floor, County Administration Building, 130 West Congress Avenue, Tucson, Arizona 85701 (520) 724-3669, and register as an interested party for purposes of receiving additional notices regarding the auction.

EXHIBIT A
LEGAL DESCRIPTION
FOR THE LAND

Parcel 1:

A Leasehold Estate in and to the following:

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

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

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

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

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

A three-sided parcel bounded on the:

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

PARCEL NO. 2:

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

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

Beginning at the Northeast corner of said Lot 4;

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

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

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

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

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

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

EXHIBIT B

PRELIMINARY FINANCING TERMS

SOURCES AND USES OF FUNDS

<u>Sources of Funds:</u>	<u>Amount</u>
Par Amount of 2019 Certificates	\$20,940,000.00
Reoffering Premium	<u>3,876,515.15</u>
Total Sources of Funds	<u>\$24,816,515.15</u>
 <u>Uses of Funds:</u>	
Acquisitions Fund for 2019 Property Acquisition	\$24,500,000.00
Costs of Issuing 2019 Certificates (including Underwriter's discount)	<u>316,515.15</u>
Total Uses of Funds	<u>\$24,816,515.15</u>

RENTAL PAYMENT SCHEDULE

The following are the Lease Payments for the 2019 Property evidenced by the 2019 Certificates to be paid pursuant to the 2019 Lease-Purchase Agreement.

<u>Lease Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payment Amount</u>
11/15/2019	\$575,000	\$593,300.00	\$1,168,300.00
05/15/2020		509,125.00	509,125.00
11/15/2020	1,040,000	509,125.00	1,549,125.00
05/15/2021		483,125.00	483,125.00
11/15/2021	1,090,000	483,125.00	1,573,125.00
05/15/2022		455,875.00	455,875.00
11/15/2022	1,145,000	455,875.00	1,600,875.00
05/15/2023		427,250.00	427,250.00
11/15/2023	1,205,000	427,250.00	1,632,250.00
05/15/2024		397,125.00	397,125.00
11/15/2024	1,265,000	397,125.00	1,662,125.00
05/15/2025		365,500.00	365,500.00
11/15/2025	1,325,000	365,500.00	1,690,500.00
05/15/2026		332,375.00	332,375.00
11/15/2026	1,395,000	332,375.00	1,727,375.00
05/15/2027		297,500.00	297,500.00
11/15/2027	1,460,000	297,500.00	1,757,500.00
05/15/2028		261,000.00	261,000.00
11/15/2028	1,535,000	261,000.00	1,796,000.00
05/15/2029		222,625.00	222,625.00
11/15/2029	1,610,000	222,625.00	1,832,625.00
05/15/2030		182,375.00	182,375.00
11/15/2030	1,695,000	182,375.00	1,877,375.00
05/15/2031		140,000.00	140,000.00
11/15/2031	1,775,000	140,000.00	1,915,000.00
05/15/2032		95,625.00	95,625.00
11/15/2032	1,865,000	95,625.00	1,960,625.00
05/15/2033		49,000.00	49,000.00
11/15/2033	1,960,000	49,000.00	2,009,000.00
<u>Totals:</u>	<u>\$20,940,000</u>	<u>\$9,030,300.00</u>	<u>\$29,970,300.00</u>

EXHIBIT C
FORM OF 2019 LEASE-PURCHASE AGREEMENT

When recorded return to:

Timothy E. Pickrell, Esq.
Squire Patton Boggs (US) LLP
1 E. Washington Street, 27th Floor
Phoenix, Arizona 85004
(602) 528-4000

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

**EIGHTH AMENDMENT
TO LEASE-PURCHASE AGREEMENT**

by and between

U.S. BANK NATIONAL ASSOCIATION, as trustee

as Lessor

and

PIMA COUNTY, ARIZONA,

as Lessee

Dated as of May 1, 2019

relating to

\$ _____

**Pima County, Arizona
Certificates of Participation
Series 2019**

**EIGHTH AMENDMENT
TO LEASE-PURCHASE AGREEMENT**

THIS EIGHTH AMENDMENT TO LEASE-PURCHASE AGREEMENT (this “Eighth Amendment”), dated as of May 1, 2019, by and between U.S. BANK NATIONAL ASSOCIATION, as lessor (the “Lessor” or “Trustee”) and PIMA COUNTY, ARIZONA, as lessee (the “Lessee” or the “County”);

WITNESSETH:

WHEREAS, the Lessor and the Lessee have previously entered into a Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement”), as amended by a First Amendment to Lease-Purchase Agreement, dated as of June 1, 2009 (the “First Amendment”), a Second Amendment to Lease-Purchase Agreement, dated as of February 1, 2010 (the “Second Amendment”), a Third Amendment to Lease-Purchase Agreement, dated as of May 1, 2013 (the “Third Amendment”), a Fourth Amendment to Lease-Purchase Agreement, dated as of January 1, 2014 (the “Fourth Amendment”), a Fifth Amendment to Lease-Purchase Agreement, dated as of April 1, 2015 (the “Fifth Amendment”), a Sixth Amendment to Lease-Purchase Agreement, dated as of April 1, 2016 (the “Sixth Amendment”), a Seventh Amendment to Lease-Purchase Agreement, dated as of April 1, 2018 (the “Seventh Amendment”) and by this Eighth Amendment (collectively, the “Lease” or “Lease-Purchase Agreement”) with respect to the property described in Exhibit A to the Original Lease-Purchase Agreement; and

WHEREAS, in connection with the execution of the Original Lease-Purchase Agreement, the County and the Trustee entered into a Trust Agreement, dated as of June 1, 2008 (the “Original Trust Agreement” and, as subsequently supplemented and amended, the “Trust Agreement”), pursuant to which the Trustee executed and delivered \$50,000,000 principal amount of Certificates of Participation, Series 2008 (the “2008 Certificates”), representing proportionate interests in the lease payments to be made by the County pursuant to the Original Lease-Purchase Agreement, which the parties subsequently supplemented with a First Supplement to Trust Agreement, dated as of June 1, 2009, pursuant to which the Trustee executed and delivered \$34,400,000 principal amount of Certificates of Participation, Series 2009 (the “2009 Certificates”), a Second Supplement to Trust Agreement, dated as of February 1, 2010, pursuant to which the Trustee executed and delivered \$20,000,000 principal amount of Certificates of Participation, Series 2010 (the “2010 Certificates”), a Third Supplement to Trust Agreement, dated as of May 1, 2013, pursuant to which the Trustee executed and delivered \$80,175,000 principal amount of Certificates of Participation, Series 2013A (the “2013A Certificates”) and \$12,705,000 principal amount of Refunding Certificates of Participation, Series 2013B (the “2013B Certificates” and, together with the 2013A Certificates, the “2013 Certificates”), a Fourth Supplement to Trust Agreement, dated as of January 1, 2014, pursuant to which the Trustee executed and delivered \$52,160,000 principal amount of Certificates of Participation, Series 2014 (the “2014 Certificates”), a Fifth Supplement to Trust Agreement, dated as of April 1, 2015, pursuant to which the Trustee executed and delivered \$57,025,000 principal amount of Certificates of Participation, Series 2015 (the “2015 Certificates”), a Sixth Supplement to Trust Agreement, dated as of April 1, 2016, pursuant to which the Trustee executed and delivered \$28,750,000 principal amount of Certificates of Participation, Series 2016A (the “2016A Certificates”) and \$15,185,000 principal amount of Certificates of

Participation, Taxable Series 2016B (the “Taxable 2016B Certificates” and, together with the 2016A Certificates, the “2016 Certificates”), and a Seventh Supplement to Trust Agreement, dated as of April 1, 2018, pursuant to which the Trustee executed and delivered \$23,265,000 principal amount of Certificates of Participation, Series 2018A (the “2018A Certificates) and \$39,395,000 principal amount of Certificates of Participation, Taxable Series 2018B (the “Taxable 2018B Certificates”); and

WHEREAS, there are no 2008 Certificates, 2009 Certificates, 2013B Certificates or 2015 Certificates currently outstanding and there are currently outstanding 2010 Certificates, 2013A Certificates, 2014 Certificates, 2016A Certificates, Taxable 2016B Certificates, 2018A Certificates and Taxable 2018B Certificates; and

WHEREAS, the Trust Agreement permits the execution and delivery of “Additional Certificates,” on a parity with the Certificates then outstanding under the Trust Agreement, and permits the further supplementation and amendment of the Trust Agreement and the Lease-Purchase Agreement to facilitate such an execution and delivery of such Additional Certificates; and

WHEREAS, in consideration of the County’s agreement to amend and restructure the term of its obligations under the Lease-Purchase Agreement, the Trustee is willing to execute and deliver Additional Certificates in a principal amount of \$_____ to be denominated “Certificates of Participation, Series 2019” (the “2019 Certificates”) to pay a portion of the net proceeds of the 2019 Certificates to the County in order to acquire a leasehold interest in the hereinafter-described Justice Building pursuant to a 2019 Ground Lease, dated as of May 1, 2019 (the “2019 Ground Lease”), and use the remainder of the net proceeds of the 2019 Certificates to pay costs of executing and delivering the 2019 Certificates; and

WHEREAS, the County will apply the amounts received from the Trustee to pay or to reimburse costs of the acquisition, construction, improvement and equipping of various County facilities and for other capital purposes (the “Projects”); and

WHEREAS, the Trustee has agreed, in the 2019 Ground Lease, to lease the Justice Building back to the County as part of the Leased Property under this Lease-Purchase Agreement, concurrently with the execution and delivery of the 2019 Certificates, the Trustee’s ground leasehold interest in the Justice Building will become a portion of the Leased Property hereunder; and

WHEREAS, in connection with the execution and delivery of the 2019 Certificates, it is therefore necessary for the Lessor and the County to enter into this Eighth Amendment; and

WHEREAS, upon execution and delivery of the 2019 Certificates, all the conditions for execution and delivery of Additional Certificates under the Trust Agreement will have been met; and

WHEREAS, the County and the Trustee have, simultaneously with the execution and delivery of this Eighth Amendment, entered into an Eighth Supplement to Trust Agreement (the “Eighth Supplement to Trust Agreement”);

NOW, THEREFORE, THE PARTIES HERETO AGREE TO AMEND THE LEASE-PURCHASE AGREEMENT AS FOLLOWS:

SECTION 1.1 Defined Terms. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Original Lease-Purchase Agreement as previously amended or, if not defined therein, in the Trust Agreement. In addition, the terms defined in this Section shall, for all purposes of the Lease-Purchase Agreement, have the following meanings:

“33 North Stone” shall mean the land located in the City of Tucson, Pima County, Arizona, described on Exhibit A hereto, starting at page A-17, and all improvements thereon.

“2019 Ground Lease” shall mean the 2019 Ground Lease, dated as of May 1, 2019, between the County, as lessor, and the Trustee, as lessee, together with any amendments thereof or supplements thereto, leasing the Justice Building to the Trustee.

SECTION 1.2 Execution and Delivery of 2019 Certificates. In consideration of the County’s agreement to convey to the Trustee a leasehold interest in the Justice Building pursuant to the 2019 Ground Lease and to pay or to reimburse the costs of the Projects, the parties agree that the 2019 Certificates shall be executed and delivered in a principal amount of \$_____.

SECTION 1.3 Deposit of Monies. On the Closing Date for the 2019 Certificates, there shall be deposited with the Trustee the net proceeds of sale of the 2019 Certificates, which proceeds shall be applied as provided in Sections 2.6, 3.1 and 3.2 of the Eighth Supplement to Trust Agreement for disbursement pursuant thereto.

SECTION 1.4 Acquisition of Leasehold Interest in 33 North Stone. The Lessor agrees to acquire a leasehold interest in 33 North Stone pursuant to the 2019 Ground Lease through the deposit and disbursement of funds in accordance with Section 3.1 of the Eighth Supplement to Trust Agreement.

SECTION 1.5 Term. The Term of the Lease-Purchase Agreement extends to December 1, 20___, subject to extension and earlier termination as provided in Section 4.2 thereof and as otherwise provided in the Lease-Purchase Agreement.

SECTION 1.6 Lease Payments and Lease Payment Dates. Exhibit B of the Lease-Purchase Agreement is hereby amended by substituting therefor Exhibit B attached to this Eighth Amendment, setting forth the Lease Payments and Lease Payment Dates under the Lease, and representing the total of payments shown on Exhibit B-1, Exhibit B-2, Exhibit B-3, Exhibit B-4, Exhibit B-5 and Exhibit B-6, attached to this Eighth Amendment.

SECTION 1.7 Leased Property. Exhibit A of the Lease-Purchase Agreement is hereby amended by substituting therefor Exhibit A attached to this Eighth Amendment, reflecting the addition of the Justice Building.

SECTION 1.8 Certain References. The provisions in Sections 10.1 through 10.5 of the Original Lease-Purchase Agreement, which refer to certain sections in the Original Trust Agreement, regarding prepayment of the 2008 Certificates, shall hereafter be deemed to refer also to the analogous prepayment provisions in the Trust Agreement regarding the 2019 Certificates.

SECTION 1.9 Tax Covenants. The Lessee covenants (a) that it will take or cause to be taken all actions that may be required of it for the interest on the 2019 Certificates to remain excluded from gross income for federal income tax purposes, (b) that it will not take or authorize to be taken any actions which would adversely affect such exclusion and (c) that it, or other persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the 2019 Certificates in compliance with Arizona law and the Trust Agreement, (ii) restrict the yield on investment property, (iii) make or cause to be made timely and adequate payments to the federal government as provided in Section 8.8 of the Trust Agreement, (iv) maintain books and records, and (v) refrain from certain uses of proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of the interest on the 2019 Certificates under the Code. An officer of the Lessee shall take any and all such actions, make such rebate payments or potential payments and make or give such reports and certifications as may be appropriate to assure such exclusion of the interest.

The Lessee covenants that it will use, and will restrict the use and investment of the proceeds of the 2019 Certificates in such manner and to such extent, if any, as may be necessary, so that (a) the 2019 Certificates will not (i) constitute an arbitrage bond, a private activity bond or a hedge bond under Sections 141, 148 or 149 of the Code, or (ii) be treated other than as bonds to which Section 103(a) of the Code applies, and (b) the interest on the 2019 Certificates will not be treated as a preference item under Section 57 of the Code.

Any officer of the Lessee having responsibility with respect to the execution and delivery of this Eighth Amendment shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessee, be authorized (a) to make or affect any election, selection, designation, choice, consent, approval, or waiver on behalf of the Lessee with respect to the Lease-Purchase Agreement or the Certificates as the Lessee is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the interest on the 2019 Certificates or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, excess earnings as rebate, or obviating those amounts or payments, as determined by that officer, which action will be in writing and signed by the officer, (b) to take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the Lessee, as may be appropriate to assure the exclusion of the interest on the 2019 Certificates from gross income for federal income tax purposes, and (c) to give one or more appropriate certificates of the Lessee, for inclusion in the transcript of proceedings for setting forth the reasonable expectations of the Lessee regarding the amount and use of all the proceeds relating to the 2019 Certificates and the property financed with such proceeds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the 2019 Certificates.

SECTION 1.10 Ratification of Original Lease-Purchase Agreement, as Amended. The Original Lease-Purchase Agreement, as amended by the First Amendment, by the Second Amendment, by the Third Amendment, by the Fourth Amendment, by the Fifth Amendment, by

the Sixth Amendment, by the Seventh Amendment and by this Eighth Amendment, is hereby ratified and confirmed in all respects.

SECTION 1.11 Binding Effect. This Eighth Amendment shall inure to the benefit of and shall be binding upon the Lessor and the Lessee and their respective successors and assigns.

SECTION 1.12 Severability. In the event any provision of this Eighth Amendment shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 1.13 Execution in Counterparts. This Eighth Amendment 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 1.14 Applicable Law. This Eighth Amendment shall be governed by and construed in accordance with the laws of the State.

SECTION 1.15 Captions. The captions or headings in this Eighth Amendment are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Eighth Amendment.

SECTION 1.16 Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes (“A.R.S.”) Section 38-511, as amended, notice is hereby given that the Lessee may cancel any contract, without penalty or further obligation, made by the Lessee if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Lessee is, at any time while the contract or any extension of the contract is in effect, an employee of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Lessee’s Board of Supervisors is received by all other parties to the contract unless the notice specifies a later time. All parties represent that to the best of their knowledge, no basis exists for the Lessee to cancel this Eighth Amendment pursuant to A.R.S. Section 38-511 as of the date hereof. The Lessor covenants not to employ as an employee, an agent or, with respect to the subject matter of this Eighth Amendment, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Eighth Amendment on behalf of the Lessee within 3 years from execution of this Eighth Amendment, unless a waiver of A.R.S. Section 38-511 is provided by the Lessee’s Board of Supervisors.

SECTION 1.17 Certain Warranties and Certifications from the Lessor.

(a) To the extent applicable under A.R.S. § 41-4401, the Lessor, in its capacity as Lessor under the Lease-Purchase Agreement and as Trustee under the Trust Agreement, including its subcontractors who work on the Lease-Purchase Agreement or the Trust Agreement, warrants compliance with all federal immigration laws and regulations that relate to its employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). The breach by the Lessor of the foregoing shall be deemed a material breach by the Lessor of the Lease-Purchase Agreement and the Trust Agreement and may result in the termination of its role as Trustee under the Trust Agreement and as Lessor under the Lease-Purchase Agreement and its replacement with a successor in such capacities, to the extent permitted by the Trust Agreement. The Lessee retains

the legal right to randomly inspect the papers and records of the Lessor to ensure that the Lessor is complying with the above-mentioned warranty. The Lessor shall keep such papers and records open for random inspection by the Lessee during normal business hours. The Lessor shall cooperate with the random inspections by the Lessee, including granting the Lessee entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(b) Pursuant to A.R.S. § 35-393 et seq., the Lessor, in its capacity as Lessor under the Lease-Purchase Agreement and as Trustee under the Trust Agreement, hereby certifies that it is not currently engaged in, and for the duration of this Eighth Amendment shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in A.R.S. § 35-393.

[Remainder of page left blank intentionally]

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

U.S. BANK NATIONAL ASSOCIATION,
as Lessor

By: _____
Vice President

PIMA COUNTY, ARIZONA, as Lessee

By: _____
Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

APPROVED AS TO FORM:

SQUIRE PATTON BOGGS (US) LLP,
Bond Counsel

By: _____
Timothy E. Pickrell

[Signature page of Eighth Amendment to Lease-Purchase Agreement]

EXHIBIT A
DESCRIPTION OF LEASED PROPERTY
PUBLIC WORKS BUILDING

Parcel 8

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, lying Easterly of the following described line:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111 and the Southeasterly corner of property described in instrument recorded in Docket 8506 at page 2723;

THENCE continuing along the Southerly line of said property described in Docket 8506 at page 2723, South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1, being the Southwest corner of said parcel described in Docket 8506 at page 2723;

THENCE North 1 degree 18 minutes 45 seconds West along the Westerly line of said parcel, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1, being the Northwest corner of property described in Docket 8506 at page 2723 and the POINT OF BEGINNING of line description;

THENCE South 1 degree 18 minutes 45 seconds East along the West line of said parcel a distance of 84.11 feet to the Southwest corner of said parcel;

THENCE North 84 degrees 09 minutes 00 seconds East along the Southerly line of said property described in Docket 8506 at page 2723 a distance of 24.10 feet to the Northwest corner of property described in instrument recorded in Docket 6165 at page 1031;

THENCE South 0 degrees 11 minutes 37 seconds West, along the Westerly line of said property, a distance of 88.73 feet to the Southwest corner of said property, said point also being the Northwesterly corner of property described in instrument recorded in Docket 7629 at page 1863;

THENCE South 0 degrees 07 minutes 25 seconds West along the Westerly line of said property, a distance of 19.92 feet to the Northwesterly corner of property described in instrument recorded in Docket 8166 at page 160;

THENCE South 0 degrees 11 minutes 55 seconds West along the Westerly line of said property, a distance of 52.56 feet to an angle point on said Westerly line;

THENCE continuing along said Westerly line, South 22 degrees 40 minutes 04 seconds East a distance of 44.39 feet to a point on the Northerly right-of-way line of Alameda Street, said point being the terminus point of said line description.

EXCEPT that portion described as follows:

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, described as follows:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111, which is the TRUE POINT OF BEGINNING;

FROM said POINT OF BEGINNING, thence continue South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of said Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1;

THENCE North 1 degree 18 minutes 45 seconds West, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1;

THENCE North 89 degrees 39 minutes 15 seconds East along said South line of Council Street, which South line is parallel with and 34.90 feet Southerly from the Council Street monument line, a distance of 169.69 feet to the point of intersection of said South line of Council Street with the West line of Stone Avenue, as now established, which point is South 89 degrees 39 minutes 15 seconds West, a distance of 50.37 feet from the intersection of the Easterly extension of said South line of Council Street with the Stone Avenue city monument line;

THENCE South 4 degrees 04 minutes 48 seconds East, along said West line of Stone Avenue, as now established, a distance of 66.34 feet to the TRUE POINT OF BEGINNING.

FURTHER EXCEPT the following:

That portion of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, together with a strip of ground lying between the East boundary of original Lot 2 in said Block 180 and the West property line of Stone Avenue as now established, described as follows:

BEGINNING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 0 minutes East, a distance of 95.91 feet to a point on the Stone Avenue city monument line;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet, more or less, to a point on the West property line of Stone Avenue as now established, distant 67.67 feet South 4 degrees 4 minutes 48 seconds East from the Northeast corner of said Block 180, which last mentioned point is the TRUE POINT OF BEGINNING of the parcel herein described;

THENCE South 4 degrees 4 minutes 48 seconds East, a distance of 78.85 feet along the West line of Stone Avenue to a point;

THENCE South 80 degrees 11 minutes 57 seconds West along the Northerly wall of a brick building, a distance of 156.09 feet;

THENCE North 0 degrees 11 minutes 37 seconds West, a distance of 88.73 feet;

THENCE North 84 degrees 41 minutes 39 seconds East, a distance of 20.98 feet;

THENCE North 83 degrees 29 minutes 43 seconds East, a distance of 128.44 feet to the TRUE POINT OF BEGINNING.

(JV Arbs 23 and 25)

LEGAL SERVICES BUILDING

Parcel 9

All that part of Lot 8 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, lying West of a line drawn from the Southwest corner of Lot 6 of said Block 195, to the Northwest corner of Lot 16 of said Block 195.

(JV Arb 84)

Parcel 9a

An easement for ingress, egress and light and air over, upon and across the North 1 foot of the West 59.1 feet of Lot 18 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, as set forth in Indenture recorded in Book 52 of Deeds at page 179.

PUBLIC WORKS PARKING GARAGE

The Public Works Parking Structure as shown on the architectural plans titled "Parking Structure Pima County Public Works Center Tucson, Arizona", by William I. Podolsky * Associates, Architects & Planners, Project No. 8909, and dated March 27, 1991, on file in the Department of Facilities Management, Pima County, Arizona, being located within Block 180 of the City of Tucson, and described as follows:

Parcel 1

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the North line of said Lot 1, 150 feet Easterly of the Northwest corner of said lot;

THENCE Easterly along the North line of said lot, a distance of 59 feet to a point, said point also being the Northwest corner of that certain parcel of land described in Docket 58 at page 123, records of Pima County, Arizona;

THENCE Southerly along the Westerly line of the last above described parcel, a distance of 79 feet, more or less, to a point on the South line of Lot 1, which point is distant 171.7 feet Westerly from the Southeast corner of said lot;

THENCE Westerly along the Southerly line of said lot, a distance of 38.66 feet to a point distant 150 feet East from the Southwest corner of said lot, said point also being the Southeast corner of that certain parcel described in Deed recorded in Book 267 of Deeds at page 407, records of Pima County, Arizona;

THENCE Northerly along the Easterly line of last above described parcel, a distance of 84 feet, more or less, to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 12)

Parcel 2

That portion of Lot 2 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the South line of said Lot 2, distant 100 feet, more or less, Westerly from the Southeast corner of said lot, which point is the Southwest corner of the property described in Deed recorded in Book 10 of Deeds at page 47, records of Pima County, Arizona;

THENCE Northerly along the Westerly line of said last mentioned property, a distance of 80 feet to a point;

THENCE South 84 degrees 30 minutes West, a distance of 50 feet, more or less, to a point on the East line of that certain property described in Deed recorded in Book 14 of Deeds at page 476, records of Pima County, Arizona, said point being the TRUE POINT OF BEGINNING;

THENCE Northerly along the Easterly line of said last mentioned parcel to a point on the North line of said Lot 2;

THENCE Westerly along the North line of said Lot 2, to the Northwest corner thereof;

THENCE Southerly along the Westerly line of said Lot 2, to the Southeast corner of Lot 3 in said Block 180;

THENCE Westerly along the Southerly line of said Lot 3, to a point which is distant 1.3 feet from the Northeast corner of Lot 4 in said Block 180;

THENCE Southerly to the Southwest corner of said Lot 2;

THENCE North 67 degrees 18 minutes 42 seconds East along the South line of said Lot 2, a distance of 115 feet to a point;

THENCE North 22 degrees 58 minutes 45 seconds West, a distance of 44.58 feet to a point;

THENCE in a Northerly direction to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 22 and 24)

Parcel 3

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southwest corner of said Lot 3 on the East side of Church Street;

THENCE North 12 ¼ degrees West along the West line of said Lot 3, a distance of 78.54 feet, more or less, to a point on the West line of said lot, distant 74.58 feet Southerly from the Northwest corner thereof;

THENCE Easterly to a point on the East line of said lot, which point is South 11 ½ degrees East and distant 74.58 feet from the Northeast corner thereof;

THENCE South 11 ½ degrees East along the East line of said lot to the Southeast corner thereof;

THENCE South 75 ½ degrees West along the South line of said Lot 3, a distance of 90.42 feet to the POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 33)

Parcel 4

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at the City Survey Monument at the intersection of Church and Council Street as now established;

THENCE North 89 degrees 39 minutes 15 seconds East along the Council Street Monument line, a distance of 42.07 feet to a point;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Southerly right-of-way line of Council Street as now established;

THENCE South 13 degrees 06 minutes 30 seconds East along the Easterly right-of-way line of Church Street as now established, a distance of 104.96 feet to a point on that certain line described in Deed recorded in the office of the County Recorder of Pima County, Arizona, in Docket 1608 at page 381, and in Docket 1608 at page 380, said point being the TRUE POINT OF BEGINNING;

THENCE North 83 degrees 46 minutes 35 seconds East along said last described line, a distance of 91.08 feet, more or less, to a point on the East line of said Lot 3;

THENCE South 11 ½ degrees East along the Easterly line of said Lot 3, a distance of 74.58 feet, more or less, to the Northeast corner of that certain parcel of land described in Deed recorded in Docket 112 at page 305, records of Pima County, Arizona;

THENCE Westerly along the Northerly line of the last above described parcel to a point on the Westerly line of said Lot 3 and the Easterly line of Church Street;

THENCE North 13 degrees 06 minutes 30 seconds West along the Easterly line of said Church Street, a distance of 74.58 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 32)

Parcel 5

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at a point on the South side of Council Street and the North line of said Block 180, distant 150 feet East from the Northwest corner of said Lot 1;

THENCE South 14 degrees East, a distance of 89 feet to the South line of said Lot;

THENCE South 84 degrees West, a distance of 75 feet;

THENCE North 12 ¼ degrees West, a distance of 100 feet, more or less, to the South line of Council Street;

THENCE East along the South line of Council Street, a distance of 75 feet to the POINT OF BEGINNING.

(JV Arb 14)

Parcel 6

Lot 4 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof,

AND

That portion of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southeast corner of Lot 4 in said Block;

THENCE Northerly along the Easterly line of Lot 4, to the point of intersection of the said Easterly line of Lot 4 with the Southerly line of Lot 3 in said block;

THENCE Easterly along the Southerly line of the said Lot 3, a distance of 1.3 feet to a point;

THENCE Southerly to the POINT OF BEGINNING.

(JV Arb Lot 2=21, Lot 4=34)

Parcel 7

All that part of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the City Survey Monument at the intersection of Church and Council Streets;

THENCE North 89 degrees 39 minutes 15 seconds East, a distance of 42.07 feet along the Council Street monument line;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Northwest corner of said Block 180 and the TRUE POINT OF BEGINNING;

THENCE South 13 degrees 06 minutes 30 seconds East, a distance of 104.96 feet;

THENCE North 83 degrees 46 minutes 35 seconds East, a distance of 75.5 feet, more or less, to a point in the Westerly line of that property described in Deed to Harman Ray and Pauline Ray, husband and wife, recorded in the office of the County Recorder of Pima County, Arizona, in Book 267 of Deeds at page 407;

THENCE Northerly along the West line of said Ray property to a point in the South line of Council Street, distant 89 degrees 39 minutes 15 seconds East, 75 feet from the TRUE POINT OF BEGINNING;

THENCE South 89 degrees 39 minutes 15 seconds West, a distance of 75 feet to the TRUE POINT OF BEGINNING.

(JV Arb Lot 1= 813)

EXCEPTING FROM SAID Parcels 1 through 7, all that portion thereof described in the Lease dated December 5, 1989, to the YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, an Arizona non-profit corporation, as disclosed in Memorandum of Ground Lease Agreement recorded in Docket 8834 at page 1387 and corrected in Docket 9348 at page 1417.

ADULT DETENTION FACILITY

LEGAL DESCRIPTION

Parcel 1

All that portion of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, more particularly described as follows:

Commencing at the Southeast corner of said Northwest Quarter of Section 23;

Thence South 89 degrees 12 minutes 13 seconds West, along the South line thereof, 1296.40 feet;

Thence North 00 degrees 27 minutes 51 seconds West, 48.00 feet to a point on the North right-of-way line of Silverlake Road, according to the City of Tucson, Silverlake Road, Mission Road to I-10 Right-of-way Plans R-95-05, dated March, 1995, said point being the POINT OF BEGINNING;

Thence continuing North 00 degrees 27 minutes 51 seconds West, 152.84 feet to a point on an existing chain link fence;

Thence along said chain link fence the following courses and distances:

North 00 degrees 31 minutes 49 seconds East, 294.49 feet;

North 02 degrees 00 minutes 34 seconds East, 290.43 feet;

North 20 degrees 22 minutes 03 seconds East, 60.61 feet;

South 88 degrees 57 minutes 28 seconds East, 228.23 feet to a point on the West line of that parcel described in Docket 6365 at page 1101, records of Pima County, Arizona;

North 17 degrees 39 minutes 43 seconds West, 219.42 feet;

North 47 degrees 58 minutes 23 seconds West, 119.42 feet;

North 64 degrees 55 minutes 15 seconds West, 80.59 feet;

North 33 degrees 40 minutes 00 seconds West, 28.38 feet;

Thence South 33 degrees 47 minutes 24 seconds West, 151.90 feet;

Thence South 43 degrees 00 minutes 27 seconds West, 110.93 feet;

Thence South 45 degrees 14 minutes 44 seconds West, 44.88 feet to a point on the North line of that parcel described in Docket 926 at page 596, Records of Pima County, Arizona;

Thence South 88 degrees 04 minutes 27 seconds West along said North line, 126.64 feet to the Northwest corner thereof;

Thence South 45 degrees 54 minutes 53 seconds West along the Westerly line of said parcel, 1028.50 feet;

Thence continuing along the Westerly line of said parcel, South 30 degrees 47 minutes 53 seconds West, 226.25 feet to a point on the North right-of-way line of said Silverlake Road;

Thence North 89 degrees 12 minutes 13 seconds East, along said North right-of-way line, 1156.35 feet to the POINT OF BEGINNING.

(JV Arb 585)

Parcel 2

A portion of the parcel described in Docket 926 at page 596, as recorded in the County Recorder's Office, Pima County, Arizona, and being within the Southeast Quarter of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, being more particularly described as follows:

Commencing at a found 2" brass cap survey monument with punch mark stamped "C1/4, S23, RLS 23956" at the Southeast corner of said Southeast Quarter of the Northwest quarter to which a found 2" brass cap survey monument with punch mark stamped "W1/16 C-C, S23, RLS 23956" at the Southwest corner of said Southeast Quarter of the Northeast Quarter bears South 89 degrees 12 minutes 11 seconds West a distance of 1309.70 feet, said line being the Basis of Bearing for this description;

Thence along the South line of said Southeast Quarter of the Northwest Quarter South 89 degrees 12 minutes 11 seconds West a distance of 1296.13 feet;

Thence North 00 degrees 47 minutes 49 seconds West a distance of 48.00 feet to the POINT OF BEGINNING at the Southeast corner of the parcel described in Docket 10491 at page 246, as recorded in the County Recorder's Office, Pima County, Arizona, said point also being on the North right-of-way line of Silverlake Road as shown on right-of-way Plan #R-95-05, City of Tucson Department of Transportation;

Thence along the East line of said parcel North 00 degrees 27 minutes 53 seconds West, a distance of 152.84 feet;

Thence continuing along said East line North 00 degrees 31 minutes 17 seconds East a distance of 294.49 feet;

Thence continuing along said East line North 02 degrees 00 minutes 32 seconds East a distance of 57.00 feet;

Thence South 72 degrees 28 minutes 08 seconds East a distance of 187.70 feet;

Thence South 17 degrees 31 minutes 52 seconds West a distance of 468.95 feet to the North right-of-way line of Silverlake Road;

Thence along said North right of way line South 89 degrees 12 minutes 11 seconds West a distance of 42.21 feet to the POINT OF BEGINNING.

(JV Arb 626)

PUBLIC SERVICE CENTER OFFICE TOWER AND PARKING GARAGE

LEGAL DESCRIPTION

Parcel 1

Blocks 252 and 253 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 2

Lot 1 and the North 69.00 feet of Lot 2, and Lots 4, 5, 6 and 7 in Block 254 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 3

All of Lot 1 and that portion of Lot 6 in Block 255 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the Northeast corner of said Lot 6;

Thence Southerly 50 feet;

Thence Westerly 50 feet;

Thence Northerly 50 feet;

Thence Easterly 50 feet to the Northeast corner of said Lot 6, the Place of Beginning.

Parcel 4

Portions of public rights of way as shown in Book 4 of Maps and Plats at page 81A and 81B therein, Records of Pima County, Arizona, and on file at the Pima County Recorder's Office, Tucson, Arizona, said portions lying in the southwest one-quarter of Section 12, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

All of Grossetta Avenue as shown in said Block 4 of Maps and Plats at page 81A therein, lying southerly of the southerly right of way line of Toole Avenue, more particularly described as follows:

Beginning at the northeast corner of Block 252 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence southeasterly in a straight line to the northern corner of Block 253 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Block 254 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence easterly in a straight line to the southwest corner of Block 255 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

All of the alley lying within Block 254 as shown in Book 3 of Maps and Plats at page 81B therein, lying southerly of the southerly right of way line of Council Street more particularly described as follows:

Beginning at the northeast corner of Lot 1 of said Block 254;

Thence easterly in a straight line to the northwest corner of Lot 4 of said Block 254 and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Lot 3 of said Block 254;

Thence easterly in a straight line to the southwest corner of Lot 6 of said Block 254 and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

A portion of Council Street, shown as Miltenburg Street in said Book 4 of Maps and Plats at page 81A and 81B therein, more particularly described as follows:

Beginning at the northeast corner of said Block 254;

Thence upon the south right of way line of said Council Street, said south line coincident with the north line of said Block 254, S 89 degrees 19 minutes 31 seconds W, a distance of 132.77 feet to the northwest corner of Lot 4 thereof;

Thence continue upon said coincident line, S 89 degrees 18 minutes 58 seconds W, a distance of 17.23 feet to the northeast corner of Lot 1 thereof;

Thence continue upon said coincident line, S 89 degrees 19 minutes 23 seconds W, a distance of 145.56 feet to the northwest corner of said Block 254;

Thence leaving said south right of way line, N 03 degrees 46 minutes 35 seconds W, a distance of 50.05 feet to a point on the north right of way line of said Council Street, said point being the southwest corner of Block 252 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 252, N 89 degrees 19 minutes 22 seconds E, a distance of 298.33 feet to the southeast corner of said Block 252;

Thence N 89 degrees 15 minutes 35 seconds E, a distance of 49.99 feet to the southwest corner of Block 253 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 253, N 89 degrees 19 minutes 10 seconds East a distance of 49.70 feet;

Thence leaving said north right of way line, S 00 degrees 40 minutes 50 seconds E a distance of 50.06 feet to a point on the south right of way line of said Council Street;

Thence upon said south right of way line of Council Street, said line coincident with the north line of Block 255 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein, S 89 degrees 18 minutes 23 seconds W, a distance of 49.75 feet to the northwest corner of said Block 255;

Thence S 89 degrees 21 minutes 30 seconds W, a distance of 50.01 feet to the POINT OF BEGINNING;

EXCEPT any portion lying within the aforesaid Grossetta Avenue.

33 NORTH STONE

LEGAL DESCRIPTION

Parcel 1:

A Leasehold Estate in and to the following:

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

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

EXCEPTING from said Lot 7, that portion thereof described as follows:

A three-sided parcel bounded on the:

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

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

A three-sided parcel bounded on the:

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

PARCEL NO. 2:

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

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

Beginning at the Northeast corner of said Lot 4;

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

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

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

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

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

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

EXHIBIT B

**AMENDED SCHEDULE OF AGGREGATE LEASE PAYMENTS
RELATING TO 2010, 2013A, 2014, 2016A, 2016B, 2018A, 2018B AND 2019
CERTIFICATES
FOLLOWING EXECUTION AND DELIVERY
OF 2019 CERTIFICATES**

<u>Date</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Fiscal Year Total</u>
05/15/2019			
11/15/2019			
05/15/2020			
11/15/2020			
05/15/2021			
11/15/2021			
05/15/2022			
11/15/2022			
05/15/2023			
11/15/2023			
05/15/2024			
11/15/2024			
05/15/2025			
11/15/2025			
05/15/2026			
11/15/2026			
05/15/2027			
11/15/2027			
05/15/2028			
11/15/2028			
05/15/2029			
11/15/2029			
05/15/2030			
11/15/2030			
05/15/2031			
11/15/2031			
05/15/2032			
11/15/2032			
05/15/2033			
11/15/2033			

Total

EXHIBIT B-1

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2010 CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2010

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/2019	<u>\$2,625,000.00</u>	<u>\$54,140.63</u>	<u>\$2,679,140.63</u>
Total	<u>\$2,625,000.00</u>	<u>\$ 54,140.63</u>	<u>\$ 2,679,140.63</u>

EXHIBIT B-2

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2013A CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2013A

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/2019	0	\$261,500.00	\$ 261,500.00
11/15/2019	\$2,880,000.00	261,500.00	3,141,500.00
05/15/2020	0	189,500.00	189,500.00
11/15/2020	2,265,000.00	189,500.00	2,454,500.00
05/15/2021	0	132,875.00	132,875.00
11/15/2021	2,540,000.00	132,875.00	2,672,875.00
05/15/2022	0	69,375.00	69,375.00
11/15/2022	<u>2,775,000.00</u>	<u>69,375.00</u>	<u>2,844,375.00</u>
Total	<u>\$10,460,000.00</u>	<u>\$1,306,500.00</u>	<u>\$11,766,500.00</u>

EXHIBIT B-3

**AMENDED SCHEDULE OF LEASE PAYMENTS RELATING
TO 2014 CERTIFICATES FOLLOWING EXECUTION
AND DELIVERY OF 2019 CERTIFICATES**

The following are the Lease Payments to be paid pursuant to the Lease Purchase Agreement relating to:

Pima County, Arizona
Certificates of Participation
Series 2014

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19	0	\$983,875.00	\$ 983,875.00
11/15/19	\$3,110,000.00	983,875.00	4,093,875.00
05/15/20	0	906,125.00	906,125.00
11/15/20	3,270,000.00	906,125.00	4,176,125.00
05/15/21	0	824,375.00	824,375.00
11/15/21	3,435,000.00	824,375.00	4,259,375.00
05/15/22	0	738,500.00	738,500.00
11/15/22	3,615,000.00	738,500.00	4,353,500.00
05/15/23	0	648,125.00	648,125.00
11/15/23	3,800,000.00	648,125.00	4,448,125.00
05/15/24	0	553,125.00	553,125.00
11/15/24	3,995,000.00	553,125.00	4,548,125.00
05/15/25	0	453,250.00	453,250.00
11/15/25	4,200,000.00	453,250.00	4,653,250.00
05/15/26	0	348,250.00	348,250.00
11/15/26	4,415,000.00	348,250.00	4,763,250.00
05/15/27	0	237,875.00	237,875.00
11/15/27	4,640,000.00	237,875.00	4,877,875.00
05/15/28	0	121,875.00	121,875.00
11/15/28	<u>4,875,000.00</u>	<u>121,875.00</u>	<u>4,996,875.00</u>
Total	<u>\$39,355,000.00</u>	<u>\$11,630,750.00</u>	<u>\$50,985,750.00</u>

EXHIBIT B-4

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2016 CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2016A

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19	0	\$219,125.00	\$ 219,125.00
11/15/19	\$2,780,000.00	219,125.00	2,999,125.00
05/15/20	0	149,625.00	149,625.00
11/15/20	2,920,000.00	149,625.00	3,069,625.00
05/15/21	0	76,625.00	76,625.00
11/15/21	<u>3,065,000.00</u>	<u>76,625.00</u>	<u>3,141,625.00</u>
Total	<u>\$8,765,000.00</u>	<u>\$890,750.00</u>	<u>\$9,655,750.00</u>

Pima County, Arizona
 Certificates of Participation
 Taxable Series 2016B

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19	0	\$206,346.10	\$206,346.10
11/15/19	\$915,000.00	206,346.10	1,121,346.10
05/15/20	0	197,530.08	197,530.08
11/15/20	935,000.00	197,530.08	1,132,530.08
05/15/21	0	186,838.35	186,838.35
11/15/21	955,000.00	186,838.35	1,141,838.35
05/15/22	0	174,724.18	174,724.18
11/15/22	980,000.00	174,724.18	1,154,724.18
05/15/23	0	161,048.28	161,048.28
11/15/23	1,005,000.00	161,048.28	1,166,048.28
05/15/24	0	146,018.50	146,018.50
11/15/24	1,035,000.00	146,018.50	1,181,018.50
05/15/25	0	129,587.88	129,587.88
11/15/25	1,070,000.00	129,587.88	1,199,587.88
05/15/26	0	111,799.13	111,799.13
11/15/26	1,105,000.00	111,799.13	1,216,799.13
05/15/27	0	92,599.75	92,599.75
11/15/27	1,145,000.00	92,599.75	1,237,599.75
05/15/28	0	71,846.63	71,846.63
11/15/28	1,185,000.00	71,846.63	1,256,846.63
05/15/29	0	49,716.75	49,716.75
11/15/29	1,230,000.00	49,716.75	1,279,716.75
05/15/30	0	25,824.00	25,824.00
11/15/30	<u>1,280,000.00</u>	<u>25,824.00</u>	<u>1,305,824.00</u>
Total	<u>\$12,840,000.00</u>	<u>\$3,107,759.26</u>	<u>\$15,947,759.26</u>

EXHIBIT B-5

**AMENDED SCHEDULE OF LEASE PAYMENTS
RELATING TO 2018 CERTIFICATES FOLLOWING
EXECUTION AND DELIVERY OF 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2018A

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19		\$ 344,200.00	\$ 344,200.00
11/15/19	\$ 7,485,000.00	\$ 344,200.00	7,829,200.00
05/15/20		194,500.00	194,500.00
11/15/20	7,780,000.00	194,500.00	7,974,500.00
Total	<u>\$15,265,000.00</u>	<u>\$1,077,400.00</u>	<u>\$16,342,400.00</u>

9

Pima County, Arizona
 Certificates of Participation
 Taxable Series 2018B

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/19		\$126,160.00	\$ 126,160.00
11/15/19	\$4,790,000.00	126,160.00	4,916,160.00
05/15/20		66,285.00	66,285.00
11/15/20	4,910,000.00	66,285.00	4,976,285.00
Total	<u>\$9,700,000.00</u>	<u>\$384,890.00</u>	<u>\$10,084,890.00</u>

EXHIBIT B-6

**SCHEDULE OF LEASE PAYMENTS
RELATING TO 2019 CERTIFICATES**

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

Pima County, Arizona
Certificates of Participation
Series 2019

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Component</u>	<u>Total Lease Payments</u>
05/15/2019			
11/15/2019			
05/15/2020			
11/15/2020			
05/15/2021			
11/15/2021			
05/15/2022			
11/15/2022			
05/15/2023			
11/15/2023			
05/15/2024			
11/15/2024			
05/15/2025			
11/15/2025			
05/15/2026			
11/15/2026			
05/15/2027			
11/15/2027			
05/15/2028			
11/15/2028			
05/15/2029			
11/15/2029			
05/15/2030			
11/15/2030			
05/15/2031			
11/15/2031			
05/15/2032			
11/15/2032			
05/15/2033			
11/15/2033			

To: Keith Henselen

From: Pima County, Arizona

Re: Notice of Award relating to the Pima County, Arizona, Request for Sealed Bids
Lease of 33 North Stone
April 17, 2019 at 4:00 p.m.

Thank you for your participation in the above referenced Request for Sealed Bids process. We have completed final evaluations and your firm, U.S. Bank National Association, as trustee, has been granted the contract for purchase and lease, as described in the Request for Sealed Bids.

Discussions will commence immediately to finalize all terms, including all items identified in the Request for Sealed Bids.

Again, thank you for your proposal and we look forward to our discussions. If you have questions regarding this notification, please contact Regina Nassen, in the Pima County Attorney's Office, at (520) 724-5411.

Dated: April 17, 2019

PIMA COUNTY, ARIZONA

By: 
Chairman, Board of Supervisors

ATTEST:


Clerk, Board of Supervisors
Pima County, Arizona

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2019

CERTIFICATE AND RECEIPT OF TRUSTEE

The undersigned, U.S. BANK NATIONAL ASSOCIATION, as Trustee (the “Trustee”) under the Trust Agreement dated as of June 1, 2008 (the “Original Trust Agreement”), by and between Pima County, Arizona (the “County”) and the Trustee, as supplemented, including as supplemented by the Eighth Supplement to Trust Agreement, dated as of May 1, 2019 (the “Eighth Supplement” and, together with the Original Trust Agreement, as supplemented, the “Trust Agreement”), hereby certifies as follows:

1. For certain terms denoted by initial capitals herein and not otherwise defined herein, the definitions of terms set forth in the Trust Agreement are hereby adopted.

2. The Trustee is duly organized and existing under and by virtue of the laws of the United States of America and is duly qualified to do trust business in the State of Arizona.

3. The Trustee hereby acknowledges receipt of

(a) A certified copy of Resolution No. 2018-28, adopted by the Board of Supervisors on May 15, 2018, authorizing, among other things, the execution and delivery on behalf of the County of the Eighth Supplement, the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment”) between the County and the Trustee, amending a Lease-Purchase Agreement, dated as of June 1, 2008 (the “Original Lease-Purchase Agreement” and, as amended by the Eighth Amendment, and as previously amended, the “Lease-Purchase Agreement”), by and between the Trustee and the County, the 2019 Ground Lease, dated May 1, 2019 (the “Ground Lease”), by and between the County and the Trustee and the Certificate Purchase Contract, dated April 17, 2019 (the “Certificate Purchase Contract”), between the County and Citigroup Global Markets Inc. (the “Underwriter”).

(b) Executed original counterparts of the Eighth Supplement, the Eighth Amendment, the Ground Lease, the Certificate Purchase Contract and the Tax Compliance Certificate of the County dated the date hereof.

4. The Eighth Supplement, the Eighth Amendment and the Ground Lease (collectively, the “Trustee Documents”) were executed by the undersigned officer who at the time of such execution, was and is duly authorized to execute such documents on behalf of the Trustee.

5. Attached hereto as Exhibit A is the Assistant Secretary's Certificate of the Trustee which sets forth the authority of the signatory named in paragraphs 4 and 7 hereof to act on behalf of the Trustee, and that said authority was in effect on the date or dates said signatory acted and remains in full force and effect on the date hereof.

6. Pursuant to the written request and authorization from the County, dated this date, the Trustee has executed \$20,940,000 aggregate principal amount of Certificates of Participation, Series 2019 (the "2019 Certificates"), on behalf of the County, dated May 7, 2019, maturing, bearing interest and having other terms provided by the Trust Agreement and has delivered all of said 2019 Certificates to the Underwriter, after execution and registration, on the order of the Underwriter and upon payment therefor to the Trustee, of the purchase price thereof, as provided in paragraph 9 below.

7. The 2019 Certificates were executed by a duly authorized signatory for the Trustee who at the time of such execution, was and is duly authorized to execute such 2019 Certificates on behalf of the Trustee.

8. To the best of the knowledge of the undersigned officer of the Trustee after due investigation, no litigation is pending or threatened against the Trustee before any judicial, quasi-judicial or administrative forum (a) to restrain or enjoin the performance by the Trustee of its obligations and duties under the Trustee Documents, the Original Lease-Purchase Agreement or the Original Trust Agreement, (b) in any way contesting or affecting any authority for, or the validity of, the 2019 Certificates or the application of the proceeds of the 2019 Certificates, or (c) in any way contesting the existence or corporate trust powers of the Trustee.

9. The Trustee has received, in payment for the 2019 Certificates, \$24,722,576.99, consisting of (a) \$20,940,000 principal amount of the 2019 Certificates, plus (b) \$3,876,515.15 reoffering premium, and less (c) \$93,938.16 Underwriter's discount.

10. A. In accordance with the Trust Agreement, the moneys referred to in the foregoing paragraph 9 with respect to the proceeds of the 2019 Certificates have been deposited as follows:

- (a) \$222,576.99 to the 2019 Delivery Costs Fund; and
- (b) \$24,500,000.00 to the 2019 Project Fund.

11. Responsive to the Certificate Purchase Contract, the undersigned further certifies as follows (for purposes of this paragraph, capitalized terms used and not defined shall have the meaning assigned to such term in the Certificate Purchase Contract):

(i) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America with the power and authority to exercise corporate trust powers in the State and has full power and authority to (A) acquire and hold title to or a leasehold interest in, as applicable, the Leased Property and (B) execute and deliver and perform its obligations under the 2019 Certificates, the Lease, the Trust Agreement and the 2019 Ground Lease (such documents referred to in this clause (B) hereinafter

collectively referred to as the “Trustee Documents”) and all other documents executed and delivered by the Trustee in connection with the issuance of the Certificates and the acquisition and the lease-purchase of the Leased Property;

(ii) The Trustee has by proper corporate action duly authorized (A) the acquisition of title to or a leasehold interest in, as applicable, the Leased Property and (B) the execution and delivery of, and the due performance of its obligations under the Trustee Documents and the taking of any and all other actions as may be required on the part of the Trustee to carry out, give effect to and consummate the transaction contemplated by such Trustee Documents;

(iii) The Trustee Documents (when executed and delivered by the other parties thereto) will be, legal, valid and binding obligations of the Trustee, enforceable in accordance with their terms, subject as to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws in effect from time to time affecting the rights of creditors generally and to the availability of equitable relief;

(iv) No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained (other than any approvals that may be required under the “blue sky” laws of any jurisdiction) is required with respect to the Trustee in connection with the issuance and sale of the 2019 Certificates, the acquisition of title to or a leasehold interest in, as applicable, the Leased Property or the execution and delivery by the Trustee of, or the performance by the Trustee of its obligations under, the Trustee Documents;

(v) The execution and delivery by the Trustee of the Trustee Documents and the compliance by the Trustee with the provisions thereof do not and will not materially conflict with or result in a material breach or violation of any of the terms or provisions of, or constitute a default under any resolution, indenture, deed of trust, mortgage commitment, agreement or other instrument to which the Trustee is a party or by which the Trustee is bound, or any constitutional provision, existing law, administrative regulation, court order or consent decree to which the Trustee or its property is subject;

(vi) There is no litigation, action, suit or proceeding pending or threatened by or before any court, administrative agency, arbitrator or governmental body that challenges (A) the authority of the Trustee, its officers or its employees to acquire the Leased Property, (B) the proper authorization, execution and delivery of the Trustee Documents, (C) the assignment of its rights under the Lease, or (D) the ability of the Trustee to otherwise perform its obligations under the Trustee Documents and to carry out the transactions contemplated thereby; and

(vii) The representations and warranties of the Trustee set forth in the Trustee Documents are true and correct in all material respects on and as of the date hereof as if made on the date hereof.

[Signature page to follow]

DATED: May 7, 2019

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:  _____
Vice President

[Signature page of Certificate and Receipt of Trustee]

Exhibit A

Assistant Secretary's Certificate of the Trustee



**U.S. BANK NATIONAL ASSOCIATION
ASSISTANT SECRETARY CERTIFICATE**

I, Linda E. Bidon, an Assistant Secretary of U.S. Bank National Association, hereby certify that the following is a true and exact extract from the Bylaws of U.S. Bank National Association, a national banking association organized under the laws of the United States.

**ARTICLE VI.
CONVEYANCES, CONTRACTS, ETC.**

All transfers and conveyances of real estate, mortgages, and transfers, endorsements or assignments of stock, bonds, notes, debentures or other negotiable instruments, securities or personal property shall be signed by any elected or appointed officer.

All checks, drafts, certificates of deposit and all funds of the Association held in its own or in a fiduciary capacity may be paid out by an order, draft or check bearing the manual or facsimile signature of any elected or appointed officer of the Association.

All mortgage satisfactions, releases, all types of loan agreements, all routine transactional documents of the Association, and all other instruments not specifically provided for, whether to be executed in a fiduciary capacity or otherwise, may be signed on behalf of the Association by any elected or appointed officer thereof.

The Secretary or any Assistant Secretary of the Association or other proper officer may execute and certify that required action or authority has been given or has taken place by resolution of the Board under this Bylaw without the necessity of further action by the Board.

I further certify the following officers of U.S. Bank National Association have been duly appointed and qualified officers of the Association authorized to act under Article VI of the Bylaws of the Association and that such authority is in full force and effect as of the date hereof and have not been modified, amended or revoked.

Mary J. Ambriz-Reyes	Vice President	Eunice B. Ortega	Assistant Vice President
Keith N. Henselen	Vice President	Linda Y. Riley	Assistant Vice President
Robert L. Von Hess	Vice President	Suzanne M. Gibbs	Assistant Vice President

IN WITNESS WHEREOF, I have set my hand this 26th day of March, 2019.

(No corporate seal)

Linda E. Bidon, Assistant Secretary

\$20,940,000
PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2019

UNDERWRITER'S RECEIPT

The undersigned, Citigroup Global Markets Inc., is the underwriter of the \$20,940,000 aggregate principal amount of Pima County, Arizona Certificates of Participation, Series 2019 (the "2019 Certificates") and as such hereby acknowledges receipt on this date, from U.S. Bank National Association, as trustee (the "Trustee"), of the 2019 Certificates issued under and pursuant to a Trust Agreement, dated as of June 1, 2008, by and between the Trustee and Pima County, Arizona, as supplemented, fully executed and delivered, in fully registered form, dated as of May 7, 2019, and maturing on December 1 in the years and principal amounts and bearing interest at the rates set forth below:

2019 CERTIFICATES

<u>Year</u>	<u>Principal Amount</u>	<u>Interest</u>
2019	\$ 575,000	5.00%
2020	1,040,000	5.00
2021	1,090,000	5.00
2022	1,145,000	5.00
2023	1,205,000	5.00
2024	1,265,000	5.00
2025	1,325,000	5.00
2026	1,395,000	5.00
2027	1,460,000	5.00
2028	1,535,000	5.00
2029	1,610,000	5.00
2030	1,695,000	5.00
2031	1,775,000	5.00
2032	1,865,000	5.00
2033	1,960,000	5.00

[Signature page to follow]

DATED: May 7, 2019.

CITIGROUP GLOBAL MARKETS INC.

By: 
Name: Alexandre Zaman
Its: Director

[Signature page of Underwriter's Receipt]

May 7, 2019

Pima County, Arizona
Tucson, Arizona

Ladies and Gentlemen:

We have served as special counsel to our client Pima County, Arizona (the “County”) in connection with the execution and delivery of \$20,940,000 aggregate principal amount of Certificates of Participation, Series 2019 (the “2019 Certificates”) dated the date of this letter, pursuant to a Trust Agreement, dated as of June 1, 2008, as supplemented, including as supplemented by an Eighth Supplement to Trust Agreement, dated as of May 1, 2019 (collectively, the “Trust Agreement”), between the County and U.S. Bank National Association (the “Trustee”), as trustee, and relating to a Lease-Purchase Agreement, dated as of June 1, 2008, as amended, including as amended by an Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (collectively, the “Lease Agreement”), between the Trustee, as lessor, and the County, as lessee. Capitalized terms not defined in this letter are used as defined in the hereinafter County Documents.

The 2019 Certificates, together with other Certificates (as defined in the Trust Agreement) heretofore or hereafter executed and delivered pursuant to the Trust Agreement, represent undivided and proportionate interests in the obligations of the County under the Lease Agreement. The County has agreed to lease certain real and personal property from the Trustee, as lessor, under the Lease Agreement.

In our capacity as special counsel, we have examined the transcript of proceedings relating to the execution and delivery of the 2019 Certificates, including the Ground Lease, dated as of May 1, 2019 (the “Ground Lease” and, together with the Lease Agreement and the Trust Agreement, the “County Documents”), from the County as lessor, to the Trustee, as lessee, the Lease Agreement, the Trust Agreement, a copy of the executed 2019 Certificate of the first maturity, and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that, under existing law:

1. The County is a political subdivision existing under the laws of the State of Arizona, and has all requisite power to enter into and perform its obligations under the County Documents.

2. The County Documents each have been duly authorized, executed and delivered by the County and constitute legal, valid and binding obligations of the County enforceable in accordance with their terms.

3. The 2019 Certificates have been duly authorized, executed and delivered by the Trustee at the request and for the benefit of the County and are valid and binding limited and special obligations payable solely from the Lease Payments (as defined in the Lease Agreement) and certain funds held under the Trust Agreement as provided therein. The 2019 Certificates are not secured by an obligation or pledge of any taxing power or moneys raised thereby and are not a debt of and do not constitute a pledge of the faith and credit of the County, the State of Arizona or any political subdivision thereof.

4. The portion of each Lease Payment made by the County pursuant to the Lease Agreement and denominated as and comprising interest pursuant to the Lease Agreement and received by the owners of the 2019 Certificates (the "Interest Portion") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax. The Interest Portion is exempt from Arizona state income tax so long as the Interest Portion is excluded from gross income for federal income tax purposes. We express no opinion as to any other tax consequences regarding the 2019 Certificates. We also express no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the 2019 Certificates in the event of termination of the Lease Agreement due to nonappropriation.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the County and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the County delivered in connection with this matter.

In rendering those opinions with respect to treatment of the Interest Portion under the federal tax laws and state tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the County. Failure to comply with certain of those covenants subsequent to the execution and delivery of the 2019 Certificates may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2019 Certificates.

The rights of the owners of the 2019 Certificates and the enforceability of the 2019 Certificates and the County Documents are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as special counsel in connection with the original execution and delivery of the 2019 Certificates is concluded upon delivery of this letter.

Respectfully submitted,

A handwritten signature in blue ink that reads "Squire Patton Boggs (US) LLP". The signature is written in a cursive, flowing style.



Squire Patton Boggs (US) LLP
1 E. Washington St., Suite 2700
Phoenix, AZ 85004

O +1 602 528 4000
F +1 602 253 8129
squirepattoboggs.com

May 7, 2019

U.S. Bank National Association, as trustee
Phoenix, Arizona

We have today delivered to you a copy of our executed legal opinion as Special Counsel, dated this date, relating to the execution and delivery of the Pima County, Arizona Certificates of Participation, Series 2019, in the aggregate principal amount of \$20,940,000.

Please consider this letter as our advice to you that you are entitled to rely upon our opinions as if they were addressed to you.

Respectfully submitted,

A handwritten signature in blue ink that reads "Squire Patton Boggs (US) LLP". The signature is written in a cursive, flowing style.

47 OFFICES IN 20 COUNTRIES

SQUIRE PATTON BOGGS (US) LLP IS PART OF THE INTERNATIONAL LEGAL PRACTICE SQUIRE PATTON BOGGS, WHICH OPERATES WORLDWIDE THROUGH A NUMBER OF SEPARATE LEGAL ENTITIES.

PLEASE VISIT SQUIREPATTONBOGGS.COM FOR MORE INFORMATION.

010-8763-9205/2

May 7, 2019

To: Pima County, Arizona
Tucson, Arizona

Citigroup Global Markets Inc.
Seattle, Washington

Ladies and Gentlemen:

We have served as special counsel to our client Pima County, Arizona (the “County”) and not as counsel to any other person in connection with the execution and delivery of \$20,940,000 aggregate principal amount of Pima County, Arizona Certificates of Participation, Series 2019 (the “2019 Certificates”), dated the date of this letter.

We have rendered on this date our legal opinion as special counsel concerning the 2019 Certificates (the “Legal Opinion”). This Supplemental Opinion is rendered pursuant to Section 7(i)(4) of the Certificate Purchase Contract, dated April 17, 2019 (the “Certificate Purchase Contract”), between the County and the Underwriter therein named. Capitalized terms not otherwise defined in this letter are used as defined in the Certificate Purchase Contract.

The Underwriter may rely upon the Legal Opinion as if it were addressed to the Underwriter.

In accordance with the terms of our engagement as special counsel, we reviewed (a) the Preliminary Official Statement dated April 3, 2019 (the “Preliminary Official Statement”), and (b) the Official Statement dated April 17, 2019 (the “Official Statement”) relating to the 2019 Certificates. The information in (1) the Preliminary Official Statement, as of its date and as of the date of the Certificate Purchase Contract, and (2) the Official Statement, as of its date and as of this date, on the cover page, under the headings entitled “INTRODUCTORY STATEMENT,” “THE 2019 CERTIFICATES,” “PLAN OF FINANCE,” “SOURCES OF PAYMENT OF THE CERTIFICATES,” “SECURITY FOR THE CERTIFICATES,” “TAX MATTERS” and “CONTINUING SECONDARY MARKET DISCLOSURE”, and Appendices D, E and F thereto, insofar as such information summarize certain provisions of the 2019 Certificates, the County Documents and certain provisions of Arizona and federal law, including the federal and Arizona

income tax status of interest on the 2019 Certificates, fairly present the information purported to be shown, and nothing has come to our attention which would lead us to believe that such information contains any untrue statement of a material fact or that such information, taken collectively, omits to state any material fact that is necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in its entirety by, the complete documents which are summarized.

In our capacity as special counsel, we have examined the transcript of proceedings relating to the issuance of the 2019 Certificates, the Resolution, the Lease, the Trust Agreement and such other documents, matters and law as we deem necessary to render the opinions and advice set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Resolution has been duly adopted and is in full force and effect.
2. It is not necessary, in connection with the offering and sale of the 2019 Certificates, to register the 2019 Certificates under the Securities Act of 1933, as amended or to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended.
3. The distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the County.
4. The Certificate Purchase Contract has been duly authorized, executed and delivered by the County and (assuming due authorization and execution by the Underwriter) is a legal, valid and binding obligation of the County, enforceable in accordance with its terms.
5. The Undertaking has been duly authorized, executed and delivered by the County and is a legal, valid, and binding obligation of the County, enforceable in accordance with its terms.
6. No consent of any other party and no consent, license, approval or authorization of, exemption by, or registration with any governmental body, authority, bureau or agency (other than those that have been obtained prior to the execution and delivery of the Lease, the Trust Agreement, the Undertaking and the Certificate Purchase Contract) is required in connection with the execution, delivery and performance by the County of the Lease, the Trust Agreement, the 2019 Ground Lease, the Undertaking and the Certificate Purchase Contract.

The opinions and advice stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon: (i)

May 7, 2019

Page 3

the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the County and (iii) the correctness of the legal conclusions contained in the legal opinion letter of counsel to the County delivered in connection with this matter.

The rights of the parties under the County Documents and the Resolution and the enforceability of the County Documents and the Resolution are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities.

This letter is furnished to the Underwriter solely for its benefit in its capacity as Underwriter in connection with the original issuance of the 2019 Certificates and may not be relied upon for any other purpose or by any other person, including the holders, owners or beneficial owners of the 2019 Certificates. The opinions and advice in this letter are stated only as of this date, and no other opinion or advice shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as special counsel with respect to the 2019 Certificates has concluded on this date.

Respectfully submitted,

A handwritten signature in blue ink that reads "Squire Patton Boggs (US) LLP". The signature is written in a cursive, flowing style.

May 7, 2019

U.S. Bank National Association
Phoenix, Arizona

Re: \$20,940,000 aggregate principal amount of Pima County, Arizona Certificates of Participation, Series 2019

Ladies and Gentlemen:

We have served as Special Counsel in connection with the execution and delivery of the \$20,940,000 aggregate principal amount of Pima County, Arizona Certificates of Participation, Series 2019 (the “2019 Certificates”) under the Eighth Supplement to Trust Agreement, dated as of May 1, 2019 (the “Eighth Supplement”), to the Trust Agreement, dated as of June 1, 2008 (as supplemented by the Eighth Supplement and as previously supplemented, the “Trust Agreement”), each between Pima County, Arizona (the “County”) and U.S. Bank National Association, as trustee (the “Trustee”). This opinion is delivered to you pursuant to Section 2.11 of the Trust Agreement.

In connection with the execution and delivery of the 2019 Certificates, you have been provided, among other items, with the following:

1. Original executed counterparts of (a) the Eighth Supplement, and (b) the Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019 (the “Eighth Amendment”), to the Lease-Purchase Agreement, dated as of June 1, 2008 (as amended by the Eighth Supplement, as previously amended, the “Lease Agreement”), between the County, as lessee, and the Trustee, as lessor;

2. Closing Certificate of the County, of even date herewith, including a request from the County (the “Request”), for the Trustee to execute and deliver the 2019 Certificates and containing certain representations therein;

3. Our opinion, of even date herewith (the “Approving Opinion”), addressing the validity of the 2019 Certificates and the other matters described therein.

Based on the foregoing and an examination of the law and such documents and matters as we deemed necessary to render this opinion, it is our opinion and we herewith advise you that:

(i) The foregoing documents submitted to the Trustee in connection with the Request comply with the requirements of the Trust Agreement for the execution and delivery of the 2019 Certificates, any filings required to be made under Section 11.4 of the Trust Agreement have been made, and all conditions precedent to the delivery of the 2019 Certificates have been fulfilled.

(ii) When executed and delivered by the Trustee, the 2019 Certificates will be valid and binding in accordance with their terms, as described in the Approving Opinion, and will be secured under the Trust Agreement equally and on a parity with the 2010 Certificates, the 2013A Certificates, the 2014 Certificates, the 2015 Certificates, the 2016A Certificates, the Taxable 2016B Certificates, the 2018A Certificates and the Taxable 2018B Certificates (all as defined in the Trust Agreement), as to the assignment to the Trustee of the amounts pledged thereunder.

(iii) The execution and delivery of the 2019 Certificates will not result in the portion of the Lease Payments designated as interest evidenced by the 2010 Certificates, the 2013A Certificates, the 2014 Certificates, the 2015 Certificates, the 2016A Certificates and the 2018A Certificates becoming includable in gross income for purposes of federal income taxation.

(iv) The Eighth Amendment has been duly authorized, executed and delivered by the County, and the Lease Agreement, as amended by the Eighth Amendment, constitutes a legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws generally affecting the enforcement of creditors’ rights and to the principles of equity in the event equitable remedies are sought.

Respectfully submitted,

A handwritten signature in blue ink that reads "Squire Patton Boggs (US) LLP". The signature is written in a cursive, flowing style.



OFFICE OF THE
Pima County Attorney
Civil Division
32 NORTH STONE AVENUE
SUITE 2100
Tucson, Arizona 85701-1412
(520) 724-5700
FAX (520) 620-6556

Barbara LaWall
PIMA COUNTY ATTORNEY

May 7, 2019

Citigroup Global Markets Inc.
Phoenix, Arizona

Re: Pima County, Arizona Certificates of Participation, Series 2019

This opinion is rendered in connection with the execution and delivery by Pima County, Arizona (the "County"), of each of the following (together, the "Documents"):

- An Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019, which amends a Lease-Purchase Agreement, dated as of June 1, 2008, as previously amended (as so amended, the "Lease-Purchase Agreement"), between the County, as lessee, and U.S. Bank National Association, as lessor.
- A Ground Lease, dated as of May 1, 2019, between the County, as lessor, and U.S. Bank National Association, as lessee.
- An Eighth Supplement to Trust Agreement, dated as of May 1, 2019, which supplements a Trust Agreement, dated as of June 1, 2008, as previously supplemented, between the County and U.S. Bank National Association, as trustee.
- A Continuing Disclosure Undertaking, dated the date hereof, executed by the County.
- A Certificate Purchase Contract, dated the date of sale of the captioned Certificates, between the County and Citigroup Global Markets Inc.

Each of the Documents was authorized by a resolution adopted by the Board of Supervisors of the County on May 15, 2018 (the "Authorizing Resolution"). We have examined the transcript of proceedings relating to the execution and delivery of the Documents and such other documents as we considered necessary to our opinion. As to questions of fact material to our opinion we have relied upon, and assumed due and continuing compliance with the provisions of, the above-mentioned proceedings and other documents, and have relied upon certificates, covenants and representations furnished to us by the County without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of execution and delivery of the Documents, that:

1. The adoption of the Authorizing Resolution, and all other proceedings of the County relating to the authorization, approval and execution of the Documents, have been carried out in conformity with all applicable open meeting and other laws of the State of Arizona.

2. The authorization, execution and delivery of the Documents, and the County's compliance with the provisions of the Documents, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party, or of any existing law, administrative regulation, court order or consent decree to which the County or the Leased Property (as defined in the Lease-Purchase Agreement) is subject.

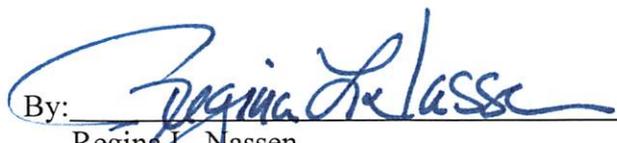
3. There are no lawsuits or administrative proceedings pending or, to the best of our knowledge, threatened, against the County that:

(i) in any way question the validity and the proper authorization, approval and execution of the Documents, or the ability of the County to perform its obligations under the Documents thereby, or

(ii) could result in an unfavorable decision, ruling or finding that would adversely affect the transactions contemplated by the Documents, the use of the Leased Property as contemplated by the Documents, or the financial condition of the County.

4. The statements in the Preliminary Official Statement and the Official Statement issued by the County in connection with the transaction contemplated by the Documents under the heading "LITIGATION" are true and correct in all material respects and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

PIMA COUNTY ATTORNEY

By: 
Regina L. Nassen
Deputy Pima County Attorney

May 7, 2019

Citigroup Global Markets Inc.
New York, New York

Re: \$20,940,000 Certificates of Participation, Series 2019, Evidencing a Proportionate Interest of Owners Thereof In Lease Payments To Be Made By Pima County, Arizona, as Lessee

We have acted as counsel for you in connection with the purchase by you of the captioned Certificates (the "Certificates"), evidencing proportionate interests of the owners thereof in a Lease-Purchase Agreement, dated as of June 1, 2008, as amended, including by an Eighth Amendment to Lease-Purchase Agreement, dated as of May 1, 2019, by and between Pima County, Arizona (the "County"), and U.S. Bank National Association, as trustee in its separate capacity as lessor, pursuant to a Trust Agreement, dated as of June 1, 2008, as supplemented, including by an Eighth Supplement to Trust Indenture, dated as of May 1, 2019 (as so supplemented, the "Trust Agreement"), by and among the County, U.S. Bank National Association, as trustee, and U.S. Bank National Association, as trustee in its separate capacity as lessor. As your counsel, we have examined the Preliminary Official Statement, dated April 3, 2019 (the "Preliminary Official Statement"), relating to the Certificates, the Official Statement, dated April 17, 2019 (the "Official Statement"), relating to the Certificates, the Continuing Disclosure Undertaking, dated the date hereof (the "Continuing Disclosure Undertaking"), the Resolution adopted by the Board of Supervisors of the County on May 15, 2018 (the "Resolution"), the Securities Act of 1933, as amended (the "1933 Act"), the Trust Indenture Act of 1939, as amended (the "1939 Act"), the rules, regulations and interpretations under the 1933 Act and the 1939 Act, and Rule 15c2-12 (the "Rule") prescribed under the Securities Exchange Act of 1934, as amended (the "Act"). In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinions rendered hereinbelow. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and other documents.

In accordance with our understanding with you, we rendered legal advice and assistance to you in connection with your participation in the preparation of the Preliminary Official Statement and the Official Statement. Based upon our participation in the preparation of the Preliminary Official Statement and the Official Statement as counsel for you and the

examination described hereinabove and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement and except as otherwise indicated herein, no information came to the attention of our attorneys assigned to this matter which leads us to believe that the Preliminary Official Statement as of its date and as of April 17, 2019, and the Official Statement as of its date and as of the date hereof, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We express no views with respect to (i) the information contained in the Preliminary Official Statement and the Official Statement relating to The Depository Trust Company, New York, New York, (ii) the financial or statistical data included in the Preliminary Official Statement and the Official Statement, (iii) the information in Appendix C to the Preliminary Official Statement and the Official Statement, or (iv) the status of the Certificates for any purpose including particularly, but not by way of limitation, for federal or State income tax purposes.

We also have rendered legal advice and assistance to you as to the requirements of the Rule prescribed under the Act, in connection with your review, for purposes of the Rule, of the Continuing Disclosure Undertaking. Based upon our examination of the items referenced in this letter, including the Continuing Disclosure Undertaking and the Rule, and subject to the limitations expressed above, we are of the opinion that, under existing law, the Continuing Disclosure Undertaking satisfies paragraph (b)(5)(i) of the Rule, which requires an undertaking for the benefit of the holders, including beneficial owners, of the Certificates to provide certain annual financial information and event notices at the time and in the manner required by the Rule.

Based upon our examination of the items referenced in this letter, we are further of the opinion that it is not necessary in connection with the sale of the Certificates to the public to register the Certificates under the 1933 Act or to qualify the Trust Agreement or the Resolution under the 1939 Act. For purposes of rendering such opinion, we have relied on the legal conclusions expressed by Squire Patton Boggs (US) LLP, as Special Counsel, as to the validity of the Certificates and the exclusion of interest on the Certificates from the gross income of their owners for federal income tax purposes.

We have not investigated independently the accuracy of any legal conclusions upon which we have relied that are expressed by other counsel; however, our attorneys assigned to this matter are not presently aware of any information that leads us to believe that it would be unreasonable to rely upon those legal conclusions.

References in this letter to “our attorneys assigned to this matter” refer only to those lawyers now with this firm who rendered legal services in connection with our representation of you in this matter.

Our engagement with respect to the matters addressed in this letter is concluded upon the delivery of this letter. The views expressed in this letter are as of, and are based upon the law in effect on, the date of this letter. Those views may be affected by actions taken or omitted or events occurring after the date of this letter, and we assume no obligation to revise or supplement this letter or to determine or to inform any person if such law changes or if any such actions are taken or omitted or any such events occur.

This letter is furnished solely for your benefit in connection with your purchase of the Certificates, and this letter may not, without our prior express consent, be used, circulated, quoted or otherwise referred to (except in lists or sets of closing documents), or be relied upon by any other person or for any other purpose.

Respectfully submitted,

Greenberg Traurig, LLP

OWNER'S POLICY OF TITLE INSURANCE

caused by **Lawyers Title Insurance Corporation**



Lawyers Title Insurance Corporation is a member of the LandAmerica family of title insurance underwriters.

POLICY NUMBER
C29-Z032025

Any notice of claim and any other notice or statement in writing required to be given to the Company under this Policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, LAWYERS TITLE INSURANCE CORPORATION, a Nebraska corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.
5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protectionif a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without knowledge.
9. Title being vested other than as stated in Schedule A or being defective
 - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

IN WITNESS WHEREOF, the Company has caused this Policy to be signed with the facsimile signatures of its President and Secretary and sealed as required by its By-Laws.

LAWYERS TITLE INSURANCE CORPORATION

Attest:

Secretary



By:

President

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
 - (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10; or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

POLICY OF TITLE INSURANCE
Issued by
Lawyers Title Insurance Corporation

SCHEDULE A

Policy No.: C29-Z032025

File No.: 06155031-024-P13

Amount of Insurance: \$50,000,000.00

Date of Policy: June 26, 2008 at Fee No. 20081240006

1. Name of Insured:

U.S. BANK NATIONAL ASSOCIATION, as Trustee pursuant to the Trust Agreement referred to in Paragraph 21 of Schedule B; and the Registered Owners of the Certificates of Participation referred to in said Trust Agreement, as their respective interests may appear

2. The estate or interest in the Land that is insured by this policy is:

LEASEHOLD under the terms and conditions of the Lease referred to in Paragraph 11 of Schedule B, as to Parcels 1-7; FEE, as to Parcels 8 and 9, and EASEMENT, as to Parcel 9a

3. Title is vested in:

PIMA COUNTY, ARIZONA, as to Fee Title as to Parcels 1-7; and U.S. BANK NATIONAL ASSOCIATION, as Trustee for the benefit of the Registered Owners of the Certificates, as to the Leasehold Estate as to Parcels 1-7; Fee Title as to Parcels 8 and 9; and Easement, as to Parcel 9a

4. The land referred to in this policy is described in Exhibit "A" attached hereto and made a part hereof.

Countersigned:

Jeff Malone

By: _____

Authorized Officer or Agent

EXHIBIT "A"

PUBLIC WORKS PARKING STRUCTURE:

The Public Works Parking Structure as shown on the architectural plans titled "Parking Structure Pima County Public Works Center Tucson, Arizona", by William I. Podolsky * Associates, Architects & Planners, Project No. 8909, and dated March 27, 1991, on file in the Department of Facilities Management, Pima County, Arizona, being located within Block 180 of the City of Tucson, and described as follows:

Parcel 1

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the North line of said Lot 1, 150 feet Easterly of the Northwest corner of said lot;

THENCE Easterly along the North line of said lot, a distance of 59 feet to a point, said point also being the Northwest corner of that certain parcel of land described in Docket 58 at page 123, records of Pima County, Arizona;

THENCE Southerly along the Westerly line of the last above described parcel, a distance of 79 feet, more or less, to a point on the South line of Lot 1, which point is distant 171.7 feet Westerly from the Southeast corner of said lot;

THENCE Westerly along the Southerly line of said lot, a distance of 38.66 feet to a point distant 150 feet East from the Southwest corner of said lot, said point also being the Southeast corner of that certain parcel described in Deed recorded in Book 267 of Deeds at page 407, records of Pima County, Arizona;

THENCE Northerly along the Easterly line of last above described parcel, a distance of 84 feet, more or less, to the **POINT OF BEGINNING**.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 12)

Parcel 2

That portion of Lot 2 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified

EXHIBIT "A"

(CONTINUED)

copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at a point on the South line of said Lot 2, distant 100 feet, more or less, Westerly from the Southeast corner of said lot, which point is the Southwest corner of the property described in Deed recorded in Book 10 of Deeds at page 47, records of Pima County, Arizona;

THENCE Northerly along the Westerly line of said last mentioned property, a distance of 80 feet to a point;

THENCE South 84 degrees 30 minutes West, a distance of 50 feet, more or less, to a point on the East line of that certain property described in Deed recorded in Book 14 of Deeds at page 476, records of Pima County, Arizona, said point being the **TRUE POINT OF BEGINNING**;

THENCE Northerly along the Easterly line of said last mentioned parcel to a point on the North line of said Lot 2;

THENCE Westerly along the North line of said Lot 2, to the Northwest corner thereof;

THENCE Southerly along the Westerly line of said Lot 2, to the Southeast corner of Lot 3 in said Block 180;

THENCE Westerly along the Southerly line of said Lot 3, to a point which is distant 1.3 feet from the Northeast corner of Lot 4 in said Block 180;

THENCE Southerly to the Southwest corner of said Lot 2;

THENCE North 67 degrees 18 minutes 42 seconds East along the South line of said Lot 2, a distance of 115 feet to a point;

THENCE North 22 degrees 58 minutes 45 seconds West, a distance of 44.58 feet to a point;

THENCE in a Northerly direction to the **TRUE POINT OF BEGINNING**.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 22 and 24)

Parcel 3

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified

EXHIBIT "A"

(CONTINUED)

copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southwest corner of said Lot 3 on the East side of Church Street;

THENCE North 12 ¼ degrees West along the West line of said Lot 3, a distance of 78.54 feet, more or less, to a point on the West line of said lot, distant 74.58 feet Southerly from the Northwest corner thereof;

THENCE Easterly to a point on the East line of said lot, which point is South 11 ½ degrees East and distant 74.58 feet from the Northeast corner thereof;

THENCE South 11 ½ degrees East along the East line of said lot to the Southeast corner thereof;

THENCE South 75 ½ degrees West along the South line of said Lot 3, a distance of 90.42 feet to the **POINT OF BEGINNING**.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 33)

Parcel 4

That portion of Lot 3 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at the City Survey Monument at the intersection of Church and Council Street as now established;

THENCE North 89 degrees 39 minutes 15 seconds East along the Council Street Monument line, a distance of 42.07 feet to a point;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Southerly right-of-way line of Council Street as now established;

THENCE South 13 degrees 06 minutes 30 seconds East along the Easterly right-of-way line of Church Street as now established, a distance of 104.96 feet to a point on that certain line described in Deed recorded in the office of the County Recorder of Pima County, Arizona, in Docket 1608 at page 381, and in Docket 1608 at page 380, said point being the **TRUE POINT OF BEGINNING**;

EXHIBIT "A"

(CONTINUED)

THENCE North 83 degrees 46 minutes 35 seconds East along said last described line, a distance of 91.08 feet, more or less, to a point on the East line of said Lot 3;

THENCE South 11 ½ degrees East along the Easterly line of said Lot 3, a distance of 74.58 feet, more or less, to the Northeast corner of that certain parcel of land described in Deed recorded in Docket 112 at page 305, records of Pima County, Arizona;

THENCE Westerly along the Northerly line of the last above described parcel to a point on the Westerly line of said Lot 3 and the Easterly line of Church Street;

THENCE North 13 degrees 06 minutes 30 seconds West along the Easterly line of said Church Street, a distance of 74.58 feet, more or less, to the TRUE POINT OF BEGINNING.

TOGETHER WITH easements as set forth in Docket 8573 at page 1087.

(JV Arb 32)

Parcel 5

That portion of Lot 1 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

COMMENCING at a point on the South side of Council Street and the North line of said Block 180, distant 150 feet East from the Northwest corner of said Lot 1;

THENCE South 14 degrees East, a distance of 89 feet to the South line of said Lot;

THENCE South 84 degrees West, a distance of 75 feet;

THENCE North 12 ¼ degrees West, a distance of 100 feet, more or less, to the South line of Council Street;

THENCE East along the South line of Council Street, a distance of 75 feet to the POINT OF BEGINNING.

(JV Arb 14)

Parcel 6

EXHIBIT "A"

(CONTINUED)

Lot 4 in Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof,

AND

That portion of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

BEGINNING at the Southeast corner of Lot 4 in said Block;

THENCE Northerly along the Easterly line of Lot 4, to the point of intersection of the said Easterly line of Lot 4 with the Southerly line of Lot 3 in said block;

THENCE Easterly along the Southerly line of the said Lot 3, a distance of 1.3 feet to a point;

THENCE Southerly to the **POINT OF BEGINNING**.
(JV Arb Lot 2=21, Lot 4=34)

Parcel 7

All that part of Block 180, of CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the City Survey Monument at the intersection of Church and Council Streets;

THENCE North 89 degrees 39 minutes 15 seconds East, a distance of 42.07 feet along the Council Street monument line;

THENCE South 0 degrees 20 minutes 45 seconds East, a distance of 34.90 feet to the Northwest corner of said Block 180 and the **TRUE POINT OF BEGINNING**;

THENCE South 13 degrees 06 minutes 30 seconds East, a distance of 104.96 feet;

EXHIBIT "A"

(CONTINUED)

THENCE North 83 degrees 46 minutes 35 seconds East, a distance of 75.5 feet, more or less, to a point in the Westerly line of that property described in Deed to Harman Ray and Pauline Ray, husband and wife, recorded in the office of the County Recorder of Pima County, Arizona, in Book 267 of Deeds at page 407;

THENCE Northerly along the West line of said Ray property to a point in the South line of Council Street, distant 89 degrees 39 minutes 15 seconds East, 75 feet from the TRUE POINT OF BEGINNING;

THENCE South 89 degrees 39 minutes 15 seconds West, a distance of 75 feet to the TRUE POINT OF BEGINNING.

(JV Arb Lot 1= 813)

EXCEPTING FROM SAID Parcels 1 through 7, all that portion thereof described in the Lease dated December 5, 1989, to the YOUNG MEN'S CHRISTIAN ASSOCIATION OF TUCSON, an Arizona non-profit corporation, as disclosed in Memorandum of Ground Lease Agreement recorded in Docket 8834 at page 1387 and corrected in Docket 9348 at page 1417.

SOUTH TOWER PUBLIC WORKS BUILDING:

Parcel 8

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, lying Easterly of the following described line:

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111 and the Southeasterly corner of property described in instrument recorded in Docket 8506 at page 2723;

EXHIBIT "A"
(CONTINUED)

THENCE continuing along the Southerly line of said property described in Docket 8506 at page 2723, South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1, being the Southwest corner of said parcel described in Docket 8506 at page 2723;

THENCE North 1 degree 18 minutes 45 seconds West along the Westerly line of said parcel, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1, being the Northwest corner of property described in Docket 8506 at page 2723 and the POINT OF BEGINNING of line description;

THENCE South 1 degree 18 minutes 45 seconds East along the West line of said parcel a distance of 84.11 feet to the Southwest corner of said parcel;

THENCE North 84 degrees 09 minutes 00 seconds East along the Southerly line of said property described in Docket 8506 at page 2723 a distance of 24.10 feet to the Northwest corner of property described in instrument recorded in Docket 6165 at page 1031;

THENCE South 0 degrees 11 minutes 37 seconds West, along the Westerly line of said property, a distance of 88.73 feet to the Southwest corner of said property, said point also being the Northwesterly corner of property described in instrument recorded in Docket 7629 at page 1863;

THENCE South 0 degrees 07 minutes 25 seconds West along the Westerly line of said property, a distance of 19.92 feet to the Northwesterly corner of property described in instrument recorded in Docket 8166 at page 160;

THENCE South 0 degrees 11 minutes 55 seconds West along the Westerly line of said property, a distance of 52.56 feet to an angle point on said Westerly line;

THENCE continuing along said Westerly line, South 22 degrees 40 minutes 04 seconds East a distance of 44.39 feet to a point on the Northerly right-of-way line of Alameda Street, said point being the terminus point of said line description.

EXCEPT that portion described as follows:

Those portions of Lots 1 and 2 of Block 180, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, and a strip of land lying between the original East line of said Block 180 and the West line of Stone Avenue as now established, described as follows:

EXHIBIT "A"

(CONTINUED)

COMMENCING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 00 minutes 00 seconds East along the Stone Avenue city monument line, a distance of 95.91 feet to a point;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet to a point on the West line of Stone Avenue, as now established, which point is the Northeasterly corner of that parcel described in instrument recorded in the Office of the County Recorder of Pima County, Arizona, in Book 201 of Deeds at page 111, which is the **TRUE POINT OF BEGINNING**;

FROM said **POINT OF BEGINNING**, thence continue South 83 degrees 29 minutes 43 seconds West, a distance of 128.44 feet to a point;

THENCE South 84 degrees 41 minutes 39 seconds West, a distance of 20.98 feet to a point;

THENCE South 84 degrees 09 minutes 00 seconds West, a distance of 24.10 feet to a point on the South line of said Lot 1 in Block 180, which point is 171.7 feet Westerly from the original South-East corner of said Lot 1;

THENCE North 1 degree 18 minutes 45 seconds West, a distance of 84.11 feet to a point on the South line of Council Street, as now established, which point is 209.00 feet Easterly along said line from the Northwest corner of said Lot 1;

THENCE North 89 degrees 39 minutes 15 seconds East along said South line of Council Street, which South line is parallel with and 34.90 feet Southerly from the Council Street monument line, a distance of 169.69 feet to the point of intersection of said South line of Council Street with the West line of Stone Avenue, as now established, which point is South 89 degrees 39 minutes 15 seconds West, a distance of 50.37 feet from the intersection of the Easterly extension of said South line of Council Street with the Stone Avenue city monument line;

THENCE South 4 degrees 04 minutes 48 seconds East, along said West line of Stone Avenue, as now established, a distance of 66.34 feet to the **TRUE POINT OF BEGINNING**.

FURTHER EXCEPT the following:

That portion of Block 180, of the **CITY OF TUCSON**, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, together with a strip of ground lying between the East boundary of original Lot 2 in said Block 180 and the West property line of Stone Avenue as now established, described as follows:

EXHIBIT "A"

(CONTINUED)

BEGINNING at the city survey monument located at the intersection of Council Street and Stone Avenue as now established;

THENCE South 5 degrees 0 minutes East, a distance of 95.91 feet to a point on the Stone Avenue city monument line;

THENCE South 83 degrees 29 minutes 43 seconds West, a distance of 51.29 feet, more or less, to a point on the West property line of Stone Avenue as now established, distant 67.67 feet South 4 degrees 4 minutes 48 seconds East from the Northeast corner of said Block 180, which last mentioned point is the **TRUE POINT OF BEGINNING** of the parcel herein described;

THENCE South 4 degrees 4 minutes 48 seconds East, a distance of 78.85 feet along the West line of Stone Avenue to a point;

THENCE South 80 degrees 11 minutes 57 seconds West along the Northerly wall of a brick building, a distance of 156.09 feet;

THENCE North 0 degrees 11 minutes 37 seconds West, a distance of 88.73 feet;

THENCE North 84 degrees 41 minutes 39 seconds East, a distance of 20.98 feet;

THENCE North 83 degrees 29 minutes 43 seconds East, a distance of 128.44 feet to the **TRUE POINT OF BEGINNING**.

(JV Arbs 23 and 25)

LEGAL SERVICES BUILDING:

Parcel 9

All that part of Lot 8 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, lying West of a line drawn from the Southwest corner of Lot 6 of said Block 195, to the Northwest corner of Lot 16 of said Block 195.

(JV Arb 84)

Parcel 9a

EXHIBIT "A"

(CONTINUED)

An easement for ingress, egress and light and air over, upon and across the North 1 foot of the West 59.1 feet of Lot 18 in Block 195, of the CITY OF TUCSON, Pima County, Arizona according to the official survey, field notes, and map as made and executed by S. W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which is of record in the office of the County Recorder of Pima County, Arizona, in Book 3 of Maps and Plats at page 70 thereof, as set forth in Indenture recorded in Book 52 of Deeds at page 179.

**SCHEDULE B
EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage, nor against costs, attorneys fees or expenses, any or all of which arise by reason of the following:

PART I

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices or such proceedings, whether or not shown by the records of such agency or by the public record.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.

END OF SCHEDULE B - PART I

SCHEDULE B**PART II**

THIS POLICY DOES NOT INSURE AGAINST LOSS OR DAMAGE BY REASON OF THE FOLLOWING:

The following Exceptions affect Parcels 1-7

1. RESTRICTIONS, CONDITIONS, COVENANTS, RESERVATIONS, EASEMENTS including but not limited to any recitals creating easements, liabilities, obligations or party walls, omitting, if any, from the above, any restrictions based on race, color, religion sex, handicap, familial status or national origin contained in Instrument:

Recorded in Docket	8573
Page	1087

2. EASEMENT and rights incident thereto, as set forth in Instrument:

Recorded in Book 251 of Deeds	
Page	189
Purpose	sewer

3. EASEMENT and rights incident thereto, as set forth in Instrument:

Recorded in Docket	787
Page	172
Purpose	electric facilities

4. EASEMENT and rights incident thereto, as set forth in Instrument:

Recorded in Docket	854
Page	235
Purpose	electric facilities

5. EASEMENT and rights incident thereto, as set forth in Instrument:

Recorded in Docket	854
Page	239
Purpose	electric facilities

6. EASEMENT and rights incident thereto, as set forth in Instrument:

Recorded in Docket	855
Page	479
Purpose	electric facilities

7. EASEMENT and rights incident thereto, as set forth in Instrument:

Recorded in Docket	1781
Page	242
Purpose	electric facilities

8. EASEMENT and rights incident thereto, as set forth in Instrument:

Recorded in Docket	1781
Page	244
Purpose	electric facilities

SCHEDULE B**PART II (CONTINUED)**

9. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--------------------------|
| Recorded in Docket | 5799 |
| Page | 900 |
| Purpose | communication facilities |
10. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--|
| Recorded in Docket | 8837 |
| Page | 870 |
| Purpose | electric facilities and communication facilities |
11. GROUND LEASE under the terms and conditions therein made by,
- | | |
|----------|---|
| Lessor | PIMA COUNTY, ARIZONA |
| Lessee | U.S. BANK NATIONAL ASSOCIATION, as Trustee for the benefit of the registered owners of the Certificates |
| Dated | June 1, 2008 |
| Recorded | June 26, 2008 |
| Docket | 13336 |
| Page | 21 |

The following Exceptions affect Parcel B

12. THE RIGHTS of Tucson Gas, Electric Light and Power Company to attach wires and fixtures on the North and West walls of the building, as disclosed in instrument recorded in Book 63 of Miscellaneous Records at page 77
13. The encroachment of a building above second floor level into the right-of-way of Alameda Street, as disclosed in instrument recorded in Docket 5535 at page 452.
14. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|---------------------|
| Recorded in Docket | 1812 |
| Page | 349 |
| Purpose | electric facilities |
15. AGREEMENT, according to the terms and conditions, contained therein:
- | | |
|----------|--------------------------------------|
| Purpose | Real Property and Grant of Easements |
| Recorded | July 06, 1989 |
| Docket | 8573 |
| Page | 1087 |

The following exceptions affect Parcels 9 and 9a

16. RESTRICTIONS, CONDITIONS, COVENANTS, RESERVATIONS, including but not limited to any recitals creating easements, liabilities, obligations or party walls, omitting, if any, from the above, any restrictions based on race, color, religion sex, handicap, familial status or national origin contained in instrument:
- | | |
|--------------------|-----|
| Recorded in Docket | 538 |
| Page | 50 |

SCHEDULE B
PART II (CONTINUED)

- 17. TERMS and Conditions and Easements for Ingress, egress and light and air as set forth in instruments recorded in Book 52 of Deeds at page 179 and page 181.
- 18. EASEMENT and rights incident thereto, as set forth in instrument:

Recorded in Docket	7525
Page	1257
Purpose	exit staircase

The following exceptions affects All Parcels

- 19. RESERVATIONS contained in the Patent from the United States of America, recorded in Book 2 of Deeds at page 311, reading as follows:

EXCEPT any gold, silver, clnnabar or copper or any valid mining claim or possession held under existing laws of Congress as reserved in the Patent from the United States of America.
- 20. Terms and Conditions contained in LEASE-PURCHASE AGREEMENT, by and between U.S. BANK NATIONAL ASSOCIATION, as Trustee, as Lessor, and PIMA COUNTY, ARIZONA, as Lessee, recorded June 26, 2008 in Docket 13336 at page 36.
- 21. Terms and Conditions contained in TRUST AGREEMENT, by and between U.S. BANK NATIONAL ASSOCIATION, as Trustee, and PIMA COUNTY, ARIZONA, as Lessee, dated as of June 1, 2008, recorded June 26, 2008 in Docket 13336 at page 86.
- 22. Any failure to comply with the terms, covenants and conditions of the lease or leases being insured herein.

END OF SCHEDULE B – PART II

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.
- (b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.
- (c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) "Insured": The Insured named in Schedule A.
- (i) The term "Insured" also includes
- (A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;
- (B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
- (C) successors to an Insured by its conversion to another kind of Entity;
- (D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
- (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
- (2) if the grantee wholly owns the named Insured,
- (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or
- (4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.
- (ii) With regard to (A), (B), (C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.
- (e) "Insured Claimant": An Insured claiming loss or damage.
- (f) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.
- (g) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.
- (h) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.
- (i) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection plans filed in the records of the clerk of the United States District Court for the district where the Land is located.
- (j) "Title": The estate or interest described in Schedule A.
- (k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as Insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as Insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

(b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as Insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.

(c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

(a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as Insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

(b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to

the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

(b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.

(i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or

(ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

(a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of

(i) the Amount of Insurance; or

(ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.

(b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title, as insured,

(i) the Amount of Insurance shall be increased by 10%, and

(ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.

(c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

(a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketable Title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title, as insured.

(c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Company's right of subrogation includes the rights of the Insured to indemnities, guarantees, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

14. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions.

Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

16. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

17. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this Policy must be given to the Company at: Consumer Affairs Department PO Box 27567 Richmond, Virginia 23261-7567.



PRIVACY POLICY NOTICE

LandAmerica Financial Group, Inc. and its family of affiliated companies ("LandAmerica") respect the privacy of our customers' personal information. This Notice explains the ways in which we may collect and use personal information under the LandAmerica Privacy Policy.

LandAmerica provides title insurance and other real estate services through its affiliates. The three largest members of the LandAmerica family, Commonwealth Land Title Insurance Company, Lawyers Title Insurance Corporation, and Transnation Title Insurance Company, and their title affiliates, issue title policies and handle real estate closings across the country. You may review a complete list of the LandAmerica family of affiliates covered by this Privacy Policy on our website at <http://www.landam.com> under the privacy policy link or request a copy be sent to you from the address listed below. The LandAmerica Privacy Policy applies to all LandAmerica customers, former customers and applicants. Please visit our website for an explanation of our privacy practices relating to electronic communication.

What kinds of information we collect: Depending on the services you use, the types of information we may collect from you, your lender, attorney, real estate broker, public records or from other sources include:

- information from forms and applications for services, such as your name, address and telephone number,
- information about your transaction, including information about the real property you bought, sold or financed such as address, cost, existing liens, easements, other title information and deeds,
- with closing, escrow, settlement or mortgage lending services or mortgage loan servicing, we may also collect your social security number as well as information from third parties including property appraisals, credit reports, loan applications, land surveys, real estate tax information, escrow account balances, and sometimes bank account numbers or credit card account numbers to facilitate the transaction, and
- information about your transactions and experiences as a customer of ours or our affiliated companies, such as products or services purchased and payments made.

How we use and disclose this information: We use your information to provide you with the services, products and insurance that you, your lender, attorney, or real estate brokers have requested. We disclose information to our affiliates and unrelated companies as needed to carry out and service your transaction, to protect against fraud or unauthorized transactions, for institutional risk control, to provide information to government and law enforcement agencies and as otherwise permitted by law. As required to facilitate a transaction, our title affiliates record documents that are part of your transaction in the public records as a legal requirement for real property notice purposes.

We do not share any nonpublic personal information we collect from you with unrelated companies for their own use.

We do not share any information regarding your transaction that we obtain from third parties (including credit report information) except as needed to enable your transaction as permitted by law.

We may also disclose your name, address and property information to other companies who perform marketing services such as letter production and mailing on our behalf, or to other financial service companies (such as insurance companies, banks, mortgage brokers, credit companies) with whom we have joint marketing arrangements. Additionally, some LandAmerica affiliates may share information about their transaction and experiences with you in order to identify opportunities to market other LandAmerica services or products that may be useful to you.

How we protect your information: We maintain administrative, physical, electronic and procedural safeguards to guard your nonpublic personal information. We reinforce our privacy policy with our employees and our contractors. Joint marketers and third parties service providers who have access to nonpublic personal information to provide marketing or services on our behalf are required by contract to follow appropriate standards of security and confidentiality.

Title insurance agents may be covered by this policy: If your transaction goes through a title insurance agent that is not part of the LandAmerica family, the agent handling your transaction should provide you with the agent's own privacy policy or evidence that the agent has adopted our policy.

If you have any questions about this privacy statement or our practices at LandAmerica, please email us at customerservice@landam.com or write us at LandAmerica Privacy, P.O. Box 27587, Richmond, VA 23261

THANK YOU

Title insurance provides for the protection of your real estate investment. We suggest you keep this policy in a safe place where it can be readily available for future reference.

If you have questions about title insurance or the coverage provided by this policy, contact the office that issued this policy, or you may call or write:

Lawyers Title Insurance Corporation
Consumer Affairs
P.O. Box 27587
Richmond, Virginia 23261-7587
Telephone, toll free: 800 448-7088
web: www.landam.com

We thank you for choosing to do business with Lawyers Title Insurance Corporation, and look forward to meeting your future title insurance needs.

Lawyers Title Insurance Corporation
is a member of the LandAmerica family of title insurance underwriters.



ENDORSEMENT
Attached to Policy No. C29-Z032025
Issued By
Lawyers Title Insurance Corporation

1. As used in this endorsement, these terms shall mean the following:
 - a. "Evicted" or "Eviction": (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of the Lease or (b) the lawful prevention of the use of the Land or the Tenant Leasehold Improvements for the purposes permitted by the Lease, in either case as a result of a matter covered by this policy.
 - b. "Lease": the lease agreement described in Schedule A.
 - c. "Leasehold Estate": the right of possession for the Lease Term.
 - d. "Lease Term": the duration of the Leasehold Estate, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
 - e. "Personal Property": chattels located on the Land and property which, because of their character and manner of affixation to the Land, can be severed from the Land without causing appreciable damage to themselves or to the Land to which they are affixed.
 - f. "Remaining Lease Term": the portion of the Lease Term remaining after the Insured has been Evicted as a result of a matter covered by this policy.
 - g. "Tenant Leasehold Improvements": Those improvements, including landscaping, required or permitted to be built on the Land by the Lease that have been built at the Insured's expense or in which the Insured has an interest greater than the right to possession during the Lease Term.

2. Valuation of Estate or Interest Insured

If in computing loss or damage it becomes necessary to value the Title as the result of a covered matter that results in an Eviction of the Tenant, then that value shall consist of the value for the Remaining Lease Term of the Leasehold Estate and any Tenant Leasehold Improvements existing on the date of the Eviction. The Insured Claimant shall have the right to have the Leasehold Estate and the Tenant Leasehold Improvements valued either as a whole or separately. In either event, this determination of value shall take into account rent no longer required to be paid for the Remaining Lease Term.

3. Additional items of loss covered by this endorsement

If the Insured is Evicted, the following items of loss, if applicable, shall be included in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title.

- a. The reasonable cost of removing and relocating any Personal Property that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, the cost of transportation of that Personal Property for the initial one hundred miles incurred in connection with the relocation, and the reasonable cost of repairing the Personal Property damaged by reason of the removal and relocation.
- b. Rent or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.

- c. The amount of rent that, by the terms of the Lease, the Insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate and Tenant Leasehold Improvements from which the Insured has been Evicted.
- d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease or sublease made by Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
- e. Damages that the Insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease made by the Tenant as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements caused by the Eviction
- f. Reasonable costs incurred by the Insured to secure a replacement leasehold equivalent to the Leasehold Estate.
- g. If Tenant Leasehold Improvements are not substantially completed at the time of Eviction, the actual cost incurred by the Insured, less the salvage value, for the Tenant Leasehold Improvements up to the time of Eviction. Those costs include costs incurred to obtain land use, zoning, building and occupancy permits, architectural and engineering fees, construction management fees, costs of environmental testing and reviews, and landscaping costs.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements to it.

IN WITNESS WHEREOF, the Company has caused this Endorsement to be signed with the facsimile signatures of its President and Secretary and sealed as required by its By-Laws.

Dated: June 26, 2008

Lawyers Title Insurance Corporation

Countersigned:

By: Seeb Malone
 Authorized Officer or Agent



By: Therese L. Chandler
 President

Attest: [Signature]
 Secretary

 First American Title	Owner's Policy of Title Insurance
	ISSUED BY FIRST AMERICAN TITLE INSURANCE COMPANY
Owner's Policy	POLICY NUMBER 5011400-434555

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.

(Covered Risks Continued on Page 2)

In Witness Whereof, FIRST AMERICAN TITLE INSURANCE COMPANY has caused its corporate name to be hereunto affixed by its authorized officers as of Date of Policy shown in Schedule A.

FIRST AMERICAN TITLE INSURANCE COMPANY



Dennis J. Gilmore

Dennis J. Gilmore
President

Timothy Kemp

Timothy Kemp
Secretary

ISSUED BY

Title Security Agency of Arizona
as agent for FIRST AMERICAN TITLE INSURANCE COMPANY
One South Church, Suite 2040
Tucson, AZ 85701
(520)740-0424

(This Policy is valid only when Schedules A and B are attached)

This Jacket was created electronically and constitutes an original document

Copyright 2006-2009 American Land Title Association. All rights reserved. The use of this form is restricted to ALTA licensees and ALTA members in good standing as of the date of use. All other uses are prohibited. Reprinted under license from the American Land Title Association.

COVERED RISKS (Continued)

5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protectionif a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
 - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy.
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.
- (b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.
- (c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) "Insured": The Insured named in Schedule A.
 - (i) The term "Insured" also includes
 - (A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;
 - (B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
 - (C) successors to an Insured by its conversion to another kind of Entity;
 - (D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
 - (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
 - (2) if the grantee wholly owns the named Insured,
 - (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or
 - (4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.
 - (ii) With regard to (A), (B), (C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.
- (e) "Insured Claimant": An Insured claiming loss or damage.
- (f) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.
- (g) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.
- (h) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.
- (i) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection

liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

- (j) "Title": The estate or interest described in Schedule A.
- (k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

- (a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

CONDITIONS (Continued)

- (b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.
- (c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.

6. DUTY OF INSURED CLAIMANT TO COOPERATE

- (a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.
- (b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following additional options:

- (a) To Pay or Tender Payment of the Amount of Insurance.
To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay. Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.
- (b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
 - (i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
 - (ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

8. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.

- (a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of
 - (i) the Amount of Insurance; or
 - (ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.
- (b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title, as insured,
 - (i) the Amount of Insurance shall be increased by 10%, and
 - (ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
- (c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.

9. LIMITATION OF LIABILITY

- (a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of

CONDITIONS (Continued)

Unmarketable Title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title, as insured.
- (c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Company's right of subrogation includes the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

14. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other

persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

16. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

17. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at **FIRST AMERICAN TITLE INSURANCE COMPANY, Attn: Claims National Intake Center, 1 First American Way, Santa Ana, CA 92707. Phone: 888-632-1642.**



First American Title

ISSUED THROUGH THE OFFICE OF:



FIRST AMERICAN
TITLE INSURANCE
COMPANY

Corporate Office
1 First American Way
Santa Ana, CA 92707
(800) 854-3643

FIRST AMERICAN TITLE INSURANCE COMPANY

SCHEDULE A

Name and Address of Title Insurance Company: **Title Security Agency of Arizona
1 S. Church , Suite 2040
Tucson, AZ 85701**

File No.: **07000174-887-PT**

Policy No.: **5011400-434555**

Amount of Insurance: **\$60,000,000.00**

Premium: **\$35,748.00**

Date of Policy: **May 22, 2013 at Document No. 20131420008**

1. Name of Insured:

U.S. BANK NATIONAL ASSOCIATION, as Trustee pursuant to the Trust Agreement dated as of June 1, 2008, as Supplemented; and the Registered Owners of the Certificates of Participation referred to in said Trust Agreement, as their respective interests may appear

2. The estate or interest in the Land that is insured by this policy is:

FEE

3. Title is vested in:

U.S. BANK NATIONAL ASSOCIATION, as Trustee pursuant to the Trust Agreement dated as of June 1, 2008, as Supplemented; and the Registered Owners of the Certificates of Participation referred to in said Trust Agreement, as their respective interests may appear

4. The Land referred to in this policy is described as follows:

See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PIMA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

Parcel 1

All that portion of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, more particularly described as follows:

Commencing at the Southeast corner of said Northwest Quarter of Section 23;

Thence South 89 degrees 12 minutes 13 seconds West, along the South line thereof, 1296.40 feet;

Thence North 00 degrees 27 minutes 51 seconds West, 48.00 feet to a point on the North right-of-way line of Silverlake Road, according to the City of Tucson, Silverlake Road, Mission Road to I-10 Right-of-way Plans R-95-05, dated March, 1995, said point being the POINT OF BEGINNING;

Thence continuing North 00 degrees 27 minutes 51 seconds West, 152.84 feet to a point on an existing chain link fence;

Thence along said chain link fence the following courses and distances:

North 00 degrees 31 minutes 49 seconds East, 294.49 feet;

North 02 degrees 00 minutes 34 seconds East, 290.43 feet;

North 20 degrees 22 minutes 03 seconds East, 60.61 feet;

South 88 degrees 57 minutes 28 seconds East, 228.23 feet to a point on the West line of that parcel described in Docket 6365 at page 1101, records of Pima County, Arizona;

North 17 degrees 39 minutes 43 seconds West, 219.42 feet;

North 47 degrees 58 minutes 23 seconds West, 119.42 feet;

North 64 degrees 55 minutes 15 seconds West, 80.59 feet;

North 33 degrees 40 minutes 00 seconds West, 28.38 feet;

Thence South 33 degrees 47 minutes 24 seconds West, 151.90 feet;

Thence South 43 degrees 00 minutes 27 seconds West, 110.93 feet;

Thence South 45 degrees 14 minutes 44 seconds West, 44.88 feet to a point on the North line of that parcel described in Docket 926 at page 596, Records of Pima County, Arizona;

Thence South 88 degrees 04 minutes 27 seconds West along said North line, 126.64 feet to the Northwest corner thereof;

Thence South 45 degrees 54 minutes 53 seconds West along the Westerly line of said parcel, 1028.50 feet;

Thence continuing along the Westerly line of said parcel, South 30 degrees 47 minutes 53 seconds West, 226.25 feet to a point on the North right-of-way line of said Silverlake Road;

Thence North 89 degrees 12 minutes 13 seconds East, along said North right-of-way line, 1156.35 feet to the POINT OF BEGINNING.

EXHIBIT A
(Continued)

(JV Arb 585)

Parcel 2

A portion of the parcel described in Docket 926 at page 596, as recorded in the County Recorder's Office, Pima County, Arizona, and being within the Southeast Quarter of the Northwest Quarter of Section 23, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, being more particularly described as follows:

Commencing at a found 2" brass cap survey monument with punch mark stamped "C1/4, S23, RLS 23956" at the Southeast corner of said Southeast Quarter of the Northwest quarter to which a found 2" brass cap survey monument with punch mark stamped "W1/16 C-C, S23, RLS 23956" at the Southwest corner of said Southeast Quarter of the Northeast Quarter bears South 89 degrees 12 minutes 11 seconds West a distance of 1309.70 feet, said line being the Basis of Bearing for this description;

Thence along the South line of said Southeast Quarter of the Northwest Quarter South 89 degrees 12 minutes 11 seconds West a distance of 1296.13 feet;

Thence North 00 degrees 47 minutes 49 seconds West a distance of 48.00 feet to the POINT OF BEGINNING at the Southeast corner of the parcel described in Docket 10491 at page 246, as recorded in the County Recorder's Office, Pima County, Arizona, said point also being on the North right-of-way line of Silverlake Road as shown on right-of-way Plan #R-95-05, City of Tucson Department of Transportation;

Thence along the East line of said parcel North 00 degrees 27 minutes 53 seconds West, a distance of 152.84 feet;

Thence continuing along said East line North 00 degrees 31 minutes 17 seconds East a distance of 294.49 feet;

Thence continuing along said East line North 02 degrees 00 minutes 32 seconds East a distance of 57.00 feet;

Thence South 72 degrees 28 minutes 08 seconds East a distance of 187.70 feet;

Thence South 17 degrees 31 minutes 52 seconds West a distance of 468.95 feet to the North right-of-way line of Silverlake Road;

Thence along said North right of way line South 89 degrees 12 minutes 11 seconds West a distance of 42.21 feet to the POINT OF BEGINNING.

(JV Arb 626)

SCHEDULE B
EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

PART ONE:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

PART TWO:

1. RESERVATIONS contained in the Patent from the United States of America recorded in Book 11 of Deeds at page 600, reading as follows:

SUBJECT to any vested and accrued water rights for mining, agricultural, manufacturing, or other purposes, and rights to ditches and reservoirs used in connection with such water rights as may be recognized and acknowledged by the local customs, laws and decisions of courts, and also subject to the right of the proprietor of a vein or lode to extract and remove his ore therefrom, should the same be found to penetrate or intersect the premises hereby granted, as provided by law.

2. WATER RIGHTS, claims or title to water, and agreements, covenants, conditions or rights incident thereto, whether or not shown by the public records.
This exception is not limited by reason of the disclosure of any matter relating to Water Rights as may be set forth elsewhere in Schedule B.

3. TAXES AND ASSESSMENTS collectible by the County Treasurer, a lien not yet due and payable for the following year:

2013

4. EASEMENT and rights incident thereto, as set forth in instrument:

Recorded in Deed Book	11
Page	504
And in Deed Book	107
Page	158
Purpose	utilities and canals

SCHEDULE B
(Continued)

5. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|-----------------------|-------------|
| Recorded in Deed Book | 64 |
| Pages | 472 and 479 |
| Purpose | power lines |
6. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-------------------------|
| Recorded in Docket | 3 |
| Page | 523 |
| Purpose | pipe lines and conduits |
7. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|------------|
| Recorded in Docket | 871 |
| Page | 436 |
| Purpose | pipe lines |
8. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 1045 |
| Page | 372 |
| Purpose | utilities |
9. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--|
| Recorded in Docket | 1711 |
| Page | 267 |
| Purpose | electric lines and associated facilities |
10. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--------------------------|
| Recorded in Docket | 1766 |
| Pages | 293 and 297 |
| Purpose | communication facilities |
11. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 1911 |
| Page | 185 |
| Purpose | utilities |
12. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|---------------------------------------|
| Recorded in Docket | 1924 |
| Page | 120 |
| Purpose | sewer lines and associated facilities |
13. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--|
| Recorded in Docket | 2249 |
| Page | 113 |
| Purpose | electric lines and associated facilities |

SCHEDULE B
(Continued)

14. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 2366 |
| Page | 193 |
| Purpose | utilities |
15. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|---------------------------------|
| Recorded in Docket | 4152 |
| Page | 206 |
| Purpose | bank protection and maintenance |
16. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 4695 |
| Page | 327 |
| Purpose | utilities |
17. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|---|
| Recorded in Docket | 4989 |
| Page | 683 |
| Purpose | sewer lines and riverbank reinforcement |
18. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 5084 |
| Page | 386 |
| Purpose | utilities |
19. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 6657 |
| Page | 346 |
| Purpose | utilities |
20. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--|
| Recorded in Docket | 7485 |
| Page | 414 |
| Purpose | electric lines and associated facilities |
21. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|-----------------------|--|
| Recorded in Docket | 7565 |
| Page | 836 |
| Re-recorded in Docket | 7713 |
| Page | 565 |
| Purpose | electric lines and associated facilities |

SCHEDULE B
(Continued)

22. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 7752 |
| Page | 1138 |
| Purpose | utilities |
23. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------------|
| Recorded in Docket | 8057 |
| Page | 2544 |
| Purpose | catv facilities |
24. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|------------------------------|
| Recorded in Docket | 10491 |
| Page | 246 |
| Purpose | ingress, egress and drainage |
25. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|---|
| Recorded in Docket | 11835 |
| Page | 1 |
| Purpose | sewer lines, manholes and appurtenances |
26. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|------------------|
| Recorded in Docket | 11835 |
| Page | 4 |
| Purpose | public utilities |
27. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|-----------|
| Recorded in Docket | 11858 |
| Page | 2469 |
| Purpose | utilities |
28. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------------|-------------|
| Recorded at Sequence No. | 20113330100 |
| Purpose | utilities |
29. The interest of the Santa Cruz Irrigation District as conveyed to the City of Tucson by instrument recorded in Docket 4406 at page 142.
30. LIABILITIES AND OBLIGATIONS imposed by reason of the inclusion of said land within the following named district(s):
- Flowing Wells Irrigation District
31. LIABILITIES AND OBLIGATIONS imposed by reason of the inclusion of said land within the following named district(s):
- Santa Cruz Irrigation District

SCHEDULE B
(Continued)

- 32. MATTERS SHOWN ON SURVEY:
Recorded in Book 21 of Records of Survey
Page 81
- 33. (INTENTIONALLY OMITTED)
- 34. Encroachment of building from property to the west onto subject property.
- 35. Terms and Conditions contained in LEASE-PURCHASE AGREEMENT, by and between U.S. BANK NATIONAL ASSOCIATION, as Lessor, and PIMA COUNTY, ARIZONA, as Lessee, recorded May 22, 2013 at Document No. 20131420007.
- 36. Terms and Conditions contained in TRUST AGREEMENT, by and between U.S. BANK NATIONAL ASSOCIATION, as Trustee, and PIMA COUNTY, ARIZONA, as Lessee, recorded May 22, 2013 at Document No. 20131420008.

	Owner's Policy of Title Insurance
	ISSUED BY FIRST AMERICAN TITLE INSURANCE COMPANY
Owner's Policy	POLICY NUMBER 5011400-567515

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at the address shown in Section 18 of the Conditions.

COVERED RISKS

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B, AND THE CONDITIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation (the "Company") insures, as of Date of Policy and, to the extent stated in Covered Risks 9 and 10, after Date of Policy, against loss or damage, not exceeding the Amount of Insurance, sustained or incurred by the Insured by reason of:

1. Title being vested other than as stated in Schedule A.
2. Any defect in or lien or encumbrance on the Title. This Covered Risk includes but is not limited to insurance against loss from
 - (a) A defect in the Title caused by
 - (i) forgery, fraud, undue influence, duress, incompetency, incapacity, or impersonation;
 - (ii) failure of any person or Entity to have authorized a transfer or conveyance;
 - (iii) a document affecting Title not properly created, executed, witnessed, sealed, acknowledged, notarized, or delivered;
 - (iv) failure to perform those acts necessary to create a document by electronic means authorized by law;
 - (v) a document executed under a falsified, expired, or otherwise invalid power of attorney;
 - (vi) a document not properly filed, recorded, or indexed in the Public Records including failure to perform those acts by electronic means authorized by law; or
 - (vii) a defective judicial or administrative proceeding.
 - (b) The lien of real estate taxes or assessments imposed on the Title by a governmental authority due or payable, but unpaid.
 - (c) Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land. The term "encroachment" includes encroachments of existing improvements located on the Land onto adjoining land, and encroachments onto the Land of existing improvements located on adjoining land.
3. Unmarketable Title.
4. No right of access to and from the Land.

(Covered Risks Continued on Page 2)

In Witness Whereof, FIRST AMERICAN TITLE INSURANCE COMPANY has caused its corporate name to be hereunto affixed by its authorized officers as of Date of Policy shown in Schedule A.

FIRST AMERICAN TITLE INSURANCE COMPANY



Dennis J. Gilmore

Dennis J. Gilmore
President

Timothy Kemp

Timothy Kemp
Secretary

ISSUED BY

Title Security Agency of Arizona
as agent for FIRST AMERICAN TITLE INSURANCE COMPANY

(This Policy is valid only when Schedules A and B are attached)

This Jacket was created electronically and constitutes an original document

Copyright 2006-2009 American Land Title Association. All rights reserved. The use of this form is restricted to ALTA licensees and ALTA members in good standing as of the date of use. All other uses are prohibited. Reprinted under license from the American Land Title Association

COVERED RISKS (Continued)

5. The violation or enforcement of any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (a) the occupancy, use, or enjoyment of the Land;
 - (b) the character, dimensions, or location of any improvement erected on the Land;
 - (c) the subdivision of land; or
 - (d) environmental protectionif a notice, describing any part of the Land, is recorded in the Public Records setting forth the violation or intention to enforce, but only to the extent of the violation or enforcement referred to in that notice.
6. An enforcement action based on the exercise of a governmental police power not covered by Covered Risk 5 if a notice of the enforcement action, describing any part of the Land, is recorded in the Public Records, but only to the extent of the enforcement referred to in that notice.
7. The exercise of the rights of eminent domain if a notice of the exercise, describing any part of the Land, is recorded in the Public Records.
8. Any taking by a governmental body that has occurred and is binding on the rights of a purchaser for value without Knowledge.
9. Title being vested other than as stated in Schedule A or being defective
 - (a) as a result of the avoidance in whole or in part, or from a court order providing an alternative remedy, of a transfer of all or any part of the title to or any interest in the Land occurring prior to the transaction vesting Title as shown in Schedule A because that prior transfer constituted a fraudulent or preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws; or
 - (b) because the instrument of transfer vesting Title as shown in Schedule A constitutes a preferential transfer under federal bankruptcy, state insolvency, or similar creditors' rights laws by reason of the failure of its recording in the Public Records
 - (i) to be timely, or
 - (ii) to impart notice of its existence to a purchaser for value or to a judgment or lien creditor.
10. Any defect in or lien or encumbrance on the Title or other matter included in Covered Risks 1 through 9 that has been created or attached or has been filed or recorded in the Public Records subsequent to Date of Policy and prior to the recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The Company will also pay the costs, attorneys' fees, and expenses incurred in defense of any matter insured against by this Policy, but only to the extent provided in the Conditions.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy.
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

CONDITIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "Amount of Insurance": The amount stated in Schedule A, as may be increased or decreased by endorsement to this policy, increased by Section 8(b), or decreased by Sections 10 and 11 of these Conditions.
- (b) "Date of Policy": The date designated as "Date of Policy" in Schedule A.
- (c) "Entity": A corporation, partnership, trust, limited liability company, or other similar legal entity.
- (d) "Insured": The Insured named in Schedule A.
 - (i) The term "Insured" also includes
 - (A) successors to the Title of the Insured by operation of law as distinguished from purchase, including heirs, devisees, survivors, personal representatives, or next of kin;
 - (B) successors to an Insured by dissolution, merger, consolidation, distribution, or reorganization;
 - (C) successors to an Insured by its conversion to another kind of Entity;
 - (D) a grantee of an Insured under a deed delivered without payment of actual valuable consideration conveying the Title
 - (1) if the stock, shares, memberships, or other equity interests of the grantee are wholly-owned by the named Insured,
 - (2) if the grantee wholly owns the named Insured,
 - (3) if the grantee is wholly-owned by an affiliated Entity of the named Insured, provided the affiliated Entity and the named Insured are both wholly-owned by the same person or Entity, or
 - (4) if the grantee is a trustee or beneficiary of a trust created by a written instrument established by the Insured named in Schedule A for estate planning purposes.
 - (ii) With regard to (A), (B), (C), and (D) reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured.
- (e) "Insured Claimant": An Insured claiming loss or damage.
- (f) "Knowledge" or "Known": Actual knowledge, not constructive knowledge or notice that may be imputed to an Insured by reason of the Public Records or any other records that impart constructive notice of matters affecting the Title.
- (g) "Land": The land described in Schedule A, and affixed improvements that by law constitute real property. The term "Land" does not include any property beyond the lines of the area described in Schedule A, nor any right, title, interest, estate, or easement in abutting streets, roads, avenues, alleys, lanes, ways, or waterways, but this does not modify or limit the extent that a right of access to and from the Land is insured by this policy.
- (h) "Mortgage": Mortgage, deed of trust, trust deed, or other security instrument, including one evidenced by electronic means authorized by law.
- (i) "Public Records": Records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without Knowledge. With respect to Covered Risk 5(d), "Public Records" shall also include environmental protection

liens filed in the records of the clerk of the United States District Court for the district where the Land is located.

- (j) "Title": The estate or interest described in Schedule A.
- (k) "Unmarketable Title": Title affected by an alleged or apparent matter that would permit a prospective purchaser or lessee of the Title or lender on the Title to be released from the obligation to purchase, lease, or lend if there is a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE

The coverage of this policy shall continue in force as of Date of Policy in favor of an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money Mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties in any transfer or conveyance of the Title. This policy shall not continue in force in favor of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money Mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 5(a) of these Conditions, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest that is adverse to the Title, as insured, and that might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if the Title, as insured, is rejected as Unmarketable Title. If the Company is prejudiced by the failure of the Insured Claimant to provide prompt notice, the Company's liability to the Insured Claimant under the policy shall be reduced to the extent of the prejudice.

4. PROOF OF LOSS

In the event the Company is unable to determine the amount of loss or damage, the Company may, at its option, require as a condition of payment that the Insured Claimant furnish a signed proof of loss. The proof of loss must describe the defect, lien, encumbrance, or other matter insured against by this policy that constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage.

5. DEFENSE AND PROSECUTION OF ACTIONS

(a) Upon written request by the Insured, and subject to the options contained in Section 7 of these Conditions, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim covered by this policy adverse to the Insured. This obligation is limited to only those stated causes of action alleging matters insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action. It shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs, or expenses incurred by the Insured in the defense of those causes of action that allege matters not insured against by this policy.

CONDITIONS (Continued)

- (b) The Company shall have the right, in addition to the options contained in Section 7 of these Conditions, at its own cost, to institute and prosecute any action or proceeding or to do any other act that in its opinion may be necessary or desirable to establish the Title, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable to the Insured. The exercise of these rights shall not be an admission of liability or waiver of any provision of this policy. If the Company exercises its rights under this subsection, it must do so diligently.
- (c) Whenever the Company brings an action or asserts a defense as required or permitted by this policy, the Company may pursue the litigation to a final determination by a court of competent jurisdiction, and it expressly reserves the right, in its sole discretion, to appeal any adverse judgment or order.
- 6. DUTY OF INSURED CLAIMANT TO COOPERATE**
- (a) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding and any appeals, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, including the right to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company's expense, shall give the Company all reasonable aid (i) in securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act that in the opinion of the Company may be necessary or desirable to establish the Title or any other matter as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.
- (b) The Company may reasonably require the Insured Claimant to submit to examination under oath by any authorized representative of the Company and to produce for examination, inspection, and copying, at such reasonable times and places as may be designated by the authorized representative of the Company, all records, in whatever medium maintained, including books, ledgers, checks, memoranda, correspondence, reports, e-mails, disks, tapes, and videos whether bearing a date before or after Date of Policy, that reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect, and copy all of these records in the custody or control of a third party that reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce any reasonably requested information, or grant permission to secure reasonably necessary information from third parties as required in this subsection, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.
- 7. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY**
- In case of a claim under this policy, the Company shall have the following additional options:
- (a) To Pay or Tender Payment of the Amount of Insurance.
To pay or tender payment of the Amount of Insurance under this policy together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment or tender of payment and that the Company is obligated to pay. Upon the exercise by the Company of this option, all liability and obligations of the Company to the Insured under this policy, other than to make the payment required in this subsection, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.
- (b) To Pay or Otherwise Settle With Parties Other Than the Insured or With the Insured Claimant.
- (i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy. In addition, the Company will pay any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay; or
- (ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees, and expenses incurred by the Insured Claimant that were authorized by the Company up to the time of payment and that the Company is obligated to pay.
- Upon the exercise by the Company of either of the options provided for in subsections (b)(i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.
- 8. DETERMINATION AND EXTENT OF LIABILITY**
- This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant who has suffered loss or damage by reason of matters insured against by this policy.
- (a) The extent of liability of the Company for loss or damage under this policy shall not exceed the lesser of
- (i) the Amount of Insurance; or
- (ii) the difference between the value of the Title as insured and the value of the Title subject to the risk insured against by this policy.
- (b) If the Company pursues its rights under Section 5 of these Conditions and is unsuccessful in establishing the Title, as insured,
- (i) the Amount of Insurance shall be increased by 10%, and
- (ii) the Insured Claimant shall have the right to have the loss or damage determined either as of the date the claim was made by the Insured Claimant or as of the date it is settled and paid.
- (c) In addition to the extent of liability under (a) and (b), the Company will also pay those costs, attorneys' fees, and expenses incurred in accordance with Sections 5 and 7 of these Conditions.
- 9. LIMITATION OF LIABILITY**
- (a) If the Company establishes the Title, or removes the alleged defect, lien, or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of

CONDITIONS (Continued)

Unmarketable Title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused to the Insured.

- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals, adverse to the Title, as insured.
- (c) The Company shall not be liable for loss or damage to the Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

All payments under this policy, except payments made for costs, attorneys' fees, and expenses, shall reduce the Amount of Insurance by the amount of the payment.

11. LIABILITY NONCUMULATIVE

The Amount of Insurance shall be reduced by any amount the Company pays under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is executed by an Insured after Date of Policy and which is a charge or lien on the Title, and the amount so paid shall be deemed a payment to the Insured under this policy.

12. PAYMENT OF LOSS

When liability and the extent of loss or damage have been definitely fixed in accordance with these Conditions, the payment shall be made within 30 days.

13. RIGHTS OF RECOVERY UPON PAYMENT OR SETTLEMENT

(a) Whenever the Company shall have settled and paid a claim under this policy, it shall be subrogated and entitled to the rights of the Insured Claimant in the Title and all other rights and remedies in respect to the claim that the Insured Claimant has against any person or property, to the extent of the amount of any loss, costs, attorneys' fees, and expenses paid by the Company. If requested by the Company, the Insured Claimant shall execute documents to evidence the transfer to the Company of these rights and remedies. The Insured Claimant shall permit the Company to sue, compromise, or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights and remedies.

If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall defer the exercise of its right to recover until after the Insured Claimant shall have recovered its loss.

(b) The Company's right of subrogation includes the rights of the Insured to indemnities, guaranties, other policies of insurance, or bonds, notwithstanding any terms or conditions contained in those instruments that address subrogation rights.

14. ARBITRATION

Either the Company or the Insured may demand that the claim or controversy shall be submitted to arbitration pursuant to the Title Insurance Arbitration Rules of the American Land Title Association ("Rules"). Except as provided in the Rules, there shall be no joinder or consolidation with claims or controversies of other

persons. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this policy, any service in connection with its issuance or the breach of a policy provision, or to any other controversy or claim arising out of the transaction giving rise to this policy. All arbitrable matters when the Amount of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or the Insured. All arbitrable matters when the Amount of Insurance is in excess of \$2,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this policy and under the Rules shall be binding upon the parties. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court of competent jurisdiction.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

(a) This policy together with all endorsements, if any, attached to it by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage that arises out of the status of the Title or by any action asserting such claim shall be restricted to this policy.

(c) Any amendment of or endorsement to this policy must be in writing and authenticated by an authorized person, or expressly incorporated by Schedule A of this policy.

(d) Each endorsement to this policy issued at any time is made a part of this policy and is subject to all of its terms and provisions. Except as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsement, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance.

16. SEVERABILITY

In the event any provision of this policy, in whole or in part, is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision or such part held to be invalid, but all other provisions shall remain in full force and effect.

17. CHOICE OF LAW; FORUM

(a) Choice of Law: The Insured acknowledges the Company has underwritten the risks covered by this policy and determined the premium charged therefor in reliance upon the law affecting interests in real property and applicable to the interpretation, rights, remedies, or enforcement of policies of title insurance of the jurisdiction where the Land is located.

Therefore, the court or an arbitrator shall apply the law of the jurisdiction where the Land is located to determine the validity of claims against the Title that are adverse to the Insured and to interpret and enforce the terms of this policy. In neither case shall the court or arbitrator apply its conflicts of law principles to determine the applicable law.

(b) Choice of Forum: Any litigation or other proceeding brought by the Insured against the Company must be filed only in a state or federal court within the United States of America or its territories having appropriate jurisdiction.

18. NOTICES, WHERE SENT

Any notice of claim and any other notice or statement in writing required to be given to the Company under this policy must be given to the Company at **FIRST AMERICAN TITLE INSURANCE COMPANY, Attn: Claims National Intake Center, 1 First American Way, Santa Ana, CA 92707. Phone: 888-632-1642.**



ISSUED THROUGH THE OFFICE OF:



FIRST AMERICAN
TITLE INSURANCE
COMPANY

Corporate Office
1 First American Way
Santa Ana, CA 92707
(800) 854-3643

FIRST AMERICAN TITLE INSURANCE COMPANY

SCHEDULE A

Name and Address of Title Insurance Company: Title Security Agency of Arizona
1 S. Church 2040

File No.: 07001431-887-PT

Policy No.: 5011400-567515

Amount of Insurance: \$52,160,000.00

Premium: \$34,252.00

Date of Policy: February 12, 2014

1. Name of Insured:

U.S. BANK NATIONAL ASSOCIATION, as Trustee pursuant to the Trust Agreement dated as of January 1, 2014, and the Registered Owners of the Certificates of Participation referred to in said Trust Agreement, as their respective interests may appear

2. The estate or interest in the Land that is insured by this policy is:

LEASEHOLD under the terms and conditions of the 2014 Ground Lease dated as of January 1, 2014 and recorded February 12, 2014 at Sequence No. 20140430100

3. Fee Title is vested in:

PIMA COUNTY, a political subdivision of the State of Arizona

4. The Land referred to in this policy is described as follows:

See Exhibit A attached hereto and made a part hereof.

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF PIMA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:

Parcel 1

Blocks 252 and 253 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 2

Lot 1 and the North 69.00 feet of Lot 2, and Lots 4, 5, 6 and 7 in Block 254 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof.

Parcel 3

All of Lot 1 and that portion of Lot 6 in Block 255 of THE CITY OF TUCSON, Pima County, Arizona, according to the Official Survey, field notes and map as made and executed by S.W. Foreman and approved and adopted by the Mayor and Common Council of said City (then Village) of Tucson on June 26, 1872, a certified copy of which map is of record in the office of the County Recorder of Pima County, Arizona in Book 3 of Maps and Plats at page 70 thereof, described as follows:

Commencing at the Northeast corner of said Lot 6;

Thence Southerly 50 feet;

Thence Westerly 50 feet;

Thence Northerly 50 feet;

Thence Easterly 50 feet to the Northeast corner of said Lot 6, the Place of Beginning.

Parcel 4

Portions of public rights of way as shown in Book 4 of Maps and Plats at page 81A and 81B therein, Records of Pima County, Arizona, and on file at the Pima County Recorder's Office, Tucson, Arizona, said portions lying in the southwest one-quarter of Section 12, Township 14 South, Range 13 East, Gila and Salt River Meridian, Pima County, Arizona, described as follows:

All of Grossetta Avenue as shown in said Block 4 of Maps and Plats at page 81A therein, lying southerly of the southerly right of way line of Toole Avenue, more particularly described as follows:

Beginning at the northeast corner of Block 252 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence southeasterly in a straight line to the northern corner of Block 253 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line;

EXHIBIT A
(Continued)

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Block 254 as shown in said Book 4 of Maps and Plats at page 81A therein;

Thence easterly in a straight line to the southwest corner of Block 255 as shown in said Book 4 of Maps and Plats at page 81A therein and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH

All of the alley lying within Block 254 as shown in Book 3 of Maps and Plats at page 81B therein, lying southerly of the southerly right of way line of Council Street more particularly described as follows:

Beginning at the northeast corner of Lot 1 of said Block 254;

Thence easterly in a straight line to the northwest corner of Lot 4 of said Block 254 and the POINT OF TERMINUS of said right of way line;

AND lying northerly of the northerly right of way line of Alameda Street more particularly described as follows:

Beginning at the southeast corner of Lot 3 of said Block 254;

Thence easterly in a straight line to the southwest corner of Lot 6 of said Block 254 and the POINT OF TERMINUS of said right of way line.

TOGETHER WITH:

A portion of Council Street, shown as Miltenburg Street in said Book 4 of Maps and Plats at page 81A and 81B therein, more particularly described as follows:

Beginning at the northeast corner of said Block 254;

Thence upon the south right of way line of said Council Street, said south line coincident with the north line of said Block 254, S 89 degrees 19 minutes 31 seconds W, a distance of 132.77 feet to the northwest corner of Lot 4 thereof;

Thence continue upon said coincident line, S 89 degrees 18 minutes 58 seconds W, a distance of 17.23 feet to the northeast corner of Lot 1 thereof;

Thence continue upon said coincident line, S 89 degrees 19 minutes 23 seconds W, a distance of 145.56 feet to the northwest corner of said Block 254;

Thence leaving said south right of way line, N 03 degrees 46 minutes 35 seconds W, a distance of 50.05 feet to a point on the north right of way line of said Council Street, said point being the southwest corner of Block 252 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 252, N 89 degrees 19 minutes 22 seconds E, a distance of 298.33 feet to the southeast corner of said Block 252;

Thence N 89 degrees 15 minutes 35 seconds E, a distance of 49.99 feet to the southwest corner of Block 253 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein;

Thence upon the north right of way line of said Council Street, said line coincident with the south line of said Block 253, N 89 degrees 19 minutes 10 seconds East a distance of 49.70 feet;

EXHIBIT A
(Continued)

Thence leaving said north right of way line, S 00 degrees 40 minutes 50 seconds E a distance of 50.06 feet to a point on the south right of way line of said Council Street;

Thence upon said south right of way line of Council Street, said line coincident with the north line of Block 255 as shown in the aforesaid Book 4 of Maps and Plats at page 81A therein, S 89 degrees 18 minutes 23 seconds W, a distance of 49.75 feet to the northwest corner of said Block 255;

Thence S 89 degrees 21 minutes 30 seconds W, a distance of 50.01 feet to the POINT OF BEGINNING;

EXCEPT any portion lying within the aforesaid Grossetta Avenue.

SCHEDULE B
EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees, or expenses that arise by reason of:

PART ONE:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

PART TWO:

1. Reservations in Patent from the United States of America, recorded in Book 2 of Deeds at page 311.
EXCEPT any gold, silver, cinnabar or copper or any valid mining claim or possession held under existing laws of Congress as reserved in the Patent from the United States of America.
2. (INTENTIONALLY OMITTED)
3. WATER RIGHTS, claims or title to water, and agreements, covenants, conditions or rights incident thereto, whether or not shown by the public records.
This exception is not limited by reason of the disclosure of any matter relating to Water Rights as may be set forth elsewhere in Schedule B.
4. EASEMENT and rights incident thereto, as set forth in instrument:

Recorded in Docket	744
Page	15
Purpose	communication facilities
5. EASEMENT and rights incident thereto, as set forth in instrument:

Recorded in Docket	744
Page	17
Purpose	communication facilities

SCHEDULE B
(Continued)

6. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--------------------------|
| Recorded in Docket | 744 |
| Page | 18 |
| Purpose | communication facilities |
7. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--|
| Recorded in Docket | 5281 |
| Page | 228 |
| Purpose | electric facilities and communication facilities |
8. AGREEMENT, according to the terms and conditions, contained therein:
- | | |
|--------------------|-----------------------------------|
| Purpose | Future dedication of right of way |
| Recorded in Docket | 7543 |
| Page | 1057 |
9. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--------------------|
| Recorded in Docket | 13528 |
| Page | 613 |
| Purpose | ingress and egress |
10. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|--------------------|
| Recorded in Docket | 13528 |
| Page | 616 |
| Purpose | ingress and egress |
11. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------|------------------|
| Recorded in Docket | 13528 |
| Page | 619 |
| Purpose | public utilities |
12. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------------|--|
| Recorded at Sequence No. | 20121440123 |
| Purpose | electric facilities and communication facilities |
13. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------------|--|
| Recorded at Sequence No. | 20121710029 |
| Purpose | electric facilities and communication facilities |
14. EASEMENT and rights incident thereto, as set forth in instrument:
- | | |
|--------------------------|----------------------|
| Recorded at Sequence No. | 20130500269 |
| Purpose | water pipes or mains |
15. (INTENTIONALLY OMITTED)

SCHEDULE B
(Continued)

16. (INTENTIONALLY OMITTED)
17. MATTERS SHOWN ON SURVEY:

Recorded in Book 10 of Surveys at page 94
Recorded in Book 13 of Surveys at page 64
Recorded in Book 64 of Surveys at page 50
18. (INTENTIONALLY OMITTED)
19. (INTENTIONALLY OMITTED)
20. Terms and conditions contained in LEASE-PURCHASE AGREEMENT, by and between, and PIMA COUNTY, ARIZONA, as Lessor, U.S. BANK NATIONAL ASSOCIATION, as Lessee, recorded February 12, 2014 at Document No. 20140430101.
21. Terms and conditions contained in TRUST AGREEMENT, by and between U.S. BANK NATIONAL ASSOCIATION, as Trustee, and PIMA COUNTY, ARIZONA, recorded February 12, 2014 at Document No. 20140430102.



First American Title

LEASEHOLD – OWNER'S POLICY
ENDORSEMENT

Issued by

FIRST AMERICAN TITLE INSURANCE COMPANY

Attached to Policy No.: 5011400-567515

File No.: 07001431-887-PT

1. As used in this endorsement, the following terms shall mean:

- a. "Evicted" or "Eviction": (a) the lawful deprivation, in whole or in part, of the right of possession insured by this policy, contrary to the terms of the Lease or (b) the lawful prevention of the use of the Land or the Tenant Leasehold Improvements for the purposes permitted by the Lease, in either case as a result of a matter covered by this policy.
- b. "Lease": the lease agreement described in Schedule A.
- c. "Leasehold Estate": the right of possession granted in the Lease for the Lease Term.
- d. "Lease Term": the duration of the Leasehold Estate, as set forth in the Lease, including any renewal or extended term if a valid option to renew or extend is contained in the Lease.
- e. "Personal Property": property, in which and to the extent the Insured has rights, located on or affixed to the Land on or after Date of Policy that by law does not constitute real property because (i) of its character and manner of attachment to the Land and (ii) the property can be severed from the Land without causing material damage to the property or to the Land.
- f. "Remaining Lease Term": the portion of the Lease Term remaining after the Insured has been Evicted.
- g. "Tenant Leasehold Improvements": Those improvements, in which and to the extent the Insured has rights, including landscaping, required or permitted to be built on the Land by the Lease that have been built at the Insured's expense or in which the Insured has an interest greater than the right to possession during the Lease Term.

2. Valuation of Estate or Interest Insured:

If in computing loss or damage it becomes necessary to value the Title, or any portion of it, as the result of an Eviction of the Insured, then, as to that portion of the Land from which the Insured is Evicted, that value shall consist of the value for the Remaining Lease Term of the Leasehold Estate and any Tenant Leasehold Improvements existing on the date of the Eviction. The Insured Claimant shall have the right to have the Leasehold Estate and the Tenant Leasehold Improvements, affected by a defect insured against by the policy valued either as a whole or separately. In either event, this determination of value shall take into account rent no longer required to be paid for the Remaining Lease Term.

3. Additional items of loss covered by this endorsement:

If the Insured is Evicted, the following items of loss, if applicable to that portion of the Land from which the Insured is Evicted shall be included, without duplication, in computing loss or damage incurred by the Insured, but not to the extent that the same are included in the valuation of the Title determined pursuant to Section 2 of this endorsement, any other endorsement to the policy, or Section 8 (a)(ii) of the Conditions:

- a. The reasonable cost of (i) removing and relocating any Personal Property that the Insured has the right to remove and relocate, situated on the Land at the time of Eviction, (ii) transportation of that Personal Property for the initial one hundred miles incurred in connection with the relocation, (iii) repairing the Personal Property damaged by reason of the removal and relocation, and (iv) restoring the Land to the extent damaged as a result of the removal and relocation of the Personal Property and required of the Insured solely because of the Eviction.
- b. Rent or damages for use and occupancy of the Land prior to the Eviction that the Insured as owner of the Leasehold Estate may be obligated to pay to any person having paramount title to that of the lessor in the Lease.

- c. The amount of rent that, by the terms of the Lease, the Insured must continue to pay to the lessor after Eviction with respect to the portion of the Leasehold Estate and Tenant Leasehold Improvements from which the Insured has been Evicted.
 - d. The fair market value, at the time of the Eviction, of the estate or interest of the Insured in any lease or sublease permitted by the Lease and made by Insured as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
 - e. Damages caused by the Eviction that the Insured is obligated to pay to lessees or sublessees on account of the breach of any lease or sublease permitted by the Lease and made by the Insured as lessor of all or part of the Leasehold Estate or the Tenant Leasehold Improvements.
 - f. The reasonable cost to obtain land use, zoning, building and occupancy permits, architectural and engineering services and environmental testing and reviews for a replacement leasehold reasonably equivalent to the Leasehold Estate.
 - g. If Tenant Leasehold Improvements are not substantially completed at the time of Eviction, the actual cost incurred by the Insured, less the salvage value, for the Tenant Leasehold Improvements up to the time of Eviction. Those costs include costs incurred to obtain land use, zoning, building and occupancy permits, architectural and engineering services, construction management services, environmental testing and reviews, and landscaping.
4. This endorsement does not insure against loss, damage or costs of remediation (and the Company will not pay costs, attorneys' fees or expenses) resulting from environmental damage or contamination.

This endorsement is issued as part of the policy. Except as it expressly states, it does not (i) modify any of the terms and provisions of the policy, (ii) modify any prior endorsements, (iii) extend the Date of Policy, or (iv) increase the Amount of Insurance. To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. Otherwise, this endorsement is subject to all of the terms and provisions of the policy and of any prior endorsements.

Dated: DATE OF RECORDING

NOTE: THIS SPECIMEN (PROFORMA) ENDORSEMENT IS FURNISHED AT THE REQUEST OF THE PROPOSED INSURED AND IT IS UNDERSTOOD AND AGREED THAT ISSUANCE OF THIS PROFORMA ENDORSEMENT AND THE AFFIRMATIVE COVERAGE CONTAINED THEREIN IS CONTINGENT UPON ALL OF THE COMPANY'S UNDERWRITING REQUIREMENTS BEING SATISFIED PRIOR TO CLOSING.

FIRST AMERICAN TITLE INSURANCE COMPANY



Dennis J. Gilmore
 Dennis J. Gilmore
 President

Timothy Kemp
 Timothy Kemp
 Secretary

Issuing Agent

Title Security Agency of Arizona
 1 S. Church, Suite 2040
 Tucson, AZ 85701

By: *Jeff Malone*
 Authorized Countersignature

March 7, 2019

Pima County
130 West Congress, 6th Floor
Tucson, AZ 85701
Attention: Ms. Michelle Campagne, Director, Finance and Risk Management

Re: *US\$28,510,000 Pima County, Arizona, Certificates Of Participation, Series 2019,
dated: March 27, 2019, due: December 01, 2033*

Ms. Campagne:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AA-" . S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we have released the ratings on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. Any such dissemination shall not be done in a manner that would serve as a substitute for any products and services containing S&P Global Ratings' intellectual property for which a fee is charged.

To maintain the rating, S&P Global Ratings must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:
S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter

applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

S&P Global Ratings
a division of Standard & Poor's Financial Services LLC

sc
enclosures

cc: ***Ms. Kathryn C. Pong, Vice President***
RBC Capital Markets

S&P Global Ratings
Terms and Conditions Applicable To Public Finance Credit Ratings

General. The credit ratings and other views of S&P Global Ratings are statements of opinion and not statements of fact. Credit ratings and other views of S&P Global Ratings are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While S&P Global Ratings bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, S&P Global Ratings does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and S&P Global Ratings' opinions should not be relied upon in making any investment decision. S&P Global Ratings does not act as a "fiduciary" or an investment advisor. S&P Global Ratings neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. Unless otherwise indicated, the term "issuer" means both the issuer and the obligor if the obligor is not the issuer.

All Credit Rating Actions in S&P Global Ratings' Sole Discretion. S&P Global Ratings may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, at any time, in S&P Global Ratings' sole discretion. S&P Global Ratings may take any of the foregoing actions notwithstanding any request for a confidential or private credit rating or a withdrawal of a credit rating, or termination of a credit rating engagement. S&P Global Ratings will not convert a public credit rating to a confidential or private credit rating, or a private credit rating to a confidential credit rating.

Publication. S&P Global Ratings reserves the right to use, publish, disseminate, or license others to use, publish or disseminate a credit rating and any related analytical reports, including the rationale for the credit rating, unless the issuer specifically requests in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of S&P Global Ratings or its affiliates, S&P Global Ratings reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by S&P Global Ratings are not issued by or on behalf of the issuer or at the issuer's request. S&P Global Ratings reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. S&P Global Ratings may publish explanations of S&P Global Ratings' credit ratings criteria from time to time and S&P Global Ratings may modify or refine its credit ratings criteria at any time as S&P Global Ratings deems appropriate.

Reliance on Information. S&P Global Ratings relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with credit ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors. Credit ratings, and the maintenance of credit ratings, may be affected by S&P Global Ratings' opinion of the information received from issuers, their agents or advisors.

Confidential Information. S&P Global Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received from issuers, their agents or advisors. For these purposes, "Confidential Information" shall mean verbal or written information that the issuer or its agents or advisors have provided to S&P Global Ratings and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential."

S&P Global Ratings Not an Expert, Underwriter or Seller under Securities Laws. S&P Global Ratings has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. S&P Global Ratings has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

Disclaimer of Liability. S&P Global Ratings does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. S&P GLOBAL RATINGS GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P Global Ratings, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.

March 06, 2019

Ms. Michelle Campagne
Finance & Risk Management Director
Pima County
130 W. Congress St., 6th Floor
Tucson, AZ 85701

Dear Ms. Campagne:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed in the attached Notice of Rating Action.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

Ratings are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws. Fitch does not consent to the inclusion of its ratings in any offering document in any instance in which US, UK or any other relevant securities laws requires such consent. Fitch does not consent to the inclusion of any written letter communicating its rating action in any offering document. You understand that Fitch has not consented to, and will not consent to, being named as an "expert" in connection with any registration statement or other filings under US, UK or any other relevant securities laws, including but not limited to Section 7 of the U.S. Securities Act of 1933. Fitch is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933, nor has Fitch performed the roles or tasks associated with an "underwriter" or "seller" under this engagement.

Fitch will continue to monitor the credit quality of and maintain ratings on the Issuer/Securities. It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings.

In this letter, "Fitch" means Fitch Ratings, Inc. and any successor in interest.

Public ratings will be valid and effective only upon publication of the ratings on Fitch's website.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Daniel Champeau
Managing Director
U.S. Public Finance

DCC/em

Enc: Notice of Rating Action
(Doc ID:211922 Rev 1)

Notice of Rating Action

Bond Description	Rating Type	Rating Action	Rating	Outlook/ Watch	Eff Date	Notes
Pima County (AZ) COPs ser 2019	Long Term Rating	New Rating	AA	RO:Sta	06-Mar-2019	
Pima County (AZ) COPs ser 2019	Unenhanced Long Term Rating	New Rating	AA	RO:Sta	06-Mar-2019	
Pima County (AZ) street & hwy rev bonds ser 2019	Long Term Rating	New Rating	AA	RO:Sta	06-Mar-2019	
Pima County (AZ) street & hwy rev bonds ser 2019	Unenhanced Long Term Rating	New Rating	AA	RO:Sta	06-Mar-2019	

Key: RO: Rating Outlook, RW: Rating Watch, Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

June 5, 2019

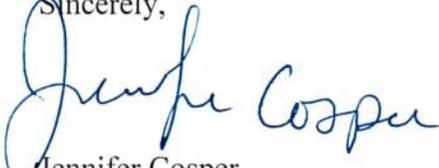
Via Certified Mail

Internal Revenue Service Center
Ogden, Utah 84201

Re: \$20,940,000 Pima County, Arizona
Certificates of Participation, Series 2019

Ladies and Gentlemen:

On behalf of Pima County, Arizona enclosed is Form 8038-G, Information Return for Tax-Exempt Governmental Bonds.

Sincerely,

Jennifer Cospers

JRC:wa
Enclosure

Certified No. 9171 9690 0935 0227 0739 76

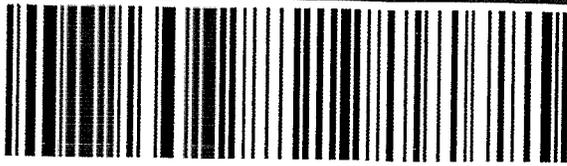
CERTIFICATE OF MAILING

I hereby certify and declare that I deposited in the United States mail, postage prepaid, certified mail, return receipt requested (Certified No. 9171 9690 0935 0227 0739 76) the Form 8038-G, Information Return for Tax-Exempt Governmental Bonds for the above-captioned financing addressed to the Internal Revenue Service Center, Ogden, Utah 84201, on June 5, 2019.



Jennifer Cosper

CERTIFIED MAIL™



9171 9690 0935 0227 0739 76

neopost®
06/05/2019

US POSTAGE

FIRST-CLASS MAIL

\$05.60⁰⁰



ZIP 85004
041L11250422

Internal Revenue Service Center
Ogden, UT 84201

williamslea

POSTAGE CHARGE

DATE: 6/5/19

CLIENT:

Client/Matter #: 025673.00055

Requestor: J. Casper

User #: 18455

PERSONAL:

Requestor: _____

User #: _____

Reference: _____

<input type="checkbox"/>	First Class	<input checked="" type="checkbox"/>	Certified
<input type="checkbox"/>	International	<input checked="" type="checkbox"/>	Return Receipt

Williams Lea use only

.50 x _____	.65 x _____	.80 x _____
.95 x _____	1.10 x _____	1.15 x _____
<u>1</u> x <u>5.60</u>	x _____	x _____

TOTAL AMOUNT: \$5.60

Prima/Coins 2019 JES-8038-6

9171 9690 0935 0227 0739 76

Information Return for Tax-Exempt Governmental Bonds

Under Internal Revenue Code section 149(e)
 See separate instructions

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC
 Go to www.irs.gov/F8038G for instructions and the latest information.

Part I Reporting Authority **If Amended Return, check here**

1 Issuer's name Pima County, Arizona	2 Issuer's employer identification number (EIN) 86 6000543
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)	3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) 130 West Congress, 6th Floor	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Tucson, AZ 85701	7 Date of issue 05/07/2019
8 Name of issue Certificates of Participation, Series 2019	9 CUSIP Number 721664GE4
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Michelle Campagne, Finance and Risk Management Director	10b Telephone number of officer or other employee shown on 10a (520) 724-8410

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education		
12 Health and hospital		
13 Transportation		
14 Public safety		
15 Environment (including sewage bonds)		
16 Housing		
17 Utilities		
18 Other. Describe <input type="checkbox"/> Expansion and improvements to sports facilities	24,816,515	15
19 If bonds are TANs or RANs, check only box 19a <input type="checkbox"/>		
If bonds are BANs, check only box 19b <input type="checkbox"/>		
20 If bonds are in the form of a lease or installment sale, check box <input type="checkbox"/>		

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	12/01/2033	\$24,816,515.15	\$20,940,000.00	8.7993 years	2.2102%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	0	00
23 Issue price of entire issue (enter amount from line 21, column (b))	23	24,816,515	15
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	316,515	15
25 Proceeds used for credit enhancement	25	0	00
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0	00
27 Proceeds used to refund prior tax-exempt bonds. Complete Part V	27		
28 Proceeds used to refund prior taxable bonds. Complete Part V	28		
29 Total (add lines 24 through 28)	29	316,515	15
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	24,500,000	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds

31 Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	_____ years
32 Enter the remaining weighted average maturity of the taxable bonds to be refunded	_____ years
33 Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	_____
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	_____

Anderson, Wendy S.

From: Anderson, Wendy S.
Sent: Wednesday, June 5, 2019 11:03 AM
To: 'OpenBooks@AZdoa.gov'
Cc: Cospers, Jennifer R.; Pickrell, Timothy E.
Subject: Pima County, Arizona Certificates of Participation, Series 2019 - Report of Bond and Security Issuance Pursuant to A.R.S. § 35-501B
Attachments: Report of Bond and Security Issuance Pursuant to A.R.S. 35-501B.pdf; Official Statement.pdf

Attached please find the Report of Bond and Security Issuance Pursuant to A.R.S. § 35-501B and attachments with regard to the \$20,940,000 Pima County, Arizona Certificates of Participation, Series 2019.

Please feel free to contact me with any questions or concerns.

Regards,



Wendy S. Anderson

Executive Legal Secretary to
Pedro Miranda, Jennifer Cospers, Brandon Arents
and Alexis Montano
Squire Patton Boggs (US) LLP
1 E. Washington St., Suite 2700
Phoenix, Arizona 85004

T +1 602 528 4010
O +1 602 528 4000
F +1 602 253 8129

wendy.anderson@squirepb.com | squirepattonboggs.com

Report of Bond and Security Issuance Pursuant to A.R.S. § 35-501B

**This information is due to the Arizona State Department of Administration
within 60 days of the issue.**

1. Jurisdiction: Pima County, Arizona	
2. Issue name / title: Certificates of Participation, Series 2019	
3. Dated Date: 05/07/2019 Closing Date: 05/07/2019	If multipurpose and is subject to more than one debt limit, please designate appropriate portion.
	4. Par amount: \$
5. Overall Interest rate (TIG OR NIC): 2.905619%	6. Type of Bond or Security: Certificates of Participation
7. Repayment sources: Lease Payments	
8. Total amount outstanding: \$119,950,000	9. Total amount outstanding of senior or subordinate bonds: \$-0.00
10. Original issue price: Attach Schedule 1	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: N/A
a. Par Amount (Principal Amount) \$20,940,000.00	If multipurpose and is subject to more than one limitation provide information for each limitation.
b. Original Issue Discount (-) 0.00	For General Obligation Bonds:
c. Premium Amount (+) \$ 3,876,515.15	a. Secondary net assessed value: N/A
d. Original Issue Price (=) \$24,816,515.15	b. Debt limit percentage: N/A
e. Underwriter Compensation (Discount) (-) \$ 93,938.16	c. Total debt limit: N/A
f. Net Proceeds (=) \$24,722,576.99	12. Available debt limit: N/A
14. Remaining authorized amount: N/A	13. Total amount authorized: N/A
	15. If voter authorized, Election dates: N/A

16. Attach a detailed listing of Issue Cost.

17. Attach the Debt Service Schedule.

18. Attach Form 8038.

19. Attach Final Official Statement.

Signature 

May 7, 2019
Date

Title, address and phone number

Trustee name, address and phone number

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

Michelle Campagne
Finance & Risk Management Director
Pima County, Arizona
130 West Congress, 6th Floor
Tucson, Arizona 85701
(520) 724-8410

U.S. Bank National Association
Bond Registrar and Paying Agent
Corporate Trust Services
101 North First Ave., Suite 1600
Phoenix, Arizona 85003
(602) 257-5431

Pima County Finance Department
Pima County, Arizona
130 West Congress, 6th Floor
Tucson, Arizona 85701
(520) 724-3126

Email this form with attachments within 60 days of issuance to:

OpenBooks@AZdoa.gov

Arizona State Department of Administration
Report of Bond and Security Issuance
Schedule 1

For each maturity date, list either the Original Issue Discount or the Premium Amount. The total of these figures should equal the amounts listed on 10b and 10c on the form. In all cases, 10a – 10b + 10c - 10e = 10f.

Name of Issue: Pima County, Arizona Certificates of Participation, Series 2019

Par Amount: \$20,940,000

Date Closed: May 7, 2019

Maturity Date	Par Amount (Principal Amount) 10a	Coupon Rate	Yield	Original Issue Price	Premium or Discount 10b or 10c
12/01/2019	\$ 575,000	5.00%	1.64%	\$ 585,844.50	\$ 10,844.50
12/01/2020	1,040,000	5.00	1.66	1,093,476.80	53,476.80
12/01/2021	1,090,000	5.00	1.70	1,179,946.80	89,946.80
12/01/2022	1,145,000	5.00	1.73	1,273,949.90	128,949.90
12/01/2023	1,205,000	5.00	1.78	1,374,435.05	169,435.05
12/01/2024	1,265,000	5.00	1.86	1,474,104.50	209,104.50
12/01/2025	1,325,000	5.00	1.92	1,575,623.75	250,623.75
12/01/2026	1,395,000	5.00	1.99	1,688,577.75	293,577.75
12/01/2027	1,460,000	5.00	2.07	1,794,208.60	334,208.60
12/01/2028	1,535,000	5.00	2.16	1,909,923.75	374,923.75
12/01/2029	1,610,000	5.00	2.25	1,989,138.90	379,138.90
12/01/2030	1,695,000	5.00	2.34	2,079,426.00	384,426.00
12/01/2031	1,775,000	5.00	2.42	2,163,955.75	388,955.75
12/01/2032	1,865,000	5.00	2.48	2,263,028.30	398,028.30
12/01/2033	1,960,000	5.00	2.52	2,370,874.80	410,874.80
Total	\$20,940,000.00	N/A	N/A	\$24,816,515.15	\$3,876,515.15
10e Underwriter's Discount and/or Placement Agent Fee, if any				(93,938.16)	
10f Net Proceeds (as shown on issuance form)				\$24,722,576.99	

ATTACHMENT TO
REPORT OF BOND AND SECURITY ISSUANCE

Name of Issue: PIMA COUNTY, ARIZONA
CERTIFICATES OF PARTICIPATION, SERIES 2019

COSTS OF ISSUANCE

Bond Counsel	\$ 31,020.64
Financial Advisor	111,674.32
Fitch Ratings Inc.	18,000.00
Standard & Poor's	23,400.00
Trustee	4,150.00
Preparation and printing of Official Statement	25,000.00
DAC Report Fee	2,500.00
Miscellaneous	<u>6,832.03</u>
TOTAL:	<u>\$222,576.99</u>

BOND DEBT SERVICE

PIMA COUNTY, ARIZONA
Certificates of Participation, Series 2019

FINAL
(April 17, 2019)

Dated Date 05/07/2019
Delivery Date 05/07/2019

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2019	575,000	5.000%	593,300	1,168,300	1,168,300
06/01/2020			509,125	509,125	
12/01/2020	1,040,000	5.000%	509,125	1,549,125	2,058,250
06/01/2021			483,125	483,125	
12/01/2021	1,090,000	5.000%	483,125	1,573,125	2,056,250
06/01/2022			455,875	455,875	
12/01/2022	1,145,000	5.000%	455,875	1,600,875	2,056,750
06/01/2023			427,250	427,250	
12/01/2023	1,205,000	5.000%	427,250	1,632,250	2,059,500
06/01/2024			397,125	397,125	
12/01/2024	1,265,000	5.000%	397,125	1,662,125	2,059,250
06/01/2025			365,500	365,500	
12/01/2025	1,325,000	5.000%	365,500	1,690,500	2,056,000
06/01/2026			332,375	332,375	
12/01/2026	1,395,000	5.000%	332,375	1,727,375	2,059,750
06/01/2027			297,500	297,500	
12/01/2027	1,460,000	5.000%	297,500	1,757,500	2,055,000
06/01/2028			261,000	261,000	
12/01/2028	1,535,000	5.000%	261,000	1,796,000	2,057,000
06/01/2029			222,625	222,625	
12/01/2029	1,610,000	5.000%	222,625	1,832,625	2,055,250
06/01/2030			182,375	182,375	
12/01/2030	1,695,000	5.000%	182,375	1,877,375	2,059,750
06/01/2031			140,000	140,000	
12/01/2031	1,775,000	5.000%	140,000	1,915,000	2,055,000
06/01/2032			95,625	95,625	
12/01/2032	1,865,000	5.000%	95,625	1,960,625	2,056,250
06/01/2033			49,000	49,000	
12/01/2033	1,960,000	5.000%	49,000	2,009,000	2,058,000
	20,940,000		9,030,300	29,970,300	29,970,300



Information Return for Tax-Exempt Governmental Bonds

Under Internal Revenue Code section 149(e)

See separate instructions

Caution: If the issue price is under \$100,000, use Form 8038-GC

Go to www.irs.gov/F8038G for instructions and the latest information.

Part I Reporting Authority **If Amended Return, check here**

1 Issuer's name Pima County, Arizona	2 Issuer's employer identification number (EIN) 86 6000543
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)	3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) 130 West Congress, 6th Floor	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Tucson, AZ 85701	7 Date of issue 05/07/2019
8 Name of issue Certificates of Participation, Series 2019	9 CUSIP Number 721664GE4
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Michelle Campagne, Finance and Risk Management Director	10b Telephone number of officer or other employee shown on 10a (520) 724-8410

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17		
18 Other. Describe Expansion and improvements to sports facilities	18	24,816,515	15
19 If bonds are TANs or RANs, check only box 19a			
If bonds are BANs, check only box 19b			
20 If bonds are in the form of a lease or installment sale, check box			

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	12/01/2033	\$24,816,515.15	\$20,940,000.00	8.7993 years	2.2102%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

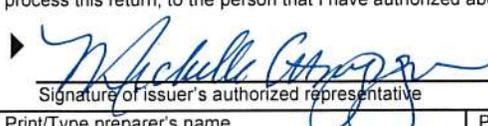
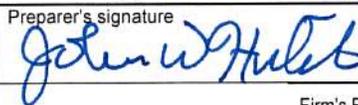
22 Proceeds used for accrued interest	22	0	00
23 Issue price of entire issue (enter amount from line 21, column (b))	23	24,816,515	15
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	316,515	15
25 Proceeds used for credit enhancement	25	0	00
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0	00
27 Proceeds used to refund prior tax-exempt bonds. Complete Part V	27		
28 Proceeds used to refund prior taxable bonds. Complete Part V	28		
29 Total (add lines 24 through 28)	29	316,515	15
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	24,500,000	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds

31 Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	_____ years
32 Enter the remaining weighted average maturity of the taxable bonds to be refunded	_____ years
33 Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	_____
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	_____

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35		
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions).....	36a		
b Enter the final maturity date of the GIC ▶ (MM/DD/YYYY) _____			
c Enter the name of the GIC provider ▶ _____			
37 Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37a		
38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:			
b Enter the date of the master pool bond ▶ (MM/DD/YYYY) _____			
c Enter the EIN of the issuer of the master pool bond ▶ _____			
d Enter the name of the issuer of the master pool bond ▶ _____			
39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box			<input type="checkbox"/>
40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box			<input type="checkbox"/>
41a If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:			
b Name of hedge provider ▶ _____			
c Type of hedge ▶ _____			
d Term of hedge ▶ _____			
42 If the issuer has superintegrated the hedge, check box			<input type="checkbox"/>
43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box			<input checked="" type="checkbox"/>
44 If the issuer has established written procedures to monitor the requirements of section 148, check box			<input checked="" type="checkbox"/>
45a If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement.....			
b Enter the date the official intent was adopted ▶ (MM/DD/YYYY) _____			

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
	 Signature of issuer's authorized representative	05/07/2019 Date	▶ Michelle Campagne, Finance and Risk Management Director Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name John W. Hutchinson	Preparer's signature 	Date 05/07/2019	Check <input type="checkbox"/> if self-employed	PTIN P01065270
	Firm's name ▶ Squire Patton Boggs (US) LLP		Firm's EIN ▶ 34-0648199		
	Firm's address ▶ 600 Travis Street, 6200 Chase Tower, Houston, TX 77002		Phone no. 713-437-5603		



FINAL

SETTLEMENT, DELIVERY & CLOSING PROCEDURES

ISSUE: **\$20,940,000**
PIMA COUNTY, ARIZONA
Certificates of Participation
Series 2019 (the “2019 Certificates”)

CERTIFICATES DATED: May 7, 2019

INTEREST PAYMENT DATES: Interest on the 2019 Certificates is payable semiannually on December 1 and June 1 of each year, commencing December 1, 2019.

MATURITY DATES, CUSIPS, PRINCIPAL AMOUNTS, INTEREST RATES: See attached Exhibit A.

CLOSING: The Closing will be held telephonically on **Tuesday, May 7, 2019** at 8:30 a.m. (MST). Details for the call are as follows:

Dial-In: 1-877-310-7479
Participant Code: 734 269 212#

PARTICIPANTS: See attached Exhibit B.

REGISTRATION AND AUTHENTICATION: After the 2019 Certificates have been registered and authenticated, **U.S. Bank National Association** (the “Trustee”) will confirm arrangements for a F.A.S.T. closing with The Depository Trust Company (DTC), 55 Water Street, 1st Floor, New York, New York 10041.

SETTLEMENT INSTRUCTIONS: Purchase Price of the 2019 Certificates:

Par Value @ 100	\$20,940,000.00
Plus: Original Issue Premium	3,876,515.15
Less: Underwriter’s Discount	<u>(93,938.16)</u>
Amount due at Closing	<u>\$24,722,576.99</u>

FLOW OF FUNDS:

On the day of closing, **Citigroup Global Markets Inc.** (the “Underwriter”), will wire transfer **\$24,722,576.99**, in federal or immediately available funds, to the Trustee, as follows:

U.S. Bank National Association
60 Livingston
St. Paul, MN 55107

U.S. Bank, ABA #091000022
U.S. Bank Trust A/C# 180121167365
BNF: Corp Trust Wire Clearing
Acct Ref: Pima COP 2019
Attn: Account Associate (213) 615-6027

USE OF FUNDS:

The funds received by the Trustee above will be applied as follows:

- (A) **\$24,500,000.00** will be deposited into the 2019 Project Fund and used to finance the acquisition by the Trustee of the a leasehold interest in a portion of the Leased Property from the County; and
- (B) **\$222,576.99** will be deposited into the 2019 Delivery Costs Fund and used to pay delivery costs for the 2019 Certificates.

**DELIVERY
INSTRUCTIONS:**

When all parties are satisfied that all monies have been transferred and that all documentation is in order, Bond Counsel will direct U.S. Bank National Association to authorize The Depository Trust Company at (212) 855-3752 to release the 2019 Certificates to the Underwriter.

POST CLOSING:

Immediately following the closing of the 2019 Certificates, the Trustee will wire transfer **\$24,500,000** in the 2019 Project Fund to the Pima County Treasurer for deposit into the County’s LGIP Account. Wire instructions for the Pima County Treasurer are as follows:

Bank of America
14636 N. Scottsdale Road, Suite 200
Scottsdale, AZ 85254
Routing Number: 026009593
Account number: 000412724156
Account Title: Pima County Treasurer
Reference: Pima County 2019 COPS
Attention: Bin Luo – (520) 724-8824

\$20,940,000
PIMA COUNTY, ARIZONA
Certificates of Participation, Series 2019

Maturity Dates, Principal Amount, Interest Rates and CUSIPs
--

Dated: 05/07/2019

Delivered: 05/07/2019

Date	Principal (1)	Coupon	Interest	Total D/S	FY Total	CUSIP (721664)
12/01/2019	\$575,000	5.000%	\$593,300.00	\$1,168,300.00	\$1,168,300.00	FQ8
06/01/2020			509,125.00	509,125.00		
12/01/2020	1,040,000	5.000%	509,125.00	1,549,125.00	2,058,250.00	FR6
06/01/2021			483,125.00	483,125.00		
12/01/2021	1,090,000	5.000%	483,125.00	1,573,125.00	2,056,250.00	FS4
06/01/2022			455,875.00	455,875.00		
12/01/2022	1,145,000	5.000%	455,875.00	1,600,875.00	2,056,750.00	FT2
06/01/2023			427,250.00	427,250.00		
12/01/2023	1,205,000	5.000%	427,250.00	1,632,250.00	2,059,500.00	FU9
06/01/2024			397,125.00	397,125.00		
12/01/2024	1,265,000	5.000%	397,125.00	1,662,125.00	2,059,250.00	FV7
06/01/2025			365,500.00	365,500.00		
12/01/2025	1,325,000	5.000%	365,500.00	1,690,500.00	2,056,000.00	FW5
06/01/2026			332,375.00	332,375.00		
12/01/2026	1,395,000	5.000%	332,375.00	1,727,375.00	2,059,750.00	FX3
06/01/2027			297,500.00	297,500.00		
12/01/2027	1,460,000	5.000%	297,500.00	1,757,500.00	2,055,000.00	FY1
06/01/2028			261,000.00	261,000.00		
12/01/2028	1,535,000	5.000%	261,000.00	1,796,000.00	2,057,000.00	FZ8
06/01/2029			222,625.00	222,625.00		
12/01/2029	1,610,000	5.000%	222,625.00	1,832,625.00	2,055,250.00	GA2
06/01/2030			182,375.00	182,375.00		
12/01/2030	1,695,000	5.000%	182,375.00	1,877,375.00	2,059,750.00	GB0
06/01/2031			140,000.00	140,000.00		
12/01/2031	1,775,000	5.000%	140,000.00	1,915,000.00	2,055,000.00	GC8
06/01/2032			95,625.00	95,625.00		
12/01/2032	1,865,000	5.000%	95,625.00	1,960,625.00	2,056,250.00	GD6
06/01/2033			49,000.00	49,000.00		
12/01/2033	1,960,000	5.000%	49,000.00	2,009,000.00	2,058,000.00	GE4
Totals	\$20,940,000		\$9,030,300.00	\$29,970,300.00	\$29,970,300.00	

(1) The 2019 Certificates maturing on or after December 1, 2029 are subject to optional redemption prior to their stated maturity on or after December 1, 2028 at Par.

\$20,940,000
PIMA COUNTY, ARIZONA
Certificates of Participation, Series 2019

DISTRIBUTION LIST

PIMA COUNTY

Finance and Risk Management Department
130 West Congress, 6th Floor
Tucson, AZ 85701
Fax: (520) 770-4173

Michelle Campagne
Director
(520) 724-8410
michelle.campagne@pima.gov

Meridith Litton
Deputy Director
(520) 724-8517
meridith.litton@pima.gov

Michele Milensky
Division Manager
(520) 724-8352
michele.milensky@pima.gov

County Attorney's Office
32 N. Stone Avenue
Tucson, Arizona 85701

Regina Nassen
(520) 724-5411
regina.nassen@pcao.pima.gov

PIMA COUNTY TREASURER

Pima County Treasurer's Office
240 N. Stone Ave.
Tucson, AZ 85701
Fax: (520) 724-4809

Beth Ford
County Treasurer
(520) 724-8341
beth.ford@pima.gov

Chuo Holliday
(520) 724-8828
chuo.holliday@pima.gov

Bin Luo
(520) 724-8824
bin.luo@pima.gov

BOND COUNSEL

Squire Patton Boggs (US) LLP
1 E. Washington Street, Suite 2700
Phoenix, AZ 85004
Fax: (602) 253-8129

Timothy E. Pickrell
(602) 528-4031
(602) 617-9260
timothy.pickrell@squirepb.com

Pedro Miranda
(602) 528-4843
pedro.miranda@squirepb.com

Jennifer Cosper
(602) 528-4880
jennifer.cosper@squirepb.com

FINANCIAL ADVISOR

RBC Capital Markets, LLC
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016
Fax: (602) 381-5380

Kurt M. Freund
(602) 381-5365
kurt.freund@rbccm.com

Kathryn Pong
(602) 381-5359
kathryn.pong@rbccm.com

Matthew Senger
(602) 381-5342
matthew.senger@rbccm.com

Kathy Salcido
(602) 381-5371
kathy.salcido@rbccm.com

UNDERWRITER

Citigroup Global Markets
390 Greenwich Street, 2nd Floor
New York, NY 10013

Timothy Rattigan
(206) 628-4955
timothy.a.rattigan@citi.com

Alexander Zaman
(415) 951-1636
alexander.zaman@citi.com

Susan Wu
(213) 486-8922
susan.wu@citi.com

Suma Haque
(213) 486-7199
suma.haque@citi.com

UNDERWRITER'S COUNSEL

Greenberg Traurig LLP
2375 East Camelback Road, Suite 700
Phoenix, AZ 85016
Fax: (602) 445-8100

Michael Cafiso
(602) 445-8452
cafisom@gtlaw.com

Paul Gales, Jr.
(602) 445-8404
galesp@gtlaw.com

BOND REGISTRAR & PAYING AGENT

U.S. Bank National Association
101 North First Avenue, Suite 1600
Phoenix, Arizona 85003
Fax: (602) 257-5433

Keith Henselen
(602) 257-5431
keith.henselen@usbank.com

-Prepared By-
RBC Capital Markets
2398 East Camelback Road, Suite 700
Phoenix, Arizona 85016
April 30, 2019