

Pima County, Arizona

and

Water Infrastructure Finance Authority of Arizona

**Borrower – Table of Contents**

<u>Document</u>	<u>Tab</u>
Pima County, Arizona Borrowing Resolution No. 2009-58 .....	1.
WIFA Board Resolution .....	2.
Loan Agreement.....	3.
Loan Agreement Addendum - American Recovery and Reinvestment Act of 2009.....	4.
Exhibit A of Loan Agreement: Financial Terms and Conditions .....	5.
Exhibit B of Loan Agreement: Technical Terms and Conditions.....	6.
Exhibit C of Loan Agreement: Reporting Requirements.....	7.
Exhibit D of Loan Agreement: Source of Repayment and Rate Covenant Provisions.....	8.
Exhibit E of Loan Agreement: Debt Service Reserve Requirements .....	9.
Exhibit F of Loan Agreement: Replacement Reserve Requirements .....	10.
Exhibit G1 of Loan Agreement: Opinion of Special Counsel to the County.....	11.
Exhibit G2 of Loan Agreement: Opinion of Pima County Attorney's Office.....	12.
Exhibit H of Loan Agreement: Tax Compliance Certificate of Local Borrower.....	13.
IRS Form 8038-G .....	14.
Loan Agreement Standard Terms and Conditions.....	15.
General Certificate of the County .....	16.
Closing Certificate of the County Regarding Sewer Revenue Bond Resolution.....	17.
Certified Copy of Resolution no. 1991-138 (as Amended and Supplemented) Authorizing the Issuance of Sewer Revenue Bonds .....	18.
2009 Agreement Regarding Reserve Fund Guarantees between County and Paying Agent.....	19.
Report of Bond and Security Issuance - A.R.S. §35-501B.....	20.
Payment Requisitions and WIFA Disbursement Requisitions Procedures Manual (on CD)	

# Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona

County of Pima

ss

*I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.*

*I further certify that the attached resolution entitled*

RESOLUTION NO. 2009-58

(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 14th day of April, 2009, 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 20th day of April, 2009.*

*Lori Godoshian*  
Clerk

RESOLUTION 2009- 58

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

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

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

WHEREAS, on May 18, 2004, the qualified electors of Pima County authorized the issuance of \$150,000,000 sewer revenue bonds for the purpose of making improvements and extensions to the System (the "2004 Authorization"); and

WHEREAS, Pima County now wishes to allocate not exceeding \$10,002,383 of 2004 Authorization to finance one or more additional improvements and facilities for the System, as generally described on Exhibit A hereto attached (collectively, the "Projects"); and

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

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

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

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

Section 1. The Board of Supervisors hereby finds and determines that it will be beneficial to the citizens of Pima County for Pima County to enter into and perform one or more Agreements and other associated agreements with the Authority whereby Pima County will

borrow not to exceed \$10,002,383 from the Authority to provide for financing the Projects and authorizes the payment of all costs, necessary premiums and commissions, legal, financial, and contingent costs of Pima County, including, without limitation, making deposits into reserve funds in connection with such loan or purchasing a Reserve Fund Guaranty (as defined in the Sewer Revenue Bond Resolution) for such purpose, and to pay certain costs of the Authority pursuant to the Agreements, all of which is found in furtherance of the purposes of Pima County and its citizens and in the public interest.

Section 2. The form, terms and provisions of the Agreements, in substantially the form of such documents (including exhibits thereto) presented at this meeting, and with such insertions, omissions and changes, including any changes required by the Authority or its bond insurer (or any other party providing credit enhancement for the Authority's bonds), not inconsistent with the prior resolutions of this Board providing for the issuance of its sewer revenue bonds, the requirements of the federal government, the requirements of the Authority and this Resolution, as such shall be approved by the Chairman of the Board. The execution of such document or documents shall be conclusive evidence of such approval, and the Chairman of the Board and the Clerk of this Board of Supervisors are hereby authorized and directed, for and on behalf of Pima County, to sign and attest any and all Agreements. Additionally, the Chairman and/or the Clerk of the Board of Supervisors are hereby authorized and directed for and on behalf of Pima County, to sign and attest all other agreements, documents or certificates made in connection with the financing of sewer system improvements and facilities. The Chairman of the Board of Supervisors is further authorized and directed to complete all exhibits attached to any of the Agreements or the related documents heretofore authorized to be executed and delivered on behalf of Pima County, to insert all needed data to complete in full all such documents in order to complete the loan or loans from the Authority; provided, however, that the total "eligible project costs" and the principal amount of the loan or loans shall not exceed, in the aggregate, \$10,002,383, the loan repayment schedule with respect to each Agreement shall end on a date not later than twenty-five (25) years from its date, and delivery of the Agreements shall be structured to be consistent with the expected Net Revenues of the System, and the stated interest rate shall not exceed 7.00% per annum.

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

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

Section 5. The Chairman of the Board of Supervisors or the County Administrator or either of their designees is hereby authorized to negotiate with providers of Reserve Fund Guaranties and if a Reserve Fund Guaranty is obtained and deposited in the Reserve Fund (as defined in the Sewer Revenue Bond Resolution), any one or more officers of Pima County are each hereby authorized to complete, execute and deliver, on behalf of Pima County, appropriate agreements with the Reserve Fund Guarantor and/or designees of the Authority with provisions concerning, without limitation, any of the following: (i) the terms of the Reserve Fund Guaranty and the premium to be paid for it, (ii) procedures for payments under the Reserve Fund Guaranty and reimbursement of amounts advanced, (iii) subrogation rights in the event of payment under the Reserve Fund Guaranty, (iv) remedies, and (v) notices and providing of information.

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

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

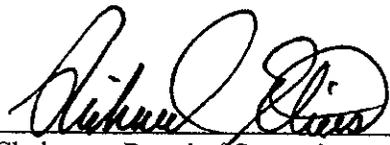
Section 8. If any section, paragraph, clause or provision of this Resolution shall be for any reason invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions hereof.

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

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

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

PASSED, ADOPTED AND APPROVED by the Board of Supervisors of Pima County,  
Arizona, on April 14, 2009.

By:   
Chairman, Board of Supervisors

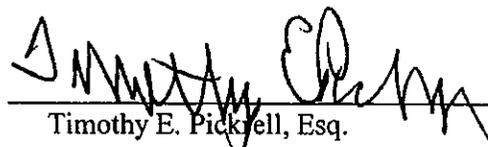
ATTEST:

APR 14 2009

By:   
Clerk, Board of Supervisors

APPROVED AS TO FORM:

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

By:   
Timothy E. Pickrell, Esq.

**EXHIBIT A**

<b><u>Project Name</u></b>	<b><u>Project Description</u></b>	<b><u>Portion of Estimated Cost To Be Financed Through WIFA</u></b>
Roger Road Wastewater Treatment Plant to Ina Road Water Pollution Control Facility Plant Interconnect	Construct approximately 5 miles of system improvements to interconnect the Roger Road and the Ina Road treatment facilities to one another. The Plant Interconnect will provide the ability to divert part of the flow normally treated at the Roger Road Facility to the Ina Road Facility and vice versa.	\$10,002,383

# **Loan Resolution 2009-016- Pima County**

## **Water Infrastructure Finance Authority of Arizona**

### **Section 1: Resolution**

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Pima County (the "*Local Borrower*") a request for a loan (the "*Loan*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "*Act*") and the rules promulgated thereunder (the "*Rules*"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower will be set forth in a loan agreement or bond purchase agreement (the "*Loan Agreement*") to be executed by the Local Borrower and the Authority.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3, Section 4, and Section 5 of this Loan Resolution.

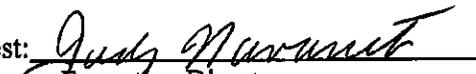
This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: April 15, 2009

By:

  
Chairman

Attest:

  
Executive Director

# **Loan Resolution 2009-016- Pima County**

## **Water Infrastructure Finance Authority of Arizona**

### **Section 2: Project Summary**

#### **2.1 Project Number(s)**

CW 025-2009

#### **2.2 Project Priority Data**

<u>PL Rank</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy Rate</u>
18	CW 2009	652,115	80%

#### **2.3 Project Description(s)**

Design and construct approximately 5 miles of sewer conveyance piping (gravity/pressure) and the associated wastewater pumping system (WWPS) and other system improvements needed to provide operational flexibility to treat tributary flows at either the Roger Road or the Ina Road treatment facilities.

The Plant Interconnect will be a gravity sewer line ranging in size from 54 inches to 84 inches and capable of conveying 72 MGD peak wet weather flow from Roger Road WWTP service area to the Ina Road WPCF.

#### **2.4 Previous Board or Committee Actions**

June 15, 2005 - Board adopted Loan Resolution Addendum #A2005-007 to increase the amount of Loan #910064-04 from \$18,015,219 to \$19,967,331.

April 21, 2004 - Board adopted Loan Resolutions #2004-012, #2004-013, and #2004-014 to award \$2,778,709 (Loan #910064-04) to Pima County for a sewer project.

December 17, 2003 - Board adopted Loan Resolution Addendum #A2003-022 to modify Loan Resolution 2003-008 by increasing the financial assistance to not exceed \$15,240,000 (Loan #910064-04).

June 18, 2003 - Board adopted Loan Resolution 2003-008 to award \$9,001,510 to Pima County for a sewer project.

October 16, 2002 - Board adopted Loan Resolution #2002-031 to award a \$20,000 grant to Pima County Wastewater Management Authority to connect Valle De Las Rosas neighborhood to the Green Valley wastewater treatment plant.

# ***Loan Resolution 2009-016- Pima County***

## ***Water Infrastructure Finance Authority of Arizona***

August 16, 2001 - Board adopted Amended and Restated Loan Resolution #2000-019 to award \$61,180,286 (Loan #910035-01) to Pima County for a sewer project.

July 11, 2000 – Board adopted Loan Resolution #2000-016 to award \$2,000,000 to Pima County for a sewer project.

June 24, 1997 - Board adopted Loan Resolution 1997-005C to award \$7,500,000 (Loan #910026-98) to Pima County for a sewer project.

March 22, 1996 - Board adopted Loan Resolution 1996BR-D to award \$11,313,349.55 (Loan #910022-96) to Pima County for a sewer project.

### **Project Finance Committee Recommendations**

April 1, 2009 - Project Finance Committee reviewed the project due diligence summary and recommended approval by the Board.

### **Section 3: Financial Assistance Terms & Conditions (Section 7.1 of Due Diligence)**

**Financial Assistance Amount:** \$10,002,383 (may receive up to \$2,000,000 in principal forgiveness of ARRA funding)

**Primary Repayment Source:** Wastewater System Revenues

**Secondary Repayment Source:** None

**Loan Term:** 20 years

**Frequency of Repayment:** Semi-Annual

**Loan Structure:** Standard Governmental with ARRA Amendment

**Debt Service Reserve Fund Requirements:** Local, No Separate Account

**Repair and Replacement Fund Requirements:** None

**Requirements Prior to Loan Execution:**

**Require Legal Opinion:** Yes

**Other:** No Requirement

**Requirements Prior to Construction:** No Requirement

***Loan Resolution 2009-016- Pima County***  
***Water Infrastructure Finance Authority of Arizona***

**Requirement During Construction:** No Requirement

**Requirements Prior to Final Disbursements:** No Requirement

**Loan Category:** Qualified, Not Pledged

**Policy Exceptions:** None

**Section 4: Technical Terms & Conditions** (Section 7.2 of Due Diligence)

**Observation Schedule:** A

**Withholding Percentage:** 5%

**Requirements Prior to Loan Execution:** Yes

WIFA issuance of the Finding of No Significant Impact (FONSI) and 30 day public comment period.

**Requirements Prior to Construction:**

**Prior Review and Approval of Construction Contract:** Yes

The ROMP Plant Interconnect Project Construction Contract will be amended to reflect Davis Bacon Act wage requirements by May 1, 2009.

**Require Construction Signs:** Yes

**Other:** No Requirement

**Requirements During Construction:**

**Prior Review of Changes in Project Scope:** Yes

**Other:** No Requirement

**Requirements Prior to Final Disbursements:**

**Require Plan of Operation:** No Requirement

**Require Final Approval:** Yes

**Other:** No Requirement

**Policy Exceptions:** None

***Loan Resolution 2009-016-Pima County***  
***Water Infrastructure Finance Authority of Arizona***

**Section 5: Additional Notice & Reporting Requirements (Section 7.3 of Due Diligence)**

**WIFA to generate Press Release: Yes**

**Other: Yes**

**Loan Agreement**

**Water Infrastructure Finance Authority of Arizona**  
(the "Authority")

and

**Pima County, Arizona**  
(the "Local Borrower" or the "County")

Evidencing a Loan from the  
Authority to the Local Borrower

Dated as of October 9, 2009

Table of Contents

**Article 1 Description of the Loan**

Section 1.1 Name and Address of Local Borrower .....1  
Section 1.2 Authorized Officer(s) of Local Borrower .....1  
Section 1.3 Notices .....1  
Section 1.4 Loan Information .....2

**Article 2 Description of the Project**

Section 2.1 Description of Project .....2  
Section 2.2 Description of System.....2  
Section 2.3 Disposition of System .....2

**Article 3 Loan to Local Borrower; Amounts Payable**

Section 3.1 The Loan .....2  
Section 3.2 Disbursement of Loan Proceeds .....3  
Section 3.3 Amounts Payable .....3  
Section 3.4 Tax Covenants .....3

**Exhibit A** Financial Assistance Terms and Conditions and Loan Repayment Schedule  
**Exhibit B** Technical Terms and Conditions  
**Exhibit C** Reporting Requirements  
**Exhibit D** Source of Repayment  
**Exhibit E** Debt Service Reserve Requirements  
**Exhibit F** Replacement Reserve Requirements  
**Exhibit G1** Opinion of Special Counsel to the County  
**Exhibit G2** Opinion of Pima County Attorney's Office  
**Exhibit H** Form of Tax Compliance Certificate of Local Borrower

## Loan Agreement

This Loan Agreement (this "*Loan Agreement*") is made and entered into as of 10/09/2009 by and between the Water Infrastructure Finance Authority of Arizona (the "*Authority*"), and Pima County, Arizona (the "*Local Borrower*" or the "*County*"), a political subdivision of the State of Arizona.

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

The Authority and the Local Borrower agree as follows:

### Article 1 Description of the Loan

#### **Section 1.1 Name and Address of Local Borrower.**

Pima County, Arizona  
Attention: Thomas Burke, Finance and Risk Management Director  
130 W. Congress, 10th Floor  
Tucson, Arizona 85701  
Telephone: 520-740-3030  
Fax: 520-243-2329

#### **Section 1.2 Authorized Officer(s) of Local Borrower.**

Pima County, Arizona  
Attention: Thomas Burke, Finance and Risk Management Director  
130 W. Congress, 10th Floor  
Tucson, Arizona 85701  
Telephone: 520-740-3030  
Fax: 520-243-2329

**Section 1.3 Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Local Borrower at the address specified in Section 1.1 and to the Authority at the following address:

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

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

**Section 1.4 Loan Information.** The terms of the Loan include the terms set forth in the Exhibits, which are part of this Loan Agreement:

- Exhibit A** Financial Assistance Terms and Conditions and Loan Repayment Schedule
- Exhibit B** Technical Terms and Conditions
- Exhibit C** Reporting Requirements
- Exhibit D** Source of Repayment
- Exhibit E** Debt Service Reserve Requirements
- Exhibit F** Replacement Reserve Requirements
- Exhibit G1** Opinion of Special Counsel to the County
- Exhibit G2** Opinion of Pima County Attorney's Office
- Exhibit H** Form of Tax Compliance Certificate of Local Borrower

Prior to Loan Closing, the Local Borrower must deliver to the Authority the Opinion of Local Borrower Counsel in the forms of Exhibit G1 and Exhibit G2 and the Tax Compliance Certificate of Local Borrower in the form of Exhibit H, signed and dated the date of Loan Closing.

## **Article 2 Description Of The Project**

**Section 2.1 Description of Project.** The Project is described in Project Summary attached to the Loan Resolution of the Authority, and in Exhibit B of this Loan Agreement.

**Section 2.2 Description of System.** The term "System" means the County's entire sewer system, all sewer properties of every nature hereafter owned by the County and all acquisitions, improvements and extensions added thereto by the County while any Parity Obligations remain Outstanding, including all real and personal property or every nature comprising part of, or used or useful in connection with, the County's sewer system, and including all appurtenances, contracts, leases, franchises and other intangibles.

**Section 2.3 Disposition of System.** In addition to the circumstances described in Section 1.3 and 6.8 of the Standard Terms and Conditions, the Local Borrower may also sell, lease or otherwise dispose of any of the property comprising part of the System if, as evidenced by a report of an independent engineer or firm of such engineers having a favorable reputation with respect to such matters, the ratio of Net Revenues, as defined in Exhibit D for the immediately preceding fiscal year or twelve (12) month period, to the maximum annual amount of Loan Repayments and other obligations secured by Net Revenues, assuming such disposition occurred at the beginning of such period, would not have been reduced to below 1.20 or by more than 35%.

### **Article 3 Loan to Local Borrower; Amounts Payable**

**Section 3.1 The Loan.** The Authority shall loan and disburse to the Local Borrower in accordance with this Article 3 an amount listed in Exhibit A (the "Loan"), and the Local Borrower shall borrow and accept from the Authority, the Loan in the principal amount determined pursuant to this Article 3; provided, however, that (i) the Authority shall be under no obligation to disburse any amount of the Loan if an Event of Default has occurred and is continuing under this Loan Agreement, and (ii) the amount to be disbursed shall be lawfully available for disbursement. The Local Borrower shall use the proceeds of the Loan strictly in accordance with the requirements of this Loan Agreement.

**Section 3.2 Disbursements of Loan Proceeds.** The Authority may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. Except as hereinafter provided, disbursements shall be made only when (i) the request for disbursements is in substantially the form provided by the Authority and is accompanied by the necessary certifications and documentation and (ii) an Authorized Officer of the Authority has determined that such disbursement is proper. An Authorized Officer of the Authority shall approve disbursements directly to the persons or entities entitled to payment or to the Local Borrower in the case of reimbursement for costs of services already paid, and shall provide the Local Borrower with a copy of the approval and the date approved. Disbursements may be made only for Eligible Project Costs.

**Section 3.3 Amounts Payable.** The Local Borrower shall pay to the Authority the amounts shown in Exhibit A on or before the dates shown in Exhibit A, as the same may be adjusted as provided in the Standard Terms and Conditions, to reflect any revisions to the principal repayment schedule of the Loan. Such payments shall be made by electronic funds transfer or by direct debit to the Authority, in each case in accordance with payment instructions in Exhibit A.

#### **Section 3.4 Tax Covenants.**

(a) **General.** The Local Borrower acknowledges that, in connection with its state revolving fund programs, the Authority issues its bonds ("Authority Bonds") from time to time to finance loans and the Authority also pledges certain loans to secure and to serve as the source of payment for the Authority Bonds. As a result, and under the provisions of federal tax law applicable to the Authority Bonds, it is in the Authority's interest for the Loan to qualify and be an obligation that bears interest that is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code. Therefore, the Local Borrower represents and covenants as follows with respect to the Loan and the Authority Bonds. The Local Borrower covenants that it will not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Loan or the Authority Bonds under Section 103(a) of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon a bond counsel opinion as may rescind or otherwise negate such action or omission. The Local Borrower will not directly or indirectly use or permit the use of any proceeds

of the Loan or any other funds of the Local Borrower or take or omit to take any action that would cause the Loan or the Authority Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code or to fail to meet any other applicable requirement of Sections 103, 141, 148, 149 and 150 of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code. To that end, the Local Borrower will comply with all applicable requirements of Sections 103, 141, 148, 149 and 150 of the Code to the extent applicable to the Loan.

(b) Modification Based on Bond Counsel Opinion. Notwithstanding any provision of this Section, if the Local Borrower provides to the Authority a bond counsel opinion to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of interest on the Loan or the Authority Bonds pursuant to Section 103(a) of the Internal Revenue Code, the provisions of this Section and the covenants in this Section shall be deemed to be modified to that extent.

(c) Bond Counsel Opinion. For purposes of this Section, "bond counsel opinion" means an opinion letter of a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, and who is acceptable to the Authority.

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

**Water Infrastructure Finance Authority of Arizona**

By: Judy Navarrete  
Judy Navarrete, Executive Director

**Pima County, Arizona**

By: Richard Elfas  
Richard Elfas, Chairman, Board of Supervisors

**Attest:**

By: Robert Brugode, Deputy  
Clerk, Board of Supervisors

## LOAN AGREEMENT ADDENDUM

### American Recovery and Reinvestment Act of 2009 (Recovery Act)

#### Water Infrastructure Finance Authority of Arizona

This document (this "Recovery Act Addendum") sets forth additional requirements applicable to Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") using funds derived in whole or in part from the United States Environmental Protection Agency pursuant to the federal American Recovery and Reinvestment Act of 2009, Public Law 111-5 (the "Recovery Act"). The provisions in this Recovery Act Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

#### **Section 1. Recovery Act Requirements - Failure to Comply is Default Under Loan Agreement.**

(a) **General.** The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under the Recovery Act, and that the requirements of the Recovery Act include those set forth in this Recovery Act Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan (including any amount originally designated as the Forgivable Principal Portion), together with interest and fees as provided in the Loan Agreement (including interest and fees at rates adjusted from those originally in effect as described herein).

(b) **Forgivable Principal Portion.** Section 1 of Exhibit A to the Loan Agreement specifies the Total Financial Assistance Amount, the amount, if any, designated as the Forgivable Principal Portion, the Intended Repayment Amount, and the required amount of reserves to be established based upon the Intended Repayment Amount. Section 2 of Exhibit A to the Loan Agreement specifies a schedule of interest and principal payments based on the Intended Repayment Amount. If the Local Borrower fails to comply with the requirements of the Recovery Act, including those set forth in this Recovery Act Addendum:

(i) WIFA will provide a revised Exhibit A for the Loan Agreement to amortize the entire Total Financial Assistance Amount with the Forgivable Principal Portion set to \$0.00, adjusted, as necessary, to incorporate, previous principal payments.

(ii) The Local Borrower will repay the Total Financial Assistance Amount.

(c) **Subsidization of Interest and Fee Rate.** Section 2 of Exhibit A to the Loan Agreement specifies the Combined Interest and Fee Rate ("CIFR") on the Loan, whether that CIFR is further subsidized based on Recovery Act funding, and a schedule of interest and principal payments that, if applicable, is based on the Recovery Act Subsidized CIFR. If the Local Borrower fails to comply with the requirements of the Recovery Act, including those set forth in this Recovery Act Addendum:

(i) WIFA will amortize the loan at a revised CIFR and not the Recovery Act Subsidized CIFR within a revised Exhibit A to the Loan Agreement.

(ii) WIFA will revise the CIFR so that the Local Borrower makes the remaining interest and principal payments as if the Loan had not originally included the Recovery Act Subsidized CIFR.

**Section 2. Certifications by Local Borrower; Permission to Share Information.**

(a) Statements as Certifications; Reliance. All statements made by the Local Borrower to WIFA in connection with the Loan constitute certifications upon which WIFA is entitled to rely in making and administering the Loan and in making any certifications required of WIFA or any other representative of the State of Arizona under the Recovery Act.

(b) Furtherance of Recovery Act Purposes. The Local Borrower certifies that the Loan and the Project to be financed by the Loan will further the stated purposes of the Recovery Act, including, without limitation, preserving and creating jobs, promoting economic recovery and providing infrastructure that will provide long-term economic benefits.

(c) Construction Start Date; Project Milestones. The Local Borrower agrees that if actual construction work does not begin on each separate project identified by a separate project number for purposes of WIFA's project priority list (whether or not two or more such projects with separate project numbers are combined in a single loan for funding purposes) by the start date for that project number as certified by the Local Borrower for purposes of receiving an award of Recovery Act funds, WIFA's obligation to make disbursements on the Loan will be terminated and the Local Borrower will be obligated to repay all amounts that have been disbursed by WIFA (including any amount designated as the Forgivable Principal Portion), together with interest and fees as provided in the Loan Agreement (with any adjustment in rates as described herein). The Local Borrower agrees that actual construction work must in any event start no later than February 17, 2010, as required by the Recovery Act, or else WIFA will have no obligation to make disbursements on the Loan.

(d) Green Project. The Local Borrower certifies and agrees that the portions of the Project identified by the Local Borrower to WIFA as addressing green infrastructure, water or energy efficiency improvements, or other environmental innovative activities will in fact address those requirements of the Recovery Act.

**Section 3. Prohibited Uses of Loan Proceeds.** No amounts disbursed as proceeds of the Loan may be used:

- (a) for the purchase of land or easements; or
- (b) for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool; or
- (c) to buy, refinance or restructure the debt obligations of the Local Borrower incurred prior to October 1, 2008.

**Section 4. Reports on Use of Funds.** The Local Borrower shall provide to WIFA reports and information regarding the Project that are reasonably required in order for WIFA to successfully meet the reporting requirements of the Recovery Act. The Local Borrower shall provide the information in the form and with the frequency specified by WIFA for that purpose.

**Section 5. Buy American.** In accordance with Section 1605 of the Recovery Act, all of the iron, steel and manufactured goods used in the Project must be produced in the United States, and the Local Borrower shall include this requirement and certifications in all bid specifications, construction contracts and purchase orders for the Project. The Recovery Act provides that this requirement shall not apply to the extent a waiver of this requirement is in effect pursuant to a finding by the Administrator of the United States Environmental Protection Agency published in the Federal Register in accordance with the Recovery Act to the effect that (1) applying the requirement would be inconsistent with the public interest; (2) iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or (3) inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent. No such finding has yet been so published.

**Section 6. Wage Rate Requirements.** All laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code. The Local Borrower shall include this requirement in all bid specifications, construction contracts and purchase orders for the Project.

**Section 7. General Provisions.**

(a) **Binding Effect.** This Recovery Act Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) **Severability.** In the event any provision of this Recovery Act Addendum shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) **Amendments, Supplements and Modifications.** This Recovery Act Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) **Execution in Counterparts.** This Recovery Act Addendum 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.

(e) **Applicable Law.** This Recovery Act Addendum shall be governed by and construed in accordance with the laws of the State of Arizona.

(f) Captions. The captions or headings in this Recovery Act Addendum are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions of this Recovery Act Addendum.

(g) Further Assurances. The Local Borrower shall, at the request of WIFA , authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Recovery Act Addendum.

(h) Arbitration. The parties hereto agree to use arbitration to the extent required by Section 12 1518 of the Arizona Revised Statutes.

(i) Notice Regarding A.R.S. § 38-511. To the extent applicable by provision of law, the parties acknowledge that this Recovery Act Addendum is subject to cancellation pursuant to A.R.S. § 38-511, the provisions of which are hereby incorporated herein.

[SIGNATURE PAGE FOLLOWS]

WIFA and the Local Borrower are signing this Recovery Act Addendum to be effective as part of the Loan Agreement.

**Water Infrastructure Finance Authority of Arizona**

By: Judy Navarrete  
Judy Navarrete, Executive Director

**Pima County, Arizona**

By: Richard Elias  
Richard Elias, Chairman, Board of Supervisors

Attest:

Robin Brigode, Deputy  
Clerk, Board of Supervisors

[Signature page to Recovery Act Addendum to Loan Agreement]

**Exhibit A of Loan Agreement**

**Section 1: Financial Assistance Terms and Conditions**  
**Pima County, Arizona**  
**07-Oct-09**

**Loan Number**..... 91A115-10

**Closing Date**..... 10/09/09

**First Payment Period**..... 01/01/10

**Financial Assistance Terms and Conditions**

Original Loan Amount as of the Closing Date.....	\$	10,002,383.00
Forgivable Principal Amount.....	\$	2,000,000.00
Intended Repayment Amount.....	\$	8,002,383.00
Loan Term.....		15
Combined Interest & Fee Rate		2.464%
Total # of Payment Periods within Loan Term.....		30

**Principal Repayments**

Period Principal Repayments Begin.....	2
First Principal Repayment Date.....	07/01/10
Final Principal Repayment Date.....	07/01/24

**Combined Interest and Fee Payment Dates**

First Combined Interest and Fee Payment Date*.....	01/01/10
Final Combined Interest and Fee Payment Date.....	07/01/24

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

**Debt Service Reserve Fund Requirements**

Total Reserve Amount.....	In conformance with Master Resolution
Annual Amount.....	In conformance with Master Resolution
Reserve Funded by (Date).....	In conformance with Master Resolution

**Repair and Replacement Fund Requirement**

Begin Funding on (Date).....	Not Applicable
Annual Amount.....	None
Semi-Annual Deposit.....	None

**Annual Payment**

Years 1 through 5.....	\$	644,613.72
Years 6 through 10.....	\$	644,613.72
Years 11 through 15.....	\$	644,613.72

**Section 2: Loan Repayment Schedule**  
**Pima County, Arizona**  
**07-Oct-09**

Year Period	Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment
1 1	01/01/10	2.464%	44,912.93		
1 2	07/01/10	2.464%	98,589.36	447,435.00	590,937.29
2 3	01/01/11	2.464%	93,076.96		
2 4	07/01/11	2.464%	93,076.96	458,459.80	644,613.72
3 5	01/01/12	2.464%	87,428.73		
3 6	07/01/12	2.464%	87,428.73	469,756.26	644,613.72
4 7	01/01/13	2.464%	81,641.34		
4 8	07/01/13	2.464%	81,641.34	481,331.04	644,613.72
5 9	01/01/14	2.464%	75,711.34		
5 10	07/01/14	2.464%	75,711.34	493,191.04	644,613.72
6 11	01/01/15	2.464%	69,635.22		
6 12	07/01/15	2.464%	69,635.22	505,343.28	644,613.72
7 13	01/01/16	2.464%	63,409.40		
7 14	07/01/16	2.464%	63,409.40	517,794.92	644,613.72
8 15	01/01/17	2.464%	57,030.17		
8 16	07/01/17	2.464%	57,030.17	530,553.38	644,613.72
9 17	01/01/18	2.464%	50,493.75		
9 18	07/01/18	2.464%	50,493.75	543,626.22	644,613.72
10 19	01/01/19	2.464%	43,796.27		
10 20	07/01/19	2.464%	43,796.27	557,021.18	644,613.72
11 21	01/01/20	2.464%	36,933.77		
11 22	07/01/20	2.464%	36,933.77	570,746.18	644,613.72
12 23	01/01/21	2.464%	29,902.18		
12 24	07/01/21	2.464%	29,902.18	584,809.36	644,613.72
13 25	01/01/22	2.464%	22,697.33		
13 26	07/01/22	2.464%	22,697.33	599,219.06	644,613.72
14 27	01/01/23	2.464%	15,314.94		
14 28	07/01/23	2.464%	15,314.94	613,983.84	644,613.72
15 29	01/01/24	2.464%	7,750.66		
15 30	07/01/24	2.464%	7,750.66	629,112.44	644,613.76
			1,613,146.41	8,002,383.00	9,615,529.41

**Exhibit B**

**Technical Terms and Conditions**

**Section 1  
Budget**

<b>Uses by Budget Item</b>	<b>Amount Budgeted</b>
Planning.....	\$0.00
Design & Engineering.....	\$0.00
Legal/Debt Authorization.....	\$0.00
Financial Advisor.....	\$0.00
Land/System Acquisition.....	\$0.00
Equipment/Materials.....	\$0.00
Construction/Installation/Improvement.....	\$10,002,383.00
Inspection & Construction Management.....	\$0.00
Project Officer.....	\$0.00
Administration.....	\$0.00
Staff Training.....	\$0.00
Capitalized Interest.....	\$0.00
Refinance Loan.....	\$0.00
Other.....	\$0.00
<b>Total Budget.....</b>	<b>\$10,002,383.00</b>

**Section 2  
Project Description**

Loan proceeds will be used to design and construct approximately 5 miles of sewer conveyance piping (gravity/pressure) ranging in size from 54 inches to 84 inches and capable of conveying 72 MGD peak wet weather flow from the Roger Road WWTP service area to the Ina Road WPCF.

**Section 3  
Estimated Observation and Disbursement Schedule**

WIFA Withholding % (released after Final Observation)		<b>5%</b>
Observation 1: 50 % Loan Disbursal.....	\$	5,001,191.50
Final Observation: 95 % Loan Disbursal.....	\$	9,502,263.85
WIFA Withholding.....	\$	500,119.15

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

#### **Section 4 Requirements Prior To Construction**

**Section 4.1 Construction Bids.** The Local Borrower commenced construction prior to the execution of this loan. The Local Borrower submitted to the Authority for review and approval:

- (a) engineering contracts related to the Project,
- (b) bid documents related to the Project,
- (c) construction contracts related to the Project, and
- (d) certification of positive effort for disadvantaged business enterprise participation.

**Section 4.2 User Charges.** The Local Borrower has established (or, if the System is not yet in operation, the Local Borrower will, at or before the time the System commences operation, establish) a system of user charges which, with other funds lawfully available, will at all times be sufficient to pay the costs of operation and maintenance of the System, including renewals and replacements of the System. The Local Borrower also agrees that such system of user charges will be established and maintained in compliance with any applicable requirements of state and federal law as long as the Local Borrower owes amounts under this Loan Agreement. The Local Borrower at its sole option may pay the costs of operation, maintenance, repair, replacement, extensions and additions to the System from any funds lawfully available to it for such purpose.

**Section 4.3 Interest in Project Site.** As a condition of the Loan, the Local Borrower will demonstrate to the satisfaction of the Authority that the Local Borrower has or will have a fee simple or such other estate or interest in the site of the Project, including necessary easements and rights-of-way, as the Authority finds sufficient to assure undisturbed use and possession for the purpose of construction and operation of the Project for the estimated life of the Project.

**Section 4.4 Federal Clean Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

**Section 4.5 Federal Safe Drinking Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Safe Drinking Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

Section 4.6 **Signs**. The Local Borrower shall erect a construction sign displaying information on the Project and the funding sources. The Authority shall provide specifications for such construction signs. Signs must include the recovery Act Logo.

## **Section 5 Requirements During Construction**

Section 5.1 **Changes in Project Scope**. The Local Borrower shall submit to the Authority, for review and approval prior to execution, any change to the plans and specifications, construction contracts, Eligible Project Costs, or any other change which will effect the performance standards or purpose of the Project.

Section 5.2 **Completion of Project and Provision of Moneys Therefor**. The Local Borrower covenants and agrees (a) to exercise its best efforts in accordance with prudent utility construction practice to complete the Project and (b) to the extent permitted by law, to provide from its own fiscal resources all moneys, in excess of the total amount of loan proceeds it receives hereunder and under any subsequent loan from the Authority, required to complete the Project.

Section 5.3 **Inspections; Information**. The Local Borrower shall permit the Authority and any party designated by the Authority to examine, visit and inspect, at any and all reasonable times, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and information as the Authority may reasonably require in connection therewith.

Section 5.4 **Adjustments for Ineligible Costs**. The Local Borrower shall promptly reimburse the Authority for any portion of the Loan which is determined to have been used for costs that are not eligible for funding under the Authority Act, the Federal Clean Water Act, as amended, or the Federal Safe Drinking Water Act, as amended, unless such matter is curable in some other manner by the Local Borrower to the satisfaction of the Authority. Such reimbursement shall be promptly repaid to the Authority upon written request of the Authority. Any such reimbursed principal amount will be applied to reduce the outstanding principal amount of the Loan.

Section 5.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

**Section 6**  
**Requirements Prior To Final Disbursements**

Section 6.1 **Plan of Operation**. No requirement.

Section 6.2 **Final Approval**. Prior to the release of the withholding, the Local Borrower will submit to the Authority (a) as-built drawings by a professional engineer that document all changes from the original plans and specifications (b) copies of all testing results performed by or under the supervision of a professional engineer as required by the specifications, and (c) Arizona Department of Environmental Quality (ADEQ) approval of construction or an engineer's Certificate of Completion certifying that all construction was completed in accordance with the plans and specifications or that any changes made are in conformance with the Arizona Revised Statutes, ADEQ and Environmental Protection Agency rules, permits and guidelines and are documented in the as-built drawings. Based on a review of the information submitted, the Authority reserves the right, prior to the release of the withholding, to request modifications to the Project, the system, or the materials submitted pursuant to this section.

## Exhibit C

### Reporting Requirements

Section 1. **Annual Loan Review.** The Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within 30 days after receipt of the auditor's report. The Local Borrower shall complete all audits and submit all reports required by the federal Single Audit Act within the time limits under that federal law, currently within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the federal agency that provided the funding or a different period is specified in a program-specific audit guide.

Section 2. **Records and Accounts.** The Local Borrower shall keep accurate records and accounts for the System, including the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). To the extent required by law, such System Records shall be maintained in accordance with generally accepted government or other applicable accounting standards and shall be audited annually, if required by law, by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. Such System Records and General Records shall be made available for inspection by the Authority at any reasonable time.

Section 3. **Notice of Change In Key Personnel.** Promptly after becoming aware thereof, the Local Borrower shall provide notice in writing to the Authority of any change to the information in Section 1 of the Loan Agreement and any other change in key personnel connected to the Project and Loan.

Section 4. **Notice of Material Adverse Change.** The Local Borrower shall promptly notify the Authority of any material adverse change in the activities, prospects or condition (financial or otherwise), of the Local Borrower relating to the System, or in the ability of the Local Borrower to make all Loan Repayments from the Source of Repayment described in this Loan Agreement and otherwise to observe and perform its duties, covenants, obligations and agreements hereunder.

Section 5. **Disadvantaged Business Enterprise (DBE) Program.** The Local Borrower must report DBE participation to the Authority based on guidance from the Authority.

Section 6. **Notice of Default.** Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under the Loan Agreement or (ii) the occurrence of any breach, default, Event of Default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or Event of Default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument (other than the Loan Agreement) to which the Local Borrower is a party or by which it or any of its property is bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, Event of Default or Future Breach is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage,

or other instrument; provided, however, that the failure of the Local Borrower to give such notice shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7. **Notice of Non-Environmental Litigation.** Promptly after the commencement or overt threat thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 8. **Notice of Environmental Litigation.** Without limiting the provisions of Section 7 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 9. **Regulatory and Other Notices.** Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Agreement, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 10. **Other Information.** The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 11. **Additional Reporting Requirements.** Local Borrower shall refer to the Recovery Act Loan Agreement Addendum regarding additional reporting requirements.

## **Exhibit D Source of Repayment**

### **Section 1 Certain Definitions**

As used in this Loan Agreement, the following terms shall have the meanings set forth below unless the context clearly requires otherwise:

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

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

"Authority's Series 2000 Loan" shall mean the Loan Agreement, dated as of October 27, 2000, between the Authority and the County, as amended by Amendment No. 1 dated as of December 28, 2001.

"Authority's Series 2004 Loan" shall mean the Loan Agreement, dated as of May 11, 2004, between the Authority and the County, as amended by Amendment No. 1, dated as of September 1, 2005.

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

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

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

"Outstanding Parity Obligations" shall mean, as of the date hereof, all outstanding amounts of the Authority's Series 1996A Loan, the Authority's Series 1997A Loan, the Pima County, Arizona, Sewer Improvement and Refunding Revenue Bonds, Series 1998, the Authority's Series 2000 Loan, the Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 2001 and 2004, the Authority's Series 2004 Loan and Pima County, AZ Sewer Revenue Bonds 2007, 2008 and 2009 (collective, the "Outstanding Parity Obligations"). This Loan Agreement shall be on a parity with those Outstanding Parity Obligations and any other bonds hereafter issued on a parity with such obligations authorized pursuant to the Master Resolution (as additional Parity Bonds thereunder) and shall enjoy the same parity of lien and rights of enforcement enjoyed by such bonds.

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

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

“Revenues” shall mean and include all income, moneys and receipts derived by the County from the ownership, use and operation including, without limitation, interest received on and profits realized from the sale of, investments made with System moneys (excluding from such determination interest and profits retained in either the Construction Fund or the System Development Fund pursuant to Section 10B(8) of the Master Resolution) however, the term Revenues shall not include Bond or other Parity Obligation proceeds or interest received on the payment of, any Bond or Bonds or other Parity Obligation being refunded or any amounts received which the County is contractually required to pay as reimbursement for acquisition, construction or installation of System facilities.

## **Section 2 Source of Repayment and Rate Covenant Provisions**

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

This Loan Agreement will be on a parity with all Outstanding Parity Obligations. This Loan Agreement shall be on a parity with those Outstanding Parity Obligations and any other bonds hereafter issued on a parity with such obligations authorized pursuant to the Master Resolution (as additional Parity Bonds thereunder) and shall enjoy the same parity of lien and rights of enforcement enjoyed by such bonds.

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

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

### **Section 3 Additional Parity Obligations**

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

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Obligations must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Obligations to be Outstanding immediately after issuance of such Parity Obligations and said Net Revenues must also have been sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the bond fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County's policy costs due and owing in such fiscal year as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Parity Obligations are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues; (ii) if during such preceding Fiscal year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues; and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenue;
2. The payments required to be made into the various Funds provided in the Master Resolution must be current at the time of issuance of the Parity Obligations;
3. The additional Parity Obligation proceeds must be used solely to make extensions, renewals, improvements, or replacements to the System or to refund any Obligations; and
4. The Reserve Fund Value shall be increased with respect to such Parity Obligations, at the Board's option, by: (i) the immediate deposit of Parity Obligations proceeds or available moneys of the County to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty to the Paying Agent under the Master Resolution, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after the issuance of such Parity Bonds; or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal

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

**Exhibit E Debt Service Reserve Requirements**

**Held by Local Borrower – No Separate Account**

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

**Exhibit F Replacement Reserve Requirements**

**No Replacement Reserve Required**

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

October 9, 2009

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Ladies and Gentlemen:

We have served as special counsel to Pima County, Arizona, (the "Local Borrower"), in connection with its authorization, execution and delivery of a Loan Agreement, dated as of October 9, 2009 (the "Loan Agreement") with the Water Infrastructure Finance Authority of Arizona (the "Authority").

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

- (a) an executed copy of the Loan Agreement;
- (b) certified proceedings of the Board of Supervisors of the Local Borrower evidencing adoption of Resolution Nos. 2009-58 relating to the approval, authorization, execution and delivery of the Loan Agreement; and
- (c) proceedings relating to the election held on May 18, 2004, on the question of authorizing the obligations of the Local Borrower evidenced by the Loan Agreement, of which there is authorized but unissued capacity at least equal to the principal amount of the Loan evidenced by the Loan Agreement.

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

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

1. The Local Borrower is a political subdivision of the State of Arizona with the legal right to carry on the business of the System (as defined in the Loan Agreement) as currently being conducted and as proposed to be conducted.
2. The Local Borrower has full legal right and authority to pledge the Source of Repayment for the Loan Repayments (as those terms are defined in the Loan Agreement) and to execute and deliver the Loan Agreement, and to observe and perform its duties, covenants, obligations and agreements thereunder and to undertake and complete the Project.
3. The Local Borrower has pledged the Net Revenues of the System for the punctual payment of the principal of and interest on the Loan (as such terms are defined in the Loan

October 9, 2009

Page 2

Agreement) and all other amounts due under the Loan Agreement according to their respective terms.

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

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

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

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

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

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

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

Very truly yours,

*Squire, Sanders & Dempsey LLP*



OFFICE OF THE

**Pima County Attorney  
Civil Division**

32 N. STONE  
SUITE 2100

**Tucson, Arizona 85701-1412**

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

**Barbara LaWall**  
PIMA COUNTY ATTORNEY

October 9, 2009

Water Infrastructure Finance  
Authority of Arizona  
Phoenix, Arizona

Ladies and Gentlemen:

The attorneys of this office are admitted to practice in the State of Arizona and have acted as counsel to Pima County, a political subdivision of the State of Arizona (the "Local Borrower"), which has entered into a Loan Agreement, dated October 9, 2009 (the "Loan Agreement") with the Water Infrastructure Finance Authority of Arizona (the "Authority"), and have acted as such in connection with the authorization, execution and delivery by the Local Borrower of the Loan Agreement.

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

- (a) the Loan Agreement;
- (b) proceedings of the governing board of the Local Borrower relating to the approval of the Loan Agreement and the execution, issuance and delivery thereof on behalf of the Local Borrower, and the authorization of the undertaking and completion of the Project (as defined in the Loan Agreement); and
- (c) proceedings relating to the election held on May 18, 2004 and related proceedings of the governing board of the Local Borrower on the question of authorizing the obligations of the Local Borrower which are being financed pursuant to the Loan Agreement;

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

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

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

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

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

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

Very truly yours,

PIMA COUNTY ATTORNEY

By:  Deputy County Attorney

## Exhibit H Form of Tax Compliance Certificate of Local Borrower

Water Infrastructure Finance Authority of Arizona

\$ 10,002,383.00 Clean Water Revolving Fund Loan to Pima County, Arizona

The Water Infrastructure Finance Authority of Arizona (the "Authority") and Pima County, Arizona (the "Local Borrower") are entering into a Loan Agreement (the "Loan Agreement") in the maximum principal amount stated above pursuant to which the Authority will make a loan (the "Loan") to the Local Borrower. In connection with its state revolving fund programs, the Authority issues its bonds ("Authority Bonds") from time to time to finance loans and the Authority also pledges certain loans to secure and to serve as the source of payment for the Authority Bonds. As a result, and under the provisions of federal tax law applicable to the Authority Bonds, it is in the Authority's interest for the Loan to qualify and be a Tax-Exempt Obligation that is not an AMT Obligation. Therefore, in order to establish certain facts necessary for the Loan to qualify and be treated as a Tax-Exempt Obligation that is not an AMT Obligation, and as required by the provisions of the Loan Agreement, the Local Borrower by its officer signing this Certificate, certifies, represents, and covenants as follows with respect to the Loan. All statements in this Certificate are of facts or, as to events to occur in the future, reasonable expectations.

### I. DEFINITIONS

1.10. Attachment A. The definitions and cross-references set forth in Attachment A apply to this Certificate and its Attachments. All terms relating to a particular issue, such as Sale Proceeds, relate to the Loan, unless indicated otherwise. (For example, "Sale Proceeds" refers to Sale Proceeds of the Loan, unless indicated otherwise.)

1.20. Special Definitions. Terms used herein, to the extent not defined in Attachment A or below, have the same meaning as defined in the Loan Agreement. In addition, the following definitions apply to this Certificate and its Attachments:

"Instructions" means the Rebate Instructions attached hereto as Attachment A-1.

"Issue" means the Loan.

"Issuer" means the Local Borrower.

"Project" means the financing of a portion of the costs of acquisition, construction and improvement of facilities to be financed by the Loan and includes Issuance Costs and interest on the Loan for up to three years from the Issuance Date or, if later, one year after the date the Project is placed in service, all of which are governmental purposes for purposes of the Code.

"Reserve Fund" is defined in 3.40(a).

1.30. References. Reference to a Section means a section of the Code. Reference by number only (for example, "2.10") means that numbered paragraph of this Certificate. Reference to an Attachment means an attachment to this Certificate.

## II. ISSUE DATA

2.10. Issuer. The Issuer is a Governmental Unit.

2.20. Purpose of Issue. The Issue is being issued to provide funds to pay costs of the Project.

2.30. Dates. The Sale Date of the Issue is the date on which the Loan Agreement is executed and delivered by the Authority and the Local Borrower, and the Issuance Date of the Issue is the first date on which the aggregate draws under the Loan exceed the lesser of \$50,000 or 5% of the principal amount of the Loan.

2.40. Issue Price. The Issue Price of the Issue is the principal amount actually advanced by the Authority to the Issuer as the Loan.

2.50. Sale Proceeds, Net Proceeds, and Net Sale Proceeds. The amount of Sale Proceeds equals the Issue Price. The amount of Net Proceeds equals the Issue Price minus the amount of Proceeds (if any) deposited in the Reserve Fund (if any). The amount of Net Sale Proceeds equals the amount of Net Proceeds minus the Minor Portion.

2.60. Disposition of Sale Proceeds. There will be no Pre-Issuance Accrued Interest with respect to the Issue. The Sale Proceeds will be used to pay costs of the Project and, if applicable, to fund the Reserve Fund (if any).

2.70. Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) the Minor Portion to the extent provided in 3.80, (B) 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 (C) Gross Proceeds held in the Reserve Fund (if any) to the extent set forth in 3.40(a).

2.80. Single Issue. No other obligations have been or will be sold less than 15 days before or after the Sale Date pursuant to the same plan of financing with the Issue that are expected to be paid from substantially the same source of funds as the Issue, determined without regard to guarantees from a person who is not a Related Party to the Issuer. Accordingly, no obligations other than those of the Issue are a part of a single issue with the Issue.

## III. ARBITRAGE (NONREBATE) MATTERS

3.10. Use of Net Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods.

(A) Pre-Issuance Accrued Interest. There will be no Pre-Issuance Accrued Interest with respect to the Issue.

(B) Payment of Costs of the Project.

(1) All of the Net Sale Proceeds will be used to pay 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 will be allocated to expenditures on the Project by the end of the Temporary Period;

(ii) Within 6 months of the Issuance Date, the Issuer will incur substantial binding obligations to third parties to expend at least 5% of the Net Sale Proceeds on the Project; and

(iii) Completion of the Project and allocation of the Net Sale Proceeds to expenditures will proceed with due diligence.

Any Sale Proceeds that remain unspent on the third anniversary of the Issuance Date, which is the expiration date of the Temporary Period for such Proceeds, shall not be invested in Higher Yielding Investments with respect to the Issue after that date except as part of the Minor Portion. In complying with the foregoing sentence, the Issuer may take into account "yield reduction payments" (within the meaning of Regulations §1.148-5(c)) paid to the United States.

(2) Any Reimbursement Allocation will qualify as a Reimbursement of Prior Capital Expenditures and will be made by an entry in the financial records of the Issuer kept with respect to the Issue showing that Sale Proceeds of the Issue have been returned to the fund or account of the Issuer from which such amount was originally and temporarily advanced to finance Capital Expenditures paid before this date by not more than (A) 18 months after the later of the date such Capital Expenditures were paid or the date on which the property resulting from such Capital Expenditures and comprising part of the Project was placed in service or (B) three years after the original expenditures were paid.

3.20. Investment Proceeds. Any Investment Proceeds will be used to pay costs of the Project and may be invested in Higher Yielding Investments during the Temporary Period identified in 3.10(B)(1) or, if longer, one year from the date of receipt, such period being the Temporary Period for such Proceeds.

3.30. Payment Fund. Amounts deposited from time to time in the fund of the Issuer from which payments will be made on the Issue, which is a Bona Fide Debt Service Fund, will be used to pay Debt Service on the Issue within 13 months after the amounts are so deposited, such period being the Temporary Period for such amounts.

3.40. Reserve Funds.

(A) Debt Service Reserve Fund. If (and only if) the Loan Agreement requires the funding of a debt service reserve fund ("Reserve Fund") in cash: The amount of Proceeds of the Loan deposited in the Reserve Fund shall not exceed

10% of the stated principal amount of the Loan. Amounts in the portion of the Reserve Fund allocable to the Issue may be invested in Higher Yielding Investments with respect to the Issue to the extent that such amounts do not exceed the least of (i) 10% of the principal amount of the Issue; (ii) maximum annual Debt Service; and (iii) 125% of average annual Debt Service. Any amounts in the portion of the Reserve Fund allocable to the Issue in excess of the least of these amounts will not be invested in Higher Yielding Investments with respect to the Issue. In complying with the yield restriction set forth in this Section, the Issuer may take into account "yield reduction payments" (within the meaning of Regulations § 1.148-5(c)) timely paid or to be timely paid to the United States because amounts in the Reserve Fund (other than investment earnings) are not reasonably expected to be used to pay Debt Service other than in connection with reductions in the amount required to be in the Reserve Account. The establishing and funding of the Reserve Fund was reasonably required by the Authority as a condition of making the Loan.

(B) Replacement Reserve Fund. If (and only if) the Loan Agreement requires the funding of a replacement reserve fund ("Replacement Reserve Fund") in cash: The Replacement Reserve Fund may be used for one or more of the following purposes: (i) the acquisition of new, or the replacement of obsolete or worn out, machinery, equipment, furniture, fixtures or other personal property for the Issuer's utility system, provided that the property is depreciable; (ii) the performance of repairs with respect to the Issuer's utility system that are of an extraordinary and non-recurring nature, provided that the property is depreciable; (iii) the acquisition or construction of additions to or improvements, extensions or enlargements to, or remodeling of, the Issuer's utility system, provided that the property is depreciable; and/or (iv) to make Debt Service payments to the Authority on the Issue (collectively, the "Permitted Uses"). The Issuer reasonably expects to use amounts in the Replacement Reserve Fund for Permitted Uses other than to make Debt Service payments to the Authority on the Issue, and therefore there is no reasonable assurance of the availability of those amounts to make Debt Service payments to the Authority on the Issue if the Issuer encounters financial difficulties

3.50. No Other Replacement Fund or Assured Available Funds. Except as described in 3.30 and, if and to the extent applicable, 3.40(A), , 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 on the Issue. 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 on the Issue (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 on the Issue.

3.60. No Overissuance. The Proceeds of the Issue are not reasonably expected to exceed the amount needed for the governmental purposes of the Issue as set forth in 2.20.

3.70. Other Uses of Proceeds Negated. Except as stated otherwise in this Certificate, none of the Proceeds of the Issue 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 Expenditure other than expenditures identified in Regulations §1.148-6(d)(3)(ii)(A) and (B) (i.e., Issuance Costs of the Issue, 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 of the Issue 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 or refinanced by the Issue was or will be placed in service, payments of the Rebate Amount, and costs, other than those already described, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed or deemed financed by the Issue, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, and 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), or

(F) to reimburse any expenditures made prior to the Issuance Date except those that qualify as a Reimbursement of Prior Capital Expenditures.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.80. Minor Portion. The Minor Portion is equal to the lesser of 5% of the Sale Proceeds of the Issue and \$100,000. Such Minor Portion may be invested in Higher Yielding Investments with respect to the Issue.

3.90. 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.

#### IV. REBATE MATTERS

4.10. Issuer Obligation Regarding Rebate. Consistently with its covenants contained in the Loan 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) with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

4.20. No Avoidance of Rebate Amount. No amounts that are required to be paid to the United States will be used to make any payment to a party other than the United States through a transaction or a series of transactions that reduces the amount earned on any Investment Property or that results in a smaller profit or a larger loss on any Investment Property than would have resulted in an arm's length transaction in which the Yield on the Issue was not relevant to either party to the transaction.

4.30. Exceptions.

(A) Small Issuer Exception. The Issue is exempt under Section 148(f)(4)(D) from the rebate requirement **if all** of the following requirements are satisfied:

(1) The Issuer is a Governmental Unit with general taxing powers within the meaning of Section 148(f)(4)(D), and

(2) No part of the Issue is a Private Activity Bond, and

(3) All of the Net Proceeds will be used for "local governmental activities" of the Issuer within the meaning of Section 148(f)(4)(D) and none of the Net Proceeds will be used for any Private Business Use, and

(4) The aggregate principal amount of all Tax-Exempt Obligations, including the Issue, issued or to be issued by the Issuer, its subordinate entities and entities that issue any such obligations on behalf of the Issuer, or on behalf of which the Issuer issues any such obligations, during the current calendar year does not, and is not reasonably expected to, exceed \$5,000,000. The Tax-Exempt Obligations taken into account for this purpose exclude any Private Activity Bonds and any Current Refunding Portion and Current Refunding Issue to the extent that the amount of such Current Refunding Portion or Current Refunding Issue does not exceed the outstanding amount of the obligations refunded by such Current Refunding Portion or Current Refunding Issue. No entity has been or will be formed or availed of to avoid the purposes of Section 148(f)(4)(D)(i)(IV).

**If, but only if, all of the above requirements are satisfied, check here:**

**and sign here:**

N/A

(B) General Exception. 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 the Issuer will not thereby fail to comply with any requirements of Section 148(f) and the Instructions based on an opinion of bond counsel.

4.40. Election. The Issue is a Construction Issue. The Issuer hereby elects to apply the 2-year spending exception to the rebate requirements on the basis of actual facts instead of the Issuer's reasonable expectations.

## 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 on the Issue, directly or indirectly, will be secured by any interest in property used or to be used for a Private Business Use or payments in respect of such property, or will be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use.

(B) Less than 5% 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 payments or (borrowed money) that are being or will be used for any Private Business Use 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).

(D) The Issuer does not expect 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, the Issuer reasonably expects that:

(1) Dispositions of such tangible personal property, if any, will be in the ordinary course of an established governmental program;

(2) The weighted average maturity of the obligations of the Issue financing such property (treating the obligations 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;

(3) The fair market value of such property on the date of disposition will not be greater than 25% of its cost;

(4) The property will no longer be suitable for its governmental purposes on the date of disposition; and

(5) The amounts received from any disposition of such property are required to be, and will be, 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.

5.20. Issue Not Federally Guaranteed. The Issue is not Federally Guaranteed.

5.30. Not Hedge Bonds. At least 85% of the Spendable Proceeds will be used to carry out the governmental purposes of the Issue within three years from the Issuance Date. Not more than 50%, if any, of the Proceeds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more (including but not limited to any investment contract or fixed yield investment having a maturity of four years or more). The reasonable expectations stated above 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.

5.40. 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 will be taken into account in computing the Yield.

5.50. 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.

5.60. Responsibility of Officer.

(A) The officer signing this Certificate is one of the officers of the Issuer responsible for issuing the Issue.

(B) To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate 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. The certifications and representations made in this Certificate are intended to be relied upon as certifications described in Regulations § 1.148-2(b). The Issuer acknowledges that any change in the facts or expectations from those set forth in this Certificate 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 or have occurred.

Pima County, Arizona

By: Thomas Burke

Name: Thomas Burke

Title: Finance and Risk Management Director

**List of Attachments**

**Attachment A -- Definitions for Tax Compliance Certificate**

**Attachment A-1 -- Rebate Instructions**

## Attachment A

### Definitions for Tax Compliance Certificate of Local Borrower

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.

"AMT Obligation" means a Tax-Exempt Obligation the interest on which is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code.

"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.

"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 Year" means the annual period relevant to the application of Section 148(f) to an issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of an issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Expenditures" means costs of a type that are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of Placed in Service) under general federal income tax principles.

"Code" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

"Commingled Fund" means any fund or account of the Issuer that contains both Gross Proceeds of an issue and amounts in excess of \$25,000 that are not Gross Proceeds of the issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

"Commingled Investment Proceeds" means Investment Proceeds of an issue (other than Investment Proceeds held in a Refunding Escrow) that are deposited in a Commingled Fund with substantial tax or other revenues from governmental operations of the Issuer and that are reasonably expected to be spent for governmental purposes within 6 months from the date of deposit in the Commingled Fund, using any reasonable accounting assumptions.

"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) of the Code, 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.

"Governmental Unit" means a state, territory or possession of the United States, the District of Columbia, or any political subdivision thereof referred to as a "State or local governmental unit" in Regulations §1.103-1(a). "Governmental Unit" does not include the United States or any agency or instrumentality of the United States.

"Gross Proceeds" means Proceeds and Replacement Proceeds of an issue.

"Hedge" means a contract entered into by the Issuer or the Conduit Borrower primarily to modify the Issuer's or the Conduit Borrower's risk of interest rate changes with respect to an obligation (e.g., an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option).

"Higher Yielding Investments" means any Investment Property that produces a Yield that (a) in the case of Investment Property allocable to Replacement Proceeds of an issue and Investment Property in a Refunding Escrow, is more than one thousandth of one percentage point (.00001) higher than the Yield on the applicable issue, and (b) for all other purposes is more than one-eighth of one percentage point (.00125) higher than the Yield on the issue.

“Investment Proceeds” means any amounts actually or constructively received from investing Proceeds of an issue in Investment Property.

“Investment Property” means investment property within the meaning of Sections 148(b)(2) and 148(b)(3), including any security (within the meaning of Section 165(g)(2)(A) or (B)), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) in the case of any bond other than a Private Activity Bond). Investment Property includes a Tax-Exempt Obligation that is a “specified private activity bond” as defined in Section 57(a)(5)(C), but does not include other Tax-Exempt Obligations.

“Issuance Costs” means costs to the extent incurred in connection with, and allocable to, the issuance of an issue, and includes underwriter’s compensation withheld from the Issue Price, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification and authentication fees, accounting fees, printing costs for bonds and offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees other than for a Qualified Guarantee and similar costs, but does not include fees charged by the Issuer.

“Issuance Date” means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue.

“Issue Price” means in the circumstances applicable to an issue:

(1) Public Offering. In the case of obligations actually offered to the general public in a bona fide public offering at the initial offering price for each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, the aggregate of the initial offering price for each maturity (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount), which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity, as of the Sale Date, was sold or reasonably expected to be sold (other than to bond houses, brokers or other intermediaries). In the case of publicly offered obligations that are not described in the preceding sentence, Issue Price means the aggregate of the initial offering price to the public of each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity was sold to the public.

(2) Private Placement. In the case of obligations sold by private placement, the aggregate of the prices (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount) paid to the

Issuer by the first purchaser(s) (other than bond houses, brokers or other intermediaries).

“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 the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and 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.

“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.

“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.

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

“Qualified Administrative Costs” means reasonable direct administrative costs (other than carrying costs) such as separately stated brokerage or selling commissions, but not legal and accounting fees, 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 are not Qualified Administrative Costs.

“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).

“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.

“Refunded Bonds” means obligations of a Prior Issue the Debt Service on which is or is to be paid from Proceeds of a Refunding Issue.

“Refunding Bonds” means obligations of a Refunding Issue.

“Refunding Issue” means an issue the Proceeds of which are or are to be used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs of the Refunding Issue.

“Refunding Escrow” means one or more funds established as part of a single transaction, or a series of related transactions, containing Proceeds of a Refunding Issue and any other amounts to be used to pay Debt Service on Refunded Bonds of one or more issues.

“Refunding Portion” means that portion of a Multipurpose Issue the Proceeds of which are, or are to be, used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs properly allocable to the Refunding Portion.

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

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

“Reimbursement of Prior Capital Expenditures” means a Reimbursement Allocation of Proceeds of the Issue to a Capital Expenditure paid prior to the Issuance Date of such Issue, that satisfies the following requirements: (a) the Capital Expenditure was paid after March 1, 1992; (b) prior to, or within 60 days after, payment of the Capital Expenditure (except Preliminary Expenditures), the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e); and (c) except for Preliminary Expenditures, the Reimbursement Allocation occurs or will occur within 18 months after the later of the date the Capital Expenditure was paid or the date the project resulting from such Capital Expenditure was Placed in Service or abandoned, but in no event more than 3 years after the Capital Expenditure was paid.

“Related Party” means, in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a “related person” as defined in Section 144(a)(3) of the Code.

“Replacement Proceeds” means, with respect to an issue, amounts (including any investment income, but excluding any Proceeds of any issue) replaced by Proceeds of that issue within the meaning of Section 148(a)(2). “Replacement Proceeds” includes amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

“Sale Date” means, with respect to an issue, the first date on which there is a binding contract in writing with the Issuer for the sale and purchase of an issue (or of respective obligations of the issue if sold by the Issuer on different dates) on specific terms that are not later modified or adjusted in any material respect.

“Sale Proceeds” means that portion of the Issue Price actually or constructively received by the Issuer upon the sale or other disposition of an issue, including any underwriter’s compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest.

“Spendable Proceeds” means the Net Sale Proceeds of an issue.

“Tax-Exempt Obligation” means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150, and includes any obligation or any investment treated as a “tax-exempt bond” for the applicable purpose of Section 148.

“Tax-Exempt Organization” means a Governmental Unit or a 501(c)(3) Organization.

“Temporary Period” means the period of time, as set forth in the Tax Compliance Certificate, applicable to particular categories of Proceeds of an issue during which such category of Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148.

“Transferred Proceeds” means that portion of the Proceeds of an issue (including any Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of the Refunded Bonds of that issue is discharged with the Proceeds of a Refunding Issue and that thereupon becomes Proceeds of the Refunding Issue as provided in Regulations §1.148-9(b). “Transferred Proceeds” does not include any Replacement Proceeds.

“Unrelated or Disproportionate Use” means Private Business Use that is not related to or is disproportionate to use by a Governmental Unit within the meaning of Section 141(b)(3) and Regulations §1.141-9.

“Variable Yield Issue” means any Issue that is not a Fixed Yield Issue.

“Working Capital Expenditures” means any costs of a type that do not constitute Capital Expenditures, including current operating expenses.

“Yield” has the meaning assigned to it for purposes of Section 148 of the Code, 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 all payments and receipts with respect to a Qualified Hedge, if any, paid and to be paid with respect to an obligation (paid and to be paid during and attributable to the Yield Period in the case of a Variable Yield Issue), produces an amount equal to (a) the Issue Price in the case of a Fixed Yield Issue or the present value of the Issue Price at the commencement of the applicable Yield Period in the case of a Variable Yield Issue, or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation provided for under Section 148, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of an issue are invested is computed on a basis consistent with the computation of Yield on that issue, including the same compounding interval of not more than one year selected by the Issuer.

“Yield Period” means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

The terms “bond”, “obligation”, “reasonably required reserve or replacement fund”, “reserve or replacement fund”, “loan”, “sinking fund”, “purpose investment”, “same plan of financing”, “other replacement proceeds”, and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

(End of Attachment A)

ATTACHMENT A-1  
to  
Tax Compliance Certificate of Local Borrower

INSTRUCTIONS FOR COMPLIANCE WITH REBATE  
REQUIREMENTS OF SECTION 148(f) OF THE CODE.

The Issuer covenanted in the Loan Agreement and Tax Compliance Certificate to comply with the arbitrage rebate requirement of Section 148(f) of the Code. These Instructions provide guidance for that compliance, including the spending exceptions that free the Issue from all or part of the rebate requirements.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

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.

SECTION 1.02. SPECIAL DEFINITIONS.

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1. Capitalized terms that are not defined in these Instructions are defined in Attachment A to the Tax Compliance Certificate of the Issuer.
  2. Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount since none of the obligations of the Issue are Private Activity Bonds, the rates of interest on the Issue do not vary and the average maturity of the Issue is at least 5 years.
  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, please contact your bond counsel.

For purposes of these Instructions, the following terms shall have the following meanings.

“Available Construction Proceeds” means an amount equal to (a) the sum of (i) the Issue Price of the issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocated 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) allocated 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 allocated to the issue. Available Construction Proceeds do not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocated 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 Projects financed by the issue is substantially completed. If the issue consists of a New Money Portion and a Refunding Portion and the New Money Portion is a Construction Issue, this definition shall be applied by substituting “New Money Portion” for “issue” each place the latter term appears. If the issue or the New Money Portion, as applicable, is not a Construction Issue, and the Issuer makes the election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting “Construction Portion” for “issue” each place the latter term appears.

“Bifurcated Issue” means a New Money Issue or the New Money Portion of a Multipurpose Issue that the Issuer, pursuant to Section 148(f)(4)(C)(v) and Regulations §1.148-7(j), has elected in its Tax Compliance Certificate to bifurcate into a Construction Portion and a Nonconstruction Portion.

“Bond Counsel’s Opinion” 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 the issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of the issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

“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 5 years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than 5 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.

“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 percent of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property which is or is to be owned by a Governmental Unit or a 501(c)(3) Organization. If an election has been made in the Issuer’s Tax Compliance Certificate to bifurcate an issue or the New Money Portion, the Construction Portion (i.e., that portion of the issue or the New Money Portion which satisfies the 75 percent test stated in the preceding sentence and which finances 100% of the Construction Expenditures) is treated as the Construction Issue and the balance of the issue or the New Money Portion is treated as the Nonconstruction Portion.

“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 Issue, using the same compounding interval and financial conventions that were used to compute that Yield.

“Guaranteed Investment Contract” means any Nonpurpose Investment that has specifically negotiated withdrawal or retirement provisions and a specifically negotiated interest rate and any agreement to supply investments on two or more future dates (e.g., a forward supply contract).

“Multipurpose Issue” means an issue that consists of a Refunding Portion and a New Money Portion.

“Payment” means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)i) through (v).

“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.

“Reasonable Retainage” means an amount, 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 Analyst” means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f) of the Code.

“Receipt” means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

“Variable Yield Issue” means any issue that is not a Fixed Yield Issue.

“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.

## PART II: EXCEPTIONS TO REBATE

### SECTION 2.01. SPENDING EXCEPTIONS.

The rebate requirements with respect to the Issue are deemed to have been satisfied if any one of three spending exceptions (the 6-Month, the 18-Month, or the 2-Year Spending Exception, collectively, the “Spending Exceptions”) is satisfied. The Spending Exceptions are each independent exceptions. The Issue need not meet the requirements of any other exception in order to use any one of the three exceptions. For example, a Construction Issue may qualify for the 6-Month Spending Exception or the 18-Month Spending Exception even though the Issuer makes one or more elections under the 2-Year Exception with respect to the Issue.

The following rules apply for purposes of all of the Spending Exceptions except as otherwise noted.

Refunding Issues. The only spending exception available for a Refunding Issue<sup>4</sup> is the 6-Month Spending Exception.

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<sup>4</sup> For purposes of these Instructions, references to “Refunding Issue” include the Refunding Portion of a Multipurpose Issue.

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.

#### SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

The Issue will be treated as satisfying the rebate requirements if all of the Gross Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue within the 6-month period beginning on the Issuance Date and the Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or a Bona Fide Debt Service Fund if and to the extent that such Fund is subject to rebate (see footnote 3) is timely paid to the United States. If no bond of the Issue is a Private Activity Bond (other than a Qualified 501(c)(3) Bond) or a tax or revenue anticipation bond, the 6-month period is extended for an additional 6 months if the unexpended Gross Proceeds of the Issue at the end of the 6-month period do not exceed the lesser of 5% of the Proceeds of the Issue or \$100,000.

For purposes of the 6-Month Spending Exception, Gross Proceeds required to be spent within 6 months do not include amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue.

**SECTION 2.03. 18-MONTH SPENDING EXCEPTION.**

The Issue (or the New Money Portion if the Issue is a Multipurpose Issue) is treated as satisfying the rebate requirement if the conditions set forth in (A), (B) and (C) are satisfied.

(A) All of the Gross Proceeds of the Issue (excluding amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue) are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

- (1) at least 15% within 6 months;
- (2) at least 60% within 12 months; and
- (3) 100% within 18 months, subject to the Reasonable Retainage exception described below.

(B) The Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund for the Issue, to the extent such Fund is subject to rebate (see footnote 3), is timely paid to the United States. And,

(C) The Gross Proceeds of the Issue qualify for the initial 3-year Temporary Period.

If the only unspent Gross Proceeds at the end of the 18th month are Reasonable Retainage, the requirement that 100% of the Gross Proceeds be spent by the end of the 18th month is treated as met if the Reasonable Retainage, and all earnings thereon, are spent for the governmental purposes of the Issue within 30 months of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first two spending periods, the amount of Investment Proceeds that the Issuer reasonably expects as of the Issuance Date to earn on the Sale Proceeds and Investment Proceeds of the Issue during the 18-month period are included in Gross Proceeds of the Issue. The final spend-down requirement includes actual Investment Proceeds for the entire 18 months.

The 18-Month Spending Exception does not apply to the Issue (or the New Money Portion, as applicable) if any portion of the Issue (or New Money Portion) is treated as meeting the rebate requirement under the 2-Year Spending Exception discussed below. This rule prohibits use of the 18-Month Spending Exception for the Nonconstruction Portion of a Bifurcated Issue. The only Spending Exception available for the Nonconstruction Portion of a Bifurcated Issue is the 6-Month Spending Exception.

SECTION 2.04. 2-YEAR SPENDING EXCEPTION FOR CERTAIN CONSTRUCTION ISSUES.

(A) In general. A Construction Issue no bond of which is a Private Activity Bond (other than a Qualified 501(c)(3) Bond or a Bond that finances property to be owned by a Governmental Unit or a 501(c)(3) Organization) is treated as satisfying the rebate requirement if the Available Construction Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

- (1) at least 10% within 6 months;
- (2) at least 45% within 1 year;
- (3) at least 75% within 18 months; and
- (4) 100% within 2 years, subject to the Reasonable Retainage exception described below.

Amounts in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund for the Issue are not treated as Gross Proceeds for purposes of the expenditure requirements. However, unless the Issuer has elected otherwise in the Tax Compliance Certificate, earnings on amounts in a reasonably required reserve or replacement fund for the Issue are treated as Available Construction Funds during the 2-year period and therefore must be allocated to expenditures for the governmental purposes of the Issue.

If the Issuer elected in the Tax Compliance Certificate to exclude from Available Construction Proceeds the Investment Proceeds or earnings on a reasonably required reserve or replacement fund for the Issue during the 2-year spend-down period, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings from the Issuance Date must be timely paid to the United States. If the election is not made, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings after the earlier of the date construction is substantially completed or 2 years after the Issuance Date must be timely paid to the United States. The Rebate Amount, if any, with respect to earnings on amounts in a Bona Fide Debt Service Fund must be timely paid to the extent such Fund is subject to the rebate requirements (see footnote 3).

The Issue does not fail to satisfy the spending requirement for the fourth spend-down period (i.e., 100% within 2 years of the Issuance Date) if the only unspent Available Construction Proceeds are amounts for Reasonable Retainage if such amounts (together with all earnings on such amounts) are allocated to expenditures within 3 years of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first 3 spend-down periods, Available Construction Proceeds include the amount of Investment Proceeds or earnings that the Issuer reasonably expected as of the Issuance Date to earn during the 2-year period. For purposes of satisfying the final spend-down requirement,

Available Construction Proceeds include actual Investment Proceeds or earnings from the Issuance Date through the end of the 2-year period.

Available Construction Proceeds do not include Gross Proceeds used to pay Issuance Costs financed by the Issue, but do include earnings on such Proceeds. Thus, an expenditure of Gross Proceeds to pay Issuance Costs does not count toward meeting the spend-down requirements, but expenditures of earnings on such Gross Proceeds to pay Issuance Costs do count.

(B) 1½% penalty in lieu of rebate for Construction Issues. If the Issuer elected in the Tax Compliance Certificate for a Construction Issue, or for the Construction Portion of a Bifurcated Issue, to pay a 1½% penalty in lieu of the Rebate Amount on Available Construction Proceeds in the event that the Construction Issue fails to satisfy any of the spend-down requirements, the 1½% penalty is calculated separately for each spend-down period, including each semi-annual period after the end of the fourth spend-down period until all Available Construction Proceeds have been spent. The penalty is equal to 0.015 times the underexpended Proceeds as of the end of the applicable spend-down period. The fact that no arbitrage is in fact earned during such spend-down period is not relevant. The Rebate Amount with respect to Gross Proceeds other than Available Construction Proceeds (e.g., amounts in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund, to the extent subject to rebate (see footnote 3)) must be timely paid.

### PART III: COMPUTATION AND PAYMENT.

#### SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

If none of the Spending Exceptions described above is satisfied (and if the 1-1/2% penalty election for a Construction Issue or the Construction Portion of a Bifurcated Issue has not been made), then within 45 days after each Computation Date, the Issuer shall compute, or cause to be computed, the Rebate Amount as of such Computation Date. The first Computation Date is a date selected by the Issuer, but shall be not later than 5 years after the Issuance Date. Each subsequent Computation Date shall end 5 years after the previous Computation Date except that, in a Variable Yield Issue, the Issuer may select annual Yield Periods. The final Computation Date shall be the date the last obligation of the Issue matures or is finally discharged.

Within 60 days after each Computation Date (except the final Computation Date), the Issuer shall pay to the United States not less than 90% of the Rebate Amount, if any, computed as of such Computation Date. Within 60 days after the final Computation Date, the Issuer shall pay to the United States 100% of the Rebate Amount, if any, computed as of the final Computation Date. In computing the Rebate Amount, a computation credit of \$1,000 may be taken into account on the last day of each Bond Year to the Computation Date during which there are unspent Gross Proceeds that are subject to the rebate requirement, and on the final maturity date.

If the operative documents pertaining to the Issue establish a Rebate Fund and require the computation of the Rebate Amount at the end of each Bond Year, the Issuer shall calculate, or cause to be calculated, within 45 days after the end of each Bond Year the Rebate Amount, taking into account the computation credit of \$1,000 for each Bond Year. Within 50 days after the end of

each Bond Year, if the Rebate Amount is positive, the Issuer shall deposit in the Rebate Fund such amount as will cause the amount on deposit therein to equal the Rebate Amount, and may withdraw any amount on deposit in the Rebate Fund in excess of the Rebate Amount. Payments of the Rebate Amount to the Internal Revenue Service on a Computation Date shall be made first from amounts on deposit in the Rebate Fund and second from other amounts specified in the operative documents.

Each payment of the Rebate Amount or portion thereof shall be payable to the Internal Revenue Service and shall be made to the Internal Revenue Service Center, Ogden, UT 84201 by certified mail. Each payment shall be accompanied by Internal Revenue Service Form 8038-T and any other form or forms required to be submitted with such remittance.

#### SECTION 3.02. BOOKS AND RECORDS.

(A) The Issuer or Trustee, as applicable, shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the Gross Proceeds of the Issue. Such records shall specify the account or fund to which each Nonpurpose Investment (or portion thereof) held by the Issuer or Trustee is to be allocated and shall set forth as to each Nonpurpose Investment (1) its purchase price, (2) identifying information, including par amount, interest rate, and payments dates, (3) the amount received at maturity or its sales price, as the case may be, including accrued interest, (4) the amounts and dates of any payments made with respect thereto, and (5) the dates of acquisition and disposition or maturity.

The Issuer, Trustee, or Rebate Analyst, as applicable, shall retain the records of all calculations and payments of the Rebate Amount until six years after the retirement of the last obligation that is a part of the Issue.

#### SECTION 3.03. FAIR MARKET VALUE.

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

The fair market value of any Nonpurpose Investment shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in an arms-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in this Section, a Nonpurpose Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code) is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(A) Obligations purchased directly from the Treasury. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(B) Safe harbor for Guaranteed Investment Contracts. The purchase price of a Guaranteed Investment Contract shall be treated as its fair market value on the purchase date if all the following conditions are met:

(1) The Issuer or broker makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from reasonably competitive providers (of Guaranteed Investment Contracts) that have no material financial interest in the Issue.

(2) The Issuer purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(3) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of Tax-Exempt Obligations;

(4) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a Bona Fide Debt Service Fund and a reasonably required reserve or replacement fund;

(5) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(6) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

(C) Safe harbor for certificates of deposit. The purchase price of a certificate of deposit shall be treated as its fair market value on the purchase date if all of the following requirements are met:

(1) The certificate of deposit has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal; and

(2) The Yield on the certificate of deposit is not less than (a) the Yield on reasonably comparable direct obligations of the United States, or (b) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

Certificates evidencing the foregoing requirements should be obtained before purchasing any Guaranteed Investment Contract or certificate of deposit.

**SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.**

- (A) Nonpurpose Investments that are held by the Issuer or Trustee as of any Computation Date (or Bond Year if the computations are required to be done annually) shall be treated for purposes of computing the Rebate Amount as of such date as having been sold for their fair market value as of such date. Investment Property which becomes allocated to Gross Proceeds of the Issue on a date after such Investment Property has actually been purchased shall be treated for purposes of the rebate requirements as having been purchased by the Issuer on such date of allocation at its fair market value on such date.
- (B) For purposes of constructive or deemed sales or purchases of Investment Property (other than Investment Property in the Escrow Fund or that is otherwise not invested for a Temporary Period or is not part of a reasonably required reserve or replacement fund for the Issue) must be valued at its fair market value on the date of constructive or deemed sale or purchase
- (C) Except as set forth in (B), fixed rate Investment Property that is (1) issued with not more than 2% of original issue discount or original issue premium, (2) issued with original issue premium that is attributable exclusively to reasonable underwriters' compensation or (3) acquired with not more than 2% of market discount or market premium, may be treated as having a fair market value equal to its outstanding stated principal amount, plus accrued interest. Fixed rate Investment Property also may be treated as having a fair market value equal to its present value.

**SECTION 3.05. ADMINISTRATIVE COSTS.**

- (A) Administrative costs shall not be taken into account in determining the payments for or receipts from a Nonpurpose Investment unless such administrative costs are Qualified Administrative Costs. Thus, administrative costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire Nonpurpose Investments generally do not increase the Payments for, or reduce the Receipts from, Nonpurpose Investments.
- (B) Qualified Administrative Costs are taken into account in determining the Payments and Receipts on Nonpurpose Investments and thus increase the Payments for, or decrease the Receipts from, Nonpurpose Investments. In the case of a Guaranteed Investment Contract, a broker's commission or similar fee paid on behalf of either the Issuer or the provider is an administrative cost that is not a Qualified Administrative Cost to the extent that the present value (computed using the taxable discount rate used by the parties to compute the commission or, if not readily ascertainable, a reasonable taxable discount rate) of the commission, as of the date the contract is purchased, exceeds the present value of annual payments equal to 0.05 percent of the weighted average amount reasonably expected to be invested each year during the term of such contract.

## 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 A-1)

**Information Return for Tax-Exempt Governmental Obligations**

► 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.

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name <b>Pima County, Arizona</b>	2 Issuer's employer identification number <b>86 : 6000543</b>		
3 Number and street (or P.O. box if mail is not delivered to street address) <b>130 W. Congress, 10th Floor</b>	Room/suite	4 Report number <b>N/A</b>	
5 City, town, or post office, state, and ZIP code <b>Tucson, AZ 85701</b>		6 Date of issue <b>10/09/09</b>	
7 Name of issue <b>2010 CW Revolving Fund Loan</b>		8 CUSIP number <b>N/A</b>	
9 Name and title of officer or legal representative whom the IRS may call for more information <b>Thomas Burke, Finance and Risk Management Director</b>		10 Telephone number of officer or legal representative <b>( 520 ) 740-3030</b>	

<b>Part II Type of Issue (check applicable box(es) and enter the issue price)</b> See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input checked="" type="checkbox"/> Other. Describe ► <b>CW Revolving Fund Loan</b>	18 <b>10,002,383.00</b>
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

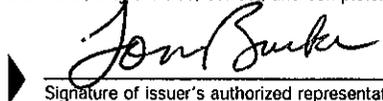
<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	<b>07/01/2024</b>	<b>\$ 10,002,383.00</b>	<b>\$ 10,002,383.00</b>	<b>8.1811</b> years	<b>2.464 %</b>

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>				
22	Proceeds used for accrued interest	22		
23	Issue price of entire issue (enter amount from line 21, column (b))	23		<b>10,002,383.00</b>
24	Proceeds used for bond issuance costs (including underwriters' discount)	24		
25	Proceeds used for credit enhancement	25		
26	Proceeds allocated to reasonably required reserve or replacement fund	26		
27	Proceeds used to currently refund prior issues	27		
28	Proceeds used to advance refund prior issues	28		
29	Total (add lines 24 through 28)	29		
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30		<b>10,002,383.00</b>

<b>Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)</b>			
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	►	<b>N/A</b> years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	►	<b>N/A</b> years
33	Enter the last date on which the refunded bonds will be called	►	<b>N/A</b>
34	Enter the date(s) the refunded bonds were issued	►	<b>N/A</b>

<b>Part VI Miscellaneous</b>			
35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	<b>N/A</b>
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	<b>N/A</b>
b	Enter the final maturity date of the guaranteed investment contract	►	<b>N/A</b>
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	
b	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer	►	
38	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box	►	<input type="checkbox"/>
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box	►	<input type="checkbox"/>
40	If the issuer has identified a hedge, check box	►	<input type="checkbox"/>

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.

**Sign Here**  **10/09/09** **Thomas Burke, Finance Director**  
 Signature of issuer's authorized representative Date Type or print name and title



**LOAN AGREEMENT STANDARD TERMS AND CONDITIONS**

**Water Infrastructure Finance Authority of Arizona**

## TABLE OF CONTENTS

	<u>Page</u>
<b>Article 1 Covenants of the Local Borrower with Respect to the System and the Project</b>	
Section 1.1	Operation and Maintenance of System .....3
Section 1.2	Additions and Modifications.....3
Section 1.3	Disposition of Project and System.....3
Section 1.4	Cost of Project.....3
<b>Article 2 Additional Covenants of the Local Borrower</b>	
Section 2.1	Unconditional Obligations .....4
Section 2.2	Performance Under Loan Agreement .....4
Section 2.3	Disclaimer of Warranties and Indemnification.....4
Section 2.4	Loan Repayments; Prepayments; Adjustments; Late Charges .....4
Section 2.5	Source of Repayment of Local Borrower's Obligations and Pledge.....5
Section 2.6	Insurance .....5
Section 2.7	No Liens.....5
Section 2.8	Disadvantaged Business Enterprise Program .....5
<b>Article 3 Representations of Local Borrower</b>	
Section 3.1	Organization and Authority ..... 6
Section 3.2	Full Disclosure..... 6
Section 3.3	Pending Litigation..... 7
Section 3.4	Compliance with Existing Laws and Agreements ..... 7
Section 3.5	No Defaults ..... 7
Section 3.6	Governmental Consent..... 7
Section 3.7	Compliance with Law ..... 7
<b>Article 4 Assignment</b>	
Section 4.1	Assignment and Transfer by Authority..... 8
Section 4.2	Assignment by Local Borrower ..... 8
<b>Article 5 Defaults and Remedies</b>	
Section 5.1	Events of Default ..... 8
Section 5.2	Notice of Default..... 9
Section 5.3	Remedies on Default..... 9
Section 5.4	Attorney's Fees and Other Expenses ..... 9
Section 5.5	Application of Moneys ..... 9
Section 5.6	No Remedy Exclusive; Waiver; Notice ..... 9

Section 5.7	Retention of Authority's Rights.....	10
Section 5.8	Default by the Authority .....	10

**Article 6 Provisions Applicable to Loans Financed by Authority Bonds**

Section 6.1	General.....	10
Section 6.2	Tax Covenants .....	10
Section 6.3	Third Party Beneficiaries .....	11
Section 6.4	Additional Documents Relating to Authority Bonds.....	11
Section 6.5	Disclosure Regarding Authority Bonds.....	11
Section 6.6	Assignment and Transfer by Authority to Trustee .....	12
Section 6.7	Conditions to Assignment by Local Borrower .....	12
Section 6.8	Sale or Other Disposition of Project or System .....	13
Section 6.9	Deficiencies Under Bond Documents Caused by Failure to Make Loan Repayment .....	13
Section 6.10	Indemnification.....	13
Section 6.11	Compliance with Master Trust Indenture .....	13
Section 6.12	Provisions Relating to Default.....	14
Section 6.13	Tax Compliance Certificate .....	14

**Article 7 Miscellaneous**

Section 7.1	Binding Effect.....	14
Section 7.2	Severability .....	14
Section 7.3	Amendments, Supplements and Modifications .....	14
Section 7.4	Execution in Counterparts.....	14
Section 7.5	Applicable Law.....	14
Section 7.6	Captions .....	14
Section 7.7	Further Assurances.....	14
Section 7.8	Arbitration.....	14
Section 7.9	Notice Regarding A.R.S. § 38-511 .....	14
Section 7.10	E-Verify Compliance A.R.S. § 23-214.....	15

**Article 8 Definitions**

Section 8.1	Definitions.....	15
Section 8.2	Rules of Interpretation .....	18

## Article 9 List of Federal Laws and Authorities

This document sets forth Standard Terms and Conditions applicable to the Loan made by the WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA (the "Authority") to the Local Borrower. These Standard Terms and Conditions are a part of the Loan Agreement to which this document is attached. Certain terms used herein are defined in Article 8.

### Article 1 Covenants of the Local Borrower Relating to the System and the Project.

Section 1.1 **Operation and Maintenance of System.** The Local Borrower covenants and agrees that it shall, in accordance with prudent utility practice, (a) at all times operate the properties of the System and any business in connection therewith in an efficient manner, (b) maintain the System in good repair, working order and operating condition, and (c) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the System so that at all times the operations carried on in connection therewith shall be properly and advantageously conducted from revenues of the System or, if the Local Borrower so elects, from any other source of funds lawfully available.

Section 1.2 **Additions and Modifications.** The Local Borrower may make any additions, renewals, replacements, modifications or improvements to the System which it deems desirable and which do not materially reduce the operational integrity of any part of the System. All such renewals, replacements, additions, modifications and improvements shall become a part of the System.

#### Section 1.3 **Disposition of Project and System.**

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

(b) The Local Borrower may sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System if the Local Borrower shall give at least ninety (90) days' prior written notice to the Authority of the proposed transaction, and the Authority gives its written consent which shall not be unreasonably withheld. The Local Borrower understands that the Authority, in determining whether or not to give its consent, must determine that the proposed transaction will not adversely affect the Authority's ability to meet its duties, covenants, obligations and agreements or conditions of any grant received by the Authority or the State from the United States of America, which is related to the Capital Grant Facility or any capitalization grants received by the Authority or the State under the Federal Water Pollution Control Act, as amended, and the Federal Safe Drinking Water Act, as amended.

(c) Notwithstanding the provisions of subsection (b) above, the Local Borrower may sell, lease or otherwise dispose of, any of the property comprising part of the System without prior notice to or the consent of the Authority, other than the Project, in either of the following circumstances:

- (i) If the Local Borrower determines that such property is not necessary, useful or profitable to the operation of the System; or
- (ii) If the value of such property sold, leased or otherwise disposed of in any one year is equal to not more than 5% of the value of the fixed assets of the System.

Section 1.4 **Cost of Project.** The Local Borrower certifies that the estimated Eligible Project Costs as listed in Section 1 of Exhibit B is a reasonable and accurate estimation of the Eligible Project Costs and, upon the direction

of the Authority the Local Borrower will supply the Authority with a certificate from its engineer stating that such estimated Eligible Project Costs is a reasonable and accurate estimation.

## **Article 2 Additional Covenants of the Local Borrower**

Section 2.1 **Unconditional Obligations.** The obligation of the Local Borrower to make the Loan Repayments and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part described herein are payable solely from the Source of Repayment described in this Loan Agreement and shall be absolute and unconditional and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any payments hereunder remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or the System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project or this Loan Agreement, or any rights of set-off, recoupment, abatement or counterclaim that the Local Borrower might otherwise have against the Authority or any other party or parties; provided, however, that payments under this Loan Agreement shall not constitute a waiver of any such rights. The Local Borrower shall not be obligated to make any payments required to be made by any other local borrowers under separate loan agreements or local borrower bonds. Notwithstanding any other provision of this Section 2.1, or this Loan Agreement, neither the Authority, nor any assignee of the Authority shall have the right or ability to compel the repayment of this Loan Agreement from any source other than the Source of Repayment.

Section 2.2 **Performance Under Loan Agreement.** The Local Borrower covenants and agrees (a) to maintain the System in good repair and operating condition; (b) to cooperate with the Authority to the extent it may lawfully do so, in the observance and performance of the respective duties, covenants, obligations and agreements of such Local Borrower and the Authority under this Loan Agreement; and (c) to comply with the covenants set forth in this Loan Agreement.

Section 2.3 **Disclaimer of Warranties.** The Local Borrower acknowledges and agrees that (i) the Authority makes no warranty or representation, either express or implied as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the System or the Project or any portions thereof or any other warranty or representation with respect thereto; (ii) in no event shall the Authority or its respective agents be liable or responsible for any direct, incidental, indirect, special or consequential damages in connection with or arising out of this Loan Agreement or the Project or the existence, furnishing, functioning or use of the System or the Project; and (iii) are not intended to and shall not be construed as a waiver of any defense or limitation on damages provided for under and pursuant to the laws of the United States or of the State.

### **Section 2.4 Loan Repayments; Prepayments; Adjustments; Late Charges.**

(a) The Local Borrower may prepay the Loan Repayments in whole or in part at any time without premium upon receipt of the prior written approval of the Authority and only in conformance with such terms and conditions as the Authority, in its sole discretion, may require. The Authority's consent to a prepayment will not be unreasonably withheld. If the Local Borrower makes prepayments of Loan Repayments, the Authority shall adjust principal amounts within the Loan Repayment Schedule contained in Exhibit A pro rata in accordance with guidance from the Local Borrower, provided that the Local Borrower shall not receive credit for prepayments of principal without consent of the Authority. Upon such adjustment, the Authority shall compute the adjusted combined interest and fee amounts to reflect the adjusted principal amounts and shall enter the results in the Loan Repayment Schedule with notice to Local Borrower.

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

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

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

**Section 2.5 Source of Repayment of Local Borrower's Obligations and Pledge.** The Local Borrower irrevocably pledges the Source of Repayment described in this Loan Agreement for the punctual payment of all amounts due under the Loan Agreement. The Authority and the Local Borrower agree that the amounts payable by the Local Borrower under this Loan Agreement are payable solely from the Source of Repayment described in this Loan Agreement and are not payable from any other source whatsoever, unless the Local Borrower chooses to pay, and pays, any amount due hereunder from any other source lawfully available to it.

**Section 2.6 Insurance.** The Local Borrower shall maintain or cause to be maintained in force, insurance policies with responsible insurers or self-insurance programs or through membership in a risk retention pool, including, but not limited to, the Arizona Municipal Risk Retention Pool (in accordance with the Local Borrower's customary practices) providing against risk of direct physical loss, damage or destruction of the Project and the System, at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining system facilities of the nature of the System, including liability coverage, all to the extent available at reasonable cost.

**Section 2.7 No Liens.** Except for

- (i) the debt service on any future bonds, notes or other evidence of indebtedness of the Local Borrower issued or contractual obligations incurred in accordance with this Loan Agreement payable from the funds pledged to the payment of this Loan Agreement which are on parity with the lien and charge on the funds so pledged to pay this Loan Agreement and
- (ii) as provided in Exhibit D of this Loan Agreement, the debt service on currently outstanding bonds, notes or evidences of indebtedness or contractual obligations of the Local Borrower, if any, payable from the Source of Repayment described in Exhibit D of this Loan Agreement which the Local Borrower has disclosed to the Authority in writing,

the funds so pledged as described in this Loan Agreement after the payment of all costs of operating and maintaining the System, are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto which are prior to, or of equal rank with, the obligation of the Local Borrower to pay this Loan Agreement, and all corporate or other action on the part of the Local Borrower to that end has been and will be duly and validly taken.

**Section 2.8 Disadvantaged Business Enterprises.** The Local Borrower must

- (i) Make a good faith effort to award a fair share of work to DBE's who are small business enterprises (SBE's), minority business enterprises (MBE's), and women business enterprise (WBE's).
- (ii) Require sub-recipients, including prime contractors and subcontractors, to make a good faith effort to award a fair share of work to DBE's.
- (iii) Require prime contractors to pay subcontractors for satisfactory performance no more than thirty (30) days from the prime contractor's receipt of payment from the Local Borrower..

- (iv) Require prime contractors to notify the Local Borrower in writing prior to any termination of a DBE subcontractor for convenience by the prime contractor.
- (v) Report DBE participation to the Authority.

### **Article 3 Representations of Local Borrower**

The Local Borrower represents for the benefit of the Authority that the representations contained in this Loan Agreement are true at the time of execution and delivery of this Loan Agreement and, other than with respect to events outside of Local Borrower's control, will be true in all material respects at all times during the term of this Loan Agreement.

#### **Section 3.1 Organization and Authority.**

- (a) The Local Borrower is a Political Subdivision or Indian Tribe as defined in the Authority Act.
- (b) The Local Borrower has full legal right and authority and has, or will obtain as and when required, all necessary licenses and permits required to acquire, own, operate and maintain the Project and the System, to carry on its activities relating thereto, to execute and deliver this Loan Agreement, to undertake and complete the Project, to pledge the Source of Repayment, and to carry out and consummate all transactions contemplated by this Loan Agreement. The Project is a project which the Local Borrower may undertake pursuant to State law and for which the Local Borrower is authorized by law to borrow money.
- (c) The proceedings of the Local Borrower's governing body approving this Loan Agreement and authorizing its execution, issuance and delivery on behalf of the Local Borrower, and authorizing the Local Borrower to undertake and complete the Project have been duly and lawfully adopted in accordance with the laws of the State.
- (d) This Loan Agreement has been duly authorized, executed and delivered by an Authorized Officer of the Local Borrower; and, assuming that the Authority has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered this Loan Agreement, this Loan Agreement constitutes a legal and valid obligation of the Local Borrower enforceable in accordance with its terms, and the information contained under "Description of the Loan" in this Loan Agreement is true and accurate in all material respects.

#### **Section 3.2 Full Disclosure.**

- (a) To the best of the Local Borrower's knowledge, there is no fact that the Local Borrower has not disclosed to the Authority in writing that materially adversely affects the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the System, or the ability of the Local Borrower to make all Loan Repayments due hereunder and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.
- (b) The information relating to the Local Borrower (including without limitation the financial and statistical data contained therein) submitted to the Authority by the Local Borrower in connection with the Authority's approval of the Loan was at the time of the Authority's approval of the Loan and at all times subsequent thereto up to and including the Loan Closing, will be (if necessary by amendment provided by the Local Borrower) true and correct and will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading in any adverse respect. To the extent permitted by law, and notwithstanding any other provision of this Loan Agreement, the Local Borrower will indemnify, save and hold harmless the Authority, and each of the Authority's agents, for, from and against any and all claims, damages, liability and court awards including costs, expenses and reasonable attorneys' fees incurred as a result of any omission or misstatement of material fact in the information submitted to the Authority by the Local Borrower in connection with the Authority's approval of the Loan, as it may have been supplemented and amended by the Local Borrower.

Section 3.3 **Pending Litigation.** There are no proceedings pending, or to the knowledge of the Local Borrower, threatened, against or affecting the Local Borrower, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the System, or the ability of the Local Borrower to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement that have not been disclosed in writing to the Authority in the Local Borrower's application for the Loan or otherwise.

Section 3.4 **Compliance with Existing Laws and Agreements.** The authorization, execution and delivery of this Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties, covenants, obligations and agreements hereunder and the consummation of the transactions provided for in this Loan Agreement, the compliance by the Local Borrower with the provisions of this Loan Agreement and the undertaking and completion of the Project will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Local Borrower pursuant to any existing ordinance or resolution, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument (other than the lien and charge of this Loan Agreement and any ordinance or resolution or indenture which authorized outstanding obligations of the Local Borrower which are on a parity with this Loan Agreement as to a lien on, or a source and security for, payment thereon from the source of payment that is pledged to the Loan Repayments) to which the Local Borrower is a party or by which the Local Borrower, the System or any of its property or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Local Borrower was established or any laws, ordinances, resolutions, governmental rules, regulations or court orders to which the Local Borrower, the System or its properties or operations are subject.

Section 3.5 **No Defaults.** No event has occurred and no condition exists that, upon authorization, execution and delivery of this Loan Agreement or receipt of the amount of the Loan, would constitute an Event of Default hereunder. The Local Borrower is not in violation of, and has not received notice of any claimed violation of, any term of any agreement or other instrument to which it is a party or by which it may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Local Borrower or the ability of the Local Borrower to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

Section 3.6 **Governmental Consent.** The Local Borrower has or will have obtained prior to the date of the Loan Closing all permits and approvals required to date by any governmental body or officer (and reasonably expects to receive all permits required in the future by any governmental agency) for the making, observance and performance by the Local Borrower of its duties, obligations and agreements under this Loan Agreement or for the undertaking or completion of the Project and the financing thereof, and the Local Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Local Borrower of its duties, covenants, obligations and agreements under this Loan Agreement or with the undertaking or completion of the Project and the financing thereof; and the Local Borrower has complied with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Local Borrower of its duties, covenants, obligations and agreements under this Loan Agreement or with the undertaking or completion of the Project and the financing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental body or officer, other than those already obtained or reasonably expected to be obtained, is required on the part of the Local Borrower as a condition to the authorization, execution and delivery of this Loan Agreement, the undertaking or completion of the Project or the consummation of any transaction herein contemplated.

Section 3.7 **Compliance with Law.** The Local Borrower:

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

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

#### **Article 4 Assignment**

Section 4.1 **Assignment and Transfer by Authority.** The Local Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement that the Authority deems to be necessary in connection with the Clean Water Revolving Fund and Drinking Water Revolving Fund programs of the Authority.

Section 4.2 **Assignment by Local Borrower.** This Loan Agreement may not be assigned by the Local Borrower for any reason, unless the following conditions shall be satisfied: (i) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Code or another entity acceptable to the Authority and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Local Borrower's duties, covenants, agreements and obligations hereunder; (ii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Borrower hereunder; and (iii) the Authority shall receive an opinion of counsel to the effect that such assignment will not violate the provisions of any agreement entered into by the Authority with, or condition of any grant received by the Authority from the United States of America relating to the Capital Grant Facility or any capitalization grants received by the Authority or the State under the Federal Water Pollution Control Act and the Federal Safe Drinking Water Act.

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

#### **Article 5 Defaults and Remedies**

Section 5.1 **Events of Default.** If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default":

- (a) failure by the Local Borrower to pay, or cause to be paid, when due any Loan Repayment;
- (b) failure by the Local Borrower to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Local Borrower for borrowed money (other than the Loan), after giving effect to the applicable grace period, the payments of which are secured by the Source of Repayment described in this Loan Agreement;
- (c) failure by the Local Borrower to perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraphs (a) and (b) of this Section, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Local Borrower by the Authority, unless the Authority agrees in writing to an extension of such time prior to its expiration, provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period the Authority may not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Local Borrower and diligently pursued until the Event of Default is corrected;
- (d) the institution of any proceeding, with the acquiescence of the Local Borrower, for the purpose of effecting a composition between the Local Borrower and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are payable from the Source of Repayment described in this Loan Agreement;

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

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

Section 5.2 **Notice of Default.** The Local Borrower shall give the Authority prompt telephone notice of the occurrence of any Event of Default referred to in Section 5.1 paragraph (c) hereof, and of the occurrence of any other event or condition that constitutes an Event of Default, at such time as any senior administrative or financial officer of the Local Borrower becomes aware of the existence thereof. Any telephone notice pursuant to this Section shall be confirmed in writing by the end of the next Business Day.

Section 5.3 **Remedies on Default.**

(a) Whenever an Event of Default referred to in Section 5.1 hereof shall have occurred and be continuing, the Authority shall have the right to take any action permitted or required pursuant to this Loan Agreement and to take whatever other action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due on their scheduled payment dates or to enforce the performance and observance of any duty, covenant, obligation or agreement of the Local Borrower hereunder, including, without limitation, appointment of a receiver of the System.

(b) Nothing in this Loan Agreement shall be construed to affect the Attorney General taking action to enforce this Loan Agreement in accordance with the Authority Act.

Section 5.4 **Attorney's Fees and Other Expenses.** In the event of a default hereunder by the Local Borrower, the Local Borrower shall on demand and to the extent not prohibited by applicable law pay to the Authority the reasonable fees and expenses of attorneys and other reasonable expenses (including without limitation the reasonably allocated costs of in-house counsel and legal staff) incurred by the Authority in the collection of Loan Repayments or any other sum due hereunder or in the enforcement of performance or observance of any other duties, covenants, obligations or agreements of the Local Borrower to the extent permitted by law.

Section 5.5 **Application of Moneys.** The parties acknowledge that: (a) all amounts coming due hereunder as Loan Repayments shall be treated as principal and combined interest and fees with respect to the Loan which amounts are secured by a pledge of the Source of Repayment in accordance with Exhibit D of this Loan Agreement; and (b) amounts coming due under Section 5.4 hereof shall be secured by the Source of Repayment on a basis subordinate to the Loan Repayments, but on a parity with comparable expenses relating to such Outstanding Parity Obligations and Additional Parity Obligations.

However, any moneys collected by the Authority pursuant to Section 5.3 in the exercise of remedies with respect to amounts due or to become due hereunder shall be applied: (a) first, to pay any attorney's fees or other fees and expenses owed by the Local Borrower pursuant to Section 5.4 hereof, (b) second, to pay delinquent combined interest fees and late charges on the Loan; (c) third, to pay combined interest and fees then due and payable on the Loan; (d) fourth, to pay delinquent principal on the Loan in order of scheduled maturity; (e) fifth, to pay principal then due and payable on the Loan; and (f) sixth, to pay any other amounts due and payable pursuant to this Loan Agreement.

Section 5.6 **No Remedy Exclusive; Waiver; Notice.** No remedy conferred upon or reserved to the Authority hereunder is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any

right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it as described in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 5.7 **Retention of Authority's Rights.** Notwithstanding any assignment or transfer of this Agreement pursuant to the provisions hereof, or anything else to the contrary contained herein, the Authority shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the Local Borrower at law or in equity, as the Authority may, in its discretion, deem necessary to enforce the obligations of the Local Borrower to the Authority.

Section 5.8 **Default by the Authority.** In the event of any default by the Authority in any duty, covenant, agreement or obligation described in this Agreement, the Local Borrower's remedy for such default shall be limited to injunction, special action, action for specific performance or any other available equitable remedy designed to enforce the performance or observance of any duty, covenant, obligation or agreement of the Authority described herein as may be necessary or appropriate. The Authority shall on demand pay to the Local Borrower the reasonable fees and expenses of attorneys and other reasonable expenses in the enforcement of such performance or observance.

## **Article 6 Provisions Applicable to Loans Financed by or Pledged to Secure Authority Bonds**

Section 6.1 **General.** The Local Borrower acknowledges that the Authority is entering into this Loan Agreement and agreeing to make the Loan at this time for the benefit of the Local Borrower, and that the Authority may finance the Loan, along with other loans to other local borrowers, through the issuance of Authority Bonds and may pledge the Loan to secure Authority Bonds. If and for so long as the Authority's source of funds to make disbursements on, or to carry, the Loan represented by this Loan Agreement is, or becomes, the proceeds of Authority Bonds, or this Loan Agreement is assigned by the Authority as security for payment of amounts due or to become due on Authority Bonds, the Local Borrower agrees to cooperate with the Authority with respect to the issuance of Authority Bonds by furnishing and certifying information concerning the Local Borrower, the Project, the System and the Source of Repayment, and by agreeing to reasonable modifications and additions to this Loan Agreement necessary or convenient for the Authority Bond transaction. Without limiting the generality of the foregoing, the Local Borrower agrees that if the Authority at any time determines, in its discretion, that it is necessary in connection with the issuance of Authority Bonds or the maintenance of the Authority's bond program, then the provisions set forth in this Article shall be in effect.

### **Tax Covenants.**

(a) **General.** The Local Borrower acknowledges that, in connection with its state revolving fund programs, the Authority issues its Authority Bonds from time to time to finance loans and the Authority also pledges certain loans to secure and to serve as the source of payment for the Authority Bonds. As a result, and under the provisions of federal tax law applicable to the Authority Bonds, it is in the Authority's interest for the Loan to qualify and be a Tax-Exempt Obligation that is not an AMT Obligation. Therefore, the Local Borrower represents and covenants as follows with respect to the Loan and the Authority Bonds. The Local Borrower covenants that it will not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Loan or the Authority Bonds under Section 103(a) of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an AMT Obligation, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon a bond counsel opinion as may rescind or otherwise negate such action or omission. The Local Borrower will not directly or indirectly use or permit the use of any proceeds of the Loan or any other funds of the Local Borrower or take or omit to take any action that would cause the Loan or the Authority Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code or to fail to meet any other applicable requirement of Sections 103, 141, 148, 149 and 150 of the Internal Revenue Code or cause the interest on the Loan or the Authority Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the

Internal Revenue Code. To that end, the Local Borrower will comply with all applicable requirements of Sections 103, 141, 148, 149 and 150 of the Code to the extent applicable to the Loan.

(b) Modification Based on Bond Counsel Opinion. Notwithstanding any provision of this Section, if the Local Borrower provides to the Authority a bond counsel opinion to the effect that any action required under this Section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of interest on the Loan or the Authority Bonds pursuant to Section 103(a) of the Internal Revenue Code, the provisions of this Section and the covenants in this Section shall be deemed to be modified to that extent.

(c) Bond Counsel Opinion. For purposes of this Article, "bond counsel opinion" means an opinion letter of a firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, and who is acceptable to the Authority.

Section 6.3 Third Party Beneficiaries. The Trustee, the owners from time to time of the Authority Bonds, any Credit Enhancer from time to time of the Authority Bonds and any underwriter of the Authority Bonds are each expressly acknowledged to be third party beneficiaries of this Loan Agreement and each representation, agreement, duty, obligation and provision of this Loan Agreement.

Section 6.4 Additional Documents Relating to Authority Bonds. The Local Borrower will furnish to the Authority and certify to such information and execute and deliver and cause to be executed and delivered such documents as the Authority, the underwriter or other parties to any Authority Bond transaction may reasonably require, including, without limitation:

(a) a certificate of an Authorized Officer of the Local Borrower to the effect that the information contained in the Final Official Statement (defined in Section 6.5, paragraph (a)) for the Authority Bonds concerning the Local Borrower is correct in all material respects and is an accurate summary of the information which it purports to summarize, and that nothing has come to the Authorized Officer's attention that would lead the Authorized Officer to believe that the information in the Final Official Statement relating to the Local Borrower contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

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

(c) an appropriate certificate executed by Authorized Officer of the Local Borrower concerning the reasonable expectations of the Local Borrower as to the use of the proceeds of the Loan and such other matters as may be required on the part of the Local Borrower in order to ensure that the Authority Bonds are and will remain Tax-Exempt Obligations that are not AMT Obligations, and the Local Borrower covenants to comply with the provisions of such certificate; and

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

Section 6.5 Disclosure Regarding Authority Bonds.

(a) The information, if any, relating to the Local Borrower (including without limitation the financial and statistical data contained therein) which has been furnished by the Local Borrower to be included in, and which is included in, a Preliminary Official Statement of the Authority (the "Preliminary Official Statement"), or a final Official Statement (the "Final Official Statement") of the Authority concerning any Authority Bonds, as of the respective dates of each such document and at all times subsequent thereto up to and including the Bond Closing, will be (if

necessary by amendment provided by the Local Borrower) true and correct and will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. To the extent permitted by law, and notwithstanding any other provision of this Loan Agreement, the Local Borrower will indemnify, save and hold harmless the Authority and each other local borrower, if any, included in the Final Official Statement, and each of such parties' respective agents, for, from and against any and all claims, damages, liability and court awards including costs, expenses and attorneys fees incurred as a result of any omission or misstatement of a material fact in the Local Borrower's information in the Final Official Statement, as it may have been supplemented or amended by the Local Borrower.

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

(c) The Local Borrower agrees that if prior to the 25th day following the end of the underwriting period of the Authority Bonds, as defined for purposes of the Disclosure Rule, any event shall occur which causes the representations contained in Section 6.4, paragraph (a) to be false in any material respect, the Local Borrower shall promptly notify the Authority of such development, and if in the opinion of the Authority and the underwriters of the Authority Bonds such development requires the preparation of a supplement or an amendment to the Preliminary Official Statement or the Final Official Statement, the Local Borrower agrees to cooperate with the Authority and the underwriters for the Authority Bonds in preparing any such supplement or amendment in a form acceptable to such parties and to pay all reasonable expenses incurred by such parties in connection with the preparation thereof.

#### **Section 6.6 Assignment and Transfer by Authority to Trustee.**

(a) The Local Borrower expressly acknowledges that, other than the right of the Authority to be indemnified by the Local Borrower, all right, title and interest of the Authority in, to and under this Loan Agreement will be assigned to the Trustee as security for the Authority Bonds, as applicable, as provided in the Authority's Master Trust Indenture, and that if any Event of Default shall occur the Trustee, pursuant to the Authority's Master Trust Indenture, shall be entitled to act hereunder in the place and stead of the Authority. The Local Borrower hereby acknowledges the requirements of the Authority's Master Trust Indenture applicable to the Authority Bonds and consents to such assignment and appointment. The Authority shall retain the right to compel or otherwise enforce observance and performance by the Local Borrower of its duties, covenants, obligations and to be indemnified by the Local Borrower; provided, however, that in no event shall the Authority or the Trustee have the right to accelerate the payments under this Loan Agreement.

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

**Section 6.7 Conditions to Assignment by Local Borrower.** Notwithstanding Section 4.2, this Loan Agreement may not be assigned by the Local Borrower for any reason, unless the following conditions shall be satisfied: (i) the Authority, the Trustee and the Credit Enhancer, if any, of the Authority Bonds shall have approved said assignment in writing; (ii) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Internal Revenue Code or another entity acceptable to the Authority and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Local Borrower's duties, covenants, agreements and

obligations hereunder; (iii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Borrower hereunder; (iv) the Authority and the Trustee shall have received an opinion of bond counsel to the effect that such assignment will not adversely affect the exclusion of interest on the Authority Bonds from gross income for purposes of Federal income taxation under Section 103(a) of the Code or make the Authority Bonds or the Loan AMT Obligations; and (v) the Authority and the Trustee shall receive an opinion of counsel to the effect that such assignment will not violate the provisions of the Master Trust Indenture or any agreement entered into by the Authority with, or condition of any grant received by the Authority from, the United States of America relating to the Capital Grant Facility or any capitalization grants received by the Authority or the State under the Federal Water Pollution Control Act and the Federal Safe Drinking Water Act.

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

**Section 6.8 Sale or Other Disposition of Project or System.** The Local Borrower agrees that it will not sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or the System unless (i) the transferee assumes the Local Borrower's obligations under this Loan Agreement in accordance with Section 6.6, (ii) the Authority shall by appropriate action determine, in its sole discretion, that such sale, lease, abandonment or other disposition will not adversely affect the Authority's ability to meet its duties, covenants, obligations and agreements under the Bond Documents, and will not adversely affect the eligibility of interest on Authority Bonds then outstanding or which could be issued in the future for exclusion from gross income for purposes of federal income taxation or cause such Authority Bonds to be AMT Obligations, and (iii) the Credit Enhancer, if any, of the Authority Bonds shall have given its prior written consent to such disposition.

**Section 6.9 Deficiencies Under Bond Documents Caused by Failure to Make Loan Repayment.** The Local Borrower acknowledges that payment of the Authority Bonds by the Authority, including payment from moneys drawn by the Trustee from the Bond Reserves or the CWRP Financial Assistance Account and DWRP Financial Assistance Accounts established under the Bond Documents, does not constitute payment of the amounts due under this Loan Agreement. If at any time the amounts on deposit in the Bond Reserves or the Clean Water Revolving Fund (CWRP) Financial Assistance Account and DWRP Financial Assistance Account shall be less than the amounts required by the Bond Documents as the result of any transfer of moneys from the Bond Reserves or the CWRP Financial Assistance Account and DWRP Financial Assistance Accounts which in turn is the result of a failure by the Local Borrower to make any Loan Repayments required hereunder, the Local Borrower agrees to (i) replenish such moneys so transferred, and (ii) replenish any deficiency arising from losses incurred in making such transfer as the result of the liquidation by the Authority of investment securities acquired as an investment of moneys in the Bond Reserves or the CWRP Financial Assistance Account and DWRP Financial Assistance Accounts, by making payments to the Authority in equal monthly installments for the lesser of six (6) months or the remaining term of the Loan at a combined interest and fee rate to be determined by the Authority necessary to make up any loss caused by such deficiency, provided that the combined interest and fee rate payable on the Loan including such make-up combined interest and fees shall not exceed the maximum rate permitted by the Authorizing Proceedings which authorized this Loan Agreement.

**Section 6.10 Indemnification.** To the extent permitted by law, the Local Borrower shall indemnify, save and hold harmless the Authority against any and all claims, damages, liability and court awards including costs, expenses and attorney fees to the extent incurred as a result of any gross negligence or willful misconduct by the Local Borrower, or its employees, agents or subcontractors pursuant to the terms of this Loan Agreement.

**Section 6.11 Compliance with Master Trust Indenture.** The Local Borrower covenants and agrees to take such action as it may lawfully take and as the Authority shall reasonably request so as to enable the Authority to observe and comply with, all duties, covenants, obligations and agreements contained in the Master Trust Indenture insofar as such duties, covenants, obligations and agreements relate to the obligations of the Local Borrower under this Loan Agreement.

Section 6.12 **Provisions Relating to Default.**

(a) Any notice or information which the Local Borrower is to give to the Authority pursuant to the provisions of Article 5 shall also be given by the Local Borrower to the Trustee and to any Credit Enhancer at the same time.

(b) Notwithstanding the provisions of Section 5.3, paragraph (a) and Section 5.7, so long as a Credit Enhancer is not in default of its obligations with respect to its payment guarantee of the Authority Bonds and such guarantee is in effect, the Credit Enhancer shall have the right to direct the exercise of remedies provided for herein and the Trustee and the Authority shall not pursue any remedy except with the prior written consent of the Credit Enhancer.

(c) In the event of a default hereunder by the Local Borrower, the Local Borrower shall also pay the expenses of the Trustee and of any Credit Enhancer in the same manner as provided in Section 5.4 with respect to the expenses of the Authority.

Section 6.13 **Tax Compliance Certificate.** If the Authority Bonds are issued and sold on the basis that they are Tax-Exempt Obligations, an Authorized Officer of the Local Borrower shall deliver an appropriate certificate concerning the reasonable expectations of the Local Borrower as to the use of the proceeds of the Loan and such other matters as may be required on the part of the Local Borrower in order to ensure that the Authority Bonds are and will remain Tax-Exempt Obligations that are not AMT Obligations, and the Local Borrower covenants to comply with the provisions of such certificate.

## Article 7 Miscellaneous

Section 7.1 **Binding Effect.** This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority and the Local Borrower and their respective successors and assigns.

Section 7.2 **Severability.** In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any Court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 7.3 **Amendments, Supplements and Modifications.** This Loan Agreement may not be amended, supplemented or modified without the prior written consent of the Authority and the Local Borrower.

Section 7.4 **Execution in Counterparts.** This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.5 **Applicable Law.** This Loan Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, including the Authority Act.

Section 7.6 **Captions.** The captions or headings in this Loan Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 7.7 **Further Assurances.** The Local Borrower shall, at the request of the Authority, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Loan Agreement.

Section 7.8 **Arbitration.** The parties hereto agree to use arbitration to the extent required by Section 12-1518 of the Arizona Revised Statutes.

Section 7.9 **Notice Regarding A.R.S. § 38-511.** To the extent applicable by provision of law, the parties acknowledge that this Loan Agreement is subject to cancellation pursuant to A.R.S. § 38-511, the provisions of which are hereby incorporated herein.

Section 7.10 **E-Verify Compliance A.R.S. § 23-214.** The Local Borrower warrants to the Authority that it is registered with and is participating in the employment verification pilot program as jointly administered by the United States department of homeland security and the social security administration or any of its successor programs (the "E-Verify Program") and that the proof submitted to the Authority of that registration and participation is true and correct. The Local Borrower agrees that it will remain registered with and will participate in the E-Verify Program until the Loan is fully paid. If the Authority determines that the Local Borrower is not so registered and participating, the Authority will notify the Local Borrower by certified mail of the determination of noncompliance and the Local Borrower's right to appeal the determination. On a final determination of noncompliance, the Local Borrower shall repay all monies received as an economic development incentive (within the meaning of Arizona Revised Statutes Section 23-214) to the Authority within thirty days of the final determination.

## Article 8 Definitions

Section 8.1 **Definitions.** The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the following meaning:

"AMT Obligation" means a Tax-Exempt Obligation the interest on which is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code.

"Annual Loan Review Form" means the loan compliance questionnaire circulated by the Authority to all borrowers as part of the Authority's annual loan portfolio review.

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

"Authority Act" means Title 49, Chapter 8 (Section 49-1201 et seq.) of the Arizona Revised Statutes ("A.R.S.").

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

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

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

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

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

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

“*Capital Grant Facility*” means the contractual arrangement established with the Authority by the United States of America Environmental Protection Agency to make capitalization grant payments pursuant to Title VI of the Federal Water Pollution Control Act, as amended (33 U.S.C. § 125 et seq.) and the Federal Safe Drinking Water Act, as amended (particularly 42 U.S.C. § 300j-12 et seq.).

“*Clean Water Act*” means the Federal Water Pollution Control Act amendments of 1972 (P.L. 92-500; 86 Stat. 816), as amended by the Water Quality Act of 1987 (P.L. 100-4; 101 Stat. 7).

“*Clean Water Revolving Fund*” means the fund established by A.R.S. § 49-1221.

“*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.

“*Combined Interest and Fee Rate*” means periodic interest and fee payments made by the Borrower, see Exhibit A to this Loan Agreement.

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

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

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

“*CWRF Financial Assistance Account*” means the account so designated in the Master Trust Indenture to which loans funded by the Clean Water Revolving Fund shall be credited.

“*Debt Management Fee*” means the fee component of the combined interest and fee payments made by the Borrower, see Exhibit A to this Loan Agreement.

“*Department*” means the Department of Environmental Quality of the State of Arizona.

“*Drinking Water Facility*” has the meaning given that term in the Authority Act, currently: a community water system or a non-profit noncommunity water system as defined in the Federal Safe Drinking Water Act (P.L. 93-523; 88 Stat. 1660; P.L. 95-190; 91 Stat. 1393; P.L. 104-182; 110 Stat. 1613) that is located in the State. The term does not include water systems owned by federal agencies.

“*Drinking Water Revolving Fund*” means the fund established by A.R.S. § 49-1241.

“*DWRF Financial Assistance Account*” means the account so designated in the Master Trust Indenture to which loans funded by the Drinking Water Revolving Fund shall be credited.

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

"*Event of Default*" means any occurrence or event specified in Section 5.1 hereof.

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

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

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

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

"*Loan Repayment Date*" means the payment dates commencing and ending on the dates set forth in this Loan Agreement.

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

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

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

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

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

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

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

"*Reserve Fund Surety*" means a surety bond, insurance policy, letter of credit or similar arrangement representing the irrevocable obligation of the issuer thereof to pay to or at the direction of the Local Borrower an amount up to the Reserve Requirement as set forth in Exhibit A.

"*Safe Drinking Water Act*" means the Federal Safe Drinking Water Act (P.L. 93-523; 88 Stat. 1660; P.L. 96-190; 91 Stat. 1393; P.L. 104-182; 110 Stat. 1613), as amended in 1996.

"*Source of Repayment*" means the "source of repayment" set forth in this Loan Agreement as defined in Exhibit D.

"*State*" means the State of Arizona.

"*System*" means the "System" as defined in Section 2.2 of the Loan Agreement.

"Tax-Exempt Obligation" means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150 of the Code, and includes any obligation or any investment treated as a "tax-exempt bond" for the applicable purpose of Section 148 of the Code

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

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

Section 8.2 **Rules of Interpretation.** For all purposes of this Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) Words of one gender include the corresponding words of other genders; words of neuter include both genders; and words in the singular include words in the plural and vice versa.
- (b) Words indicating persons, parties, or entities (and the like) include firms, associations, partnerships (including limited partnerships), limited liability companies (and the like), corporations, trusts and other legal entities, including public and governmental bodies, as well as natural persons.
- (c) References to a statute refer to the statute, as amended, and any successor statute, and to all regulations promulgated under or implementing the statute or successor statute, as in effect at the relevant time.
- (d) References to a governmental or quasi-governmental entity or representatives thereof also refer to an entity that succeeds to the functions of the governmental or quasi-governmental entity and representatives thereof.
- (e) Headings preceding sections of text and any table of contents are solely for convenience of reference and are not part of this Loan Agreement and are not to affect its meaning, interpretation or effect.
- (f) Actions permitted under this Loan Agreement may be taken at any time and from time to time in the actor's sole discretion.
- (g) The word "including" means "including, but not limited to" and the word "include" means "include, among others."
- (h) The terms "hereby," "hereof," "herein," and "hereunder" (and the like) refer to this Loan Agreement.
- (i) Indications of time of day mean local time in Phoenix, Arizona.
- (j) This Loan Agreement shall be governed by and construed in accordance with the applicable law of the State of Arizona, except for its conflict of law rules and except as preempted by federal.

### **Article 9 List of Federal Laws and Authorities**

By Section 5.4 and Section 5.5 of Exhibit B to the Loan Agreement, the Local Borrower agrees that the Project will comply with applicable provisions of the following federal laws and authorities:

Environmental:

1. Archaeological and Historical Preservation Act of 1974, PL 93291.
2. Clean Air Act, 42 U.S.C. 7506(c).
3. Clean Water Act, Titles II, IV, and V, Pub. L. 92-500, as amended.

4. Coastal Barrier Resources Act, Pub. L. 97-348.
5. Coastal Zone Management Act, Pub. L. 92-583, as amended.
6. Endangered Species Act 16 U.S.C. 1531, et seq.
7. Executive Order 11593, Protection and Enhancement of the Cultural Environment.
8. Executive Order 11988, Floodplain Management.
9. Executive Order 11990, Protection of Wetlands.
10. Farmland Protection Policy Act, 7 U.S.C. 4201 et seq.
11. Fish and Wildlife Coordination Act, PL 85-624, as amended.
12. Magnuson-Stevens Fishery Conservation and Management Act, Pub L. 94-265
13. National Historic Preservation Act of 1966, PL 89-665, as amended.
14. Safe Drinking Water Act, section 1424(e), PL 92-523, as amended.
15. Wild and Scenic Rivers Act, PL 90-542, as amended.
16. Environmental Justice, Executive Order 12898.

Economic:

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

Social Legislation:

1. Age Discrimination Act, PL 94-135.
2. Civil Rights Act of 1964, PL 88-352, Title VI.
3. Executive Order H 246, Equal Employment Opportunity.
4. Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements .
5. Rehabilitation Act of 1973, PL 93, 112 (including Executive Order 11914 and 11250).
6. Section 13 of PL 92-500; Prohibition against sex discrimination under the Federal Water Pollution Control Act.
7. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
8. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.

Miscellaneous Authority:

1. Anti-Lobbying Provision (40 CFR Part 30) and New Restrictions on Lobbying, Section 319 of Pub. L. 101-121
2. Executive Order 12549 - Debarment and Suspension.
3. Uniform Relocation and Real Property Acquisition Policies Act of 1970, PL 91-646.

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**\$10,002,383**  
**PIMA COUNTY, ARIZONA**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**  
**SEWER REVENUE LOAN**  
**DATED OCTOBER 9, 2009**

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**GENERAL CERTIFICATE OF THE COUNTY**

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The undersigned, the Chairman and Clerk, respectively, of the Board of Supervisors of Pima County, Arizona (the "County"), acting for and on behalf of the County, do hereby certify as follows with respect to the Loan Agreement, dated October 9, 2009 (the "Loan Agreement"):

1. They are the duly appointed, qualified and acting Chairman and Clerk of the Board of Supervisors of the County and, as such, are familiar with the books, records and proceedings of the County and are charged with the responsibility on behalf of the County for the execution and delivery of the Loan Agreement.

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

<u>Document</u>	<u>Dated</u>	<u>Other Party(ies)</u>
Loan Agreement	October 9, 2009	Water Infrastructure Finance Authority of Arizona (the "Authority")
Agreement Regarding Fund Guaranties (the "Reserve Fund Guaranty Agreement")	October 9, 2009	The Bank of New York Mellon Trust Company, N.A., as paying agent

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

3. Since April 14, 2009 and through the date hereof the following persons have at all times been the duly qualified and acting Supervisors and incumbents of the County set forth opposite their respective names:

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

4. No authority or proceedings for the execution and delivery of the County Documents has been rescinded or superseded and no referendum or other petition to revoke or alter the authorization of the County Documents has been filed with or received by the County.

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

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

7. The execution and delivery of the County Documents and compliance with the provisions thereof do not and will not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under, any existing ordinance or resolution of the County, including without limitation any requirement of competitive bidding, any existing law, court or administrative regulation, decree, order or any agreement, indenture, mortgage, lease, sublease or other instrument to which the County is a party or by which it or any of its properties is bound.

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

9. The revenues of the sewer system of the County are not pledged or hypothecated in any manner other than to the payment of the Loan Agreement, the Loan Agreements, dated May 11, 2004, as amended, October 27, 2000, as amended, June 1, 1997 and February 1, 1996, respectively, and the Outstanding Bonds (as defined in the Sewer Bond Resolution).

[Signature page to follow]

Dated: October 9, 2009

PIMA COUNTY ARIZONA

By:   
Chair, Board of Supervisors

Attest:

  
Clerk, Board of Supervisors

[Signature page of General Certificate of the County]

**\$10,002,383**  
**PIMA COUNTY, ARIZONA**  
**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**  
**SEWER REVENUE LOAN**  
**DATED OCTOBER 9, 2009**

---

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

---

The undersigned serves as the Director of Finance and Risk Management of Pima County, Arizona (the "County"), acting for and on behalf of Pima County, Arizona (the "County"), for purposes of Resolution No. 1991-138, adopted by the Board of Supervisors of the County on June 18, 1991, as supplemented and amended (the "Sewer Revenue Bond Resolution"), and as such officer, I do hereby certify as follows with respect to the Loan Agreement, dated October 9, 2009 (the "2009 Loan Agreement") between the County and the Water Infrastructure Finance Authority of Arizona (the "Authority") (all capitalized terms used herein and not otherwise defined shall have the meaning assigned to such term in the Sewer Revenue Bond Resolution):

1. The Net Revenues for the completed Fiscal Year immediately preceding the execution and delivery of the 2009 Loan Amendment were at least \$31,000,000.00, which were at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after the execution and delivery of the 2009 Loan Amendment and the Loan Agreements, dated as of May 11, 2004, as amended, October 27, 2000, as amended, June 1, 1997 and February 1, 1996, respectively, between the County and the Authority and said Net Revenues were also sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, were sufficient to provide at least one hundred percent (100%) of the County's Policy Costs due and owing in such Fiscal Year.

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

3. The proceeds of the loan represented by the 2009 are to be used solely to make extensions, renewals, improvements, or replacements to the System.

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

Dated: October 9, 2009

PIMA COUNTY, ARIZONA

By:   
Thomas Burke  
Director of Finance and Risk Management

# Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona  
County of Pima      ss

*I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.*

*I further certify that the attached resolution entitled*

RESOLUTION NO. 1991- 138

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

(See attached copy)

*is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 18th day of June, 1991, 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 7th day of October, 2009.*

*Robin Brigade, Deputy  
Clerk*

RESOLUTION NO. 1991-138

has been amended and is

now

RESOLUTION NO. 1991-182

27

rev00005TC FHR:gmh 061791.5

RESOLUTION NO. 1991-138

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

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

TABLE OF CONTENTS  
RESOLUTION NO. 1991-138

Section	Heading	Page
1	Authority.....	4
2	Definitions; Interpretation.....	4
	A. Definitions.....	4
	B. Interpretation.....	14
3	Authorization of Bonds.....	15
4	Terms of Bonds.....	15
5	Redemption Prior to Maturity.....	17
6	Bond Execution.....	19
7	Source of Payment and Pledge of Revenues.....	19
8	Bond Forms.....	19
9	Rate Covenant.....	19
10	Creation of Funds; Application of Revenues....	19
11	Covenant Regarding the System.....	24
12	Remedies of Owners.....	26
13	Equality of Lien; Parity Bonds.....	26
14	Bond Proceeds.....	28
15	Resolution Incorporated Into the Bonds.....	28
16	Resolution Modification.....	29
17	Rights of Reserve Fund Guarantors; Rights of Bond Insurers.....	31
18	Method of Valuation; Frequency.....	32
19	Prior Redemption of Bonds Being Refunded.....	32
20	Defeasance.....	32
21	Bond Purchase Agreement Form; Authorization to Execute.....	33
22	Authorization of Certain Agreements.....	34

23	Approval of Official Statement.....	34
24	Federal Tax Law Covenants.....	34
25	Ratification of Actions.....	35
26	Separability.....	35
	Signatures.....	36

RESOLUTION NO. 1991-138

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2. Definitions; Interpretation.

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

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

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

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

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

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

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

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

"Bond Fund" shall mean the Bond Fund created pursuant to Section 10 hereof.

"Bond Insurer" shall mean an issuer of a Municipal Bond Insurance Policy pertaining to the Bonds or any part thereof.

"Bond Register" shall mean the registration books pertaining to the ownership and transfer of the Bonds maintained by the Bond Registrar on behalf of the County.

"Bond Registrar" shall mean The Valley National Bank of Arizona, or its successor as bond registrar.

"Bonds" shall mean the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, authorized to be issued herein and all Parity Bonds.

"Bond Year" shall mean initially the period from the date of the Series 1991 Bonds to July 1, 1992, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

"Book-Entry Bonds" shall mean, initially, all Series 1991 Bonds and such other series or portion of a series of Parity Bonds which are hereafter designated by the County as Book-Entry Bonds.

"Capital Appreciation Bonds" shall mean Parity Bonds whose interest component is compounded semiannually on stated dates until maturity or to a date on which such Capital Appreciation Bonds are converted to Bonds paying interest semiannually, if so permitted or required.

"Capitalized Reserve Account" shall mean the Capitalized Reserve Account created pursuant to Section 10 hereof.

"Chairman" means the Chairman of the Board.

"Clerk" shall mean the Clerk of the Board.

"Construction Fund" shall mean the Construction Fund created pursuant to Section 10 hereof.

"Contributed Reserve Account" shall mean the Contributed Reserve Account created pursuant to Section 10 hereof.

"County" shall mean Pima County, Arizona.

"Deficiency" shall mean the difference between (i) the total amount due on a principal or interest payment date for the Bonds and (ii) the amount that has been deposited in the Bond Fund for payment to the Owners (which amount shall not include payments made pursuant to a Municipal Bond Insurance Policy or a Reserve Fund Guaranty but shall include all moneys transferred from the Reserve Fund to the Bond Fund or available in the Reserve Fund for such transfer).

"Depository Trust Agreement" shall mean the agreement between the County and The Valley National Bank of Arizona, as Trustee, regarding the holding in trust of the securities purchased to secure payment of the Bonds Being Refunded and other matters.

"Direct Participant" or "DTC Participant" shall mean any broker-dealer, bank or other financial institution for which the DTC holds Book-Entry Bonds from time to time as a securities depository.

"Drawdown" shall mean any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

"Drawdown Date" shall mean the date on which the Paying Agent makes a Drawdown.

"DTC" shall mean the Depository Trust Company, the depository for the Book-Entry Bonds.

"Finance Director" shall mean the Pima County Finance Director.

"Fiscal Year" shall mean the twelve month period beginning each July 1 and ending on June 30th of the next succeeding year.

"Government Obligations" shall mean (i) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, (ii) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury; and (iii) pre-refunded municipal obligations meeting the following criteria:

- (a) the municipal obligations may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;
- (b) the municipal obligations are secured by cash or securities described in subparagraphs (i) and (ii) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal and premium payments of such municipal obligations;
- (c) the principal of and interest on the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;
- (d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and
- (e) the Defeasance Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

"Indirect Participant" shall mean any financial institution for whom any Direct Participant holds an interest in a Book-Entry Bond.

"Maximum Annual Debt Service" shall mean, at the time of computation, the greatest scheduled Bond principal and interest requirements occurring in the then-current, or any subsequent, Bond Year on all Bonds Outstanding; when computing Maximum Annual Debt Service, Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate and Bonds subject to mandatory redemption shall be treated as maturing on their respective mandatory redemption dates and not at their stated maturity date and interest shall be deemed to cease on Bonds subject to mandatory redemption at the scheduled mandatory redemption dates.

"Municipal Bond Insurance Policy" shall mean any Municipal Bond Insurance Policy insuring the payment of the principal of and interest on all or any part of the Bonds according to their terms.

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

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

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

(a) Bonds theretofore cancelled or delivered for cancellation;

(b) Bonds that are deemed paid and no longer Outstanding as provided herein; and

(c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen, lost or mutilated, unless evidence satisfactory to the County Treasurer has been received that any such Bond is owned by a bona fide purchaser.

"Owner", except as provided in Section 17(B), shall mean any person who shall be the registered owner of any Bond or Bonds Outstanding (including, with respect to a Book-Entry Bond, DTC or a successor depository).

"Parity Bonds" shall mean any additional Bonds issued in accordance with Section 13 hereof.

"Paying Agent" shall mean The Valley National Bank of Arizona, or its successor as paying agent.

"Permitted Investments" shall mean, to the extent permitted by law:

1. Direct and general obligations of the United States of America, or obligations unconditionally guaranteed as to principal and interest by the same.

Also permitted are evidences of ownership of proportionate interests in future interest and principal payments of the above United States obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a Bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

2. Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

- (a) Federal Home Loan Bank System;
- (b) Export-Import Bank of the United States;
- (c) Federal Financing Bank;
- (d) Government National Mortgage Association;
- (e) Farmers Home Administration;
- (f) Federal Home Loan Mortgage Company;
- (g) Federal Housing Administration;
- (h) Private Export Funding Corporation;
- (i) Federal National Mortgage Association; and
- (j) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury.

3. Pre-refunded municipal obligations meeting the following conditions:

- (a) the bonds are not to be callable prior to maturity or the trustee has been given irrevocable instructions concerning their calling and redemption;
- (b) the bonds are secured by cash or Permitted Investments described in No. 1 (the "United States Obligations") which may be applied only to interest, principal, and premium payments of such bonds;
- (c) the principal of and interest on the United States Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the bonds;
- (d) the United States Obligations serving as security for the bonds are held by an escrow agent or trustee; and

(e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

4. Direct and general long-term obligations of any state on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service (hereinafter referred to as Moody's) or Standard and Poor's Corporation (hereinafter referred to as S&P) or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

5. Direct and general short term obligations of any state described in No. 4 above which are rated in the highest rating category by either Moody's or S&P or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in the highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

6. Interest bearing demand or time deposits issued by state banks, savings and loan associations or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation (FDIC). These deposits must be (a) continuously and fully insured by FDIC, (b) with banks that are rated at least P-1 by Moody's or at least A-1 by S&P, or (c) fully secured by direct and general obligations of the United States, or those which are unconditionally guaranteed as to principal and interest by the same. Such United States' securities must have a market value at all times at least equal to the principal amount of the deposits. The United States' securities must be held by the County or the Bond Registrar and Paying Agent (who shall not be the provider of the collateral), or any Federal Reserve Bank or Depository, as custodian for the institution issuing the deposits. The County or the Bond Registrar and Paying Agent should have a perfected first lien in the United States Obligations serving as collateral, and that collateral is to be free from all third party liens.

7. Long-term or medium-term corporate debt guaranteed by any corporation rated by Moody's and S&P in their two highest rating categories.

8. Repurchase agreements, the maturity of which are less than thirty (30) days, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation or with a dealer or parent holding company rated investment grade by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits. The repurchase agreement should be secured by direct and general obligations of the United States of America or those unconditionally guaranteed as to principal and interest by the same. The United States obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreement. The County or the Paying Agent (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral. The obligations serving as collateral must be free from all third party claims.

9. Prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's or at least "A-1" by S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

10. Interests in money market portfolios issued by state banks, trust companies, savings and loan associations, or national banking associations which are members of the FDIC. Such interest should be (a) fully insured by FDIC; or (b) secured by direct and general obligations of the United States or those guaranteed as to principal and interest by the same. The collateral obligations must have a market value, exclusive of accrued interest, at least equal to the principal amount of the interests in the money markets and should be held by a custodian.

11. Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

12. Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which has been rated in the highest rating categories by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits, or money market accounts of the Trustee or any state or federal bank which is rated at least P-1 by Moody's or at least A-1 by S&P or whose one bank holding company parent is rated at least A-1 by S&P or at least P-1 by Moody's; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in a comparable rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such entities, all to the extent not fully insured by FDIC having a combined capital and surplus of not less than \$50,000,000 at the time of any such deposit.

Any other provision of this definition of Permitted Investments to the contrary notwithstanding, from and after the execution of the initial Agreement, this definition shall be deemed amended to conform to the definition set forth in such Agreement.

"Policy Costs" shall mean the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown(s) pursuant to the terms of an Agreement including, without limitation, the amount of any Drawdown, such Reserve Fund Guarantor's expenses (including any legal expenses) and interest thereon at the Reimbursement Rate until paid.

"Purchasers" shall mean, with respect to the Series 1991 Bonds, Rauscher Pierce Refsnes, Inc., Dean Witter Reynolds, Inc., First Southwest Company, Peacock, Hislop, Staley & Given, Inc. and Piper Jaffray & Hopwood, Inc.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 10 hereof.

"Record Date" shall mean the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day).

"Reimbursement Fund" shall mean the Reimbursement Fund created pursuant to Section 10 hereof.

"Reimbursement Period" shall mean, with respect to any Drawdown, the period commencing on the Drawdown Date and ending on the first anniversary of a Drawdown Date.

"Reimbursement Rate" shall mean the respective rate of interest to be paid by the County to reimburse a Reserve Fund Guarantor after a Drawdown as set forth in the respective Agreement.

"Representation Letter" shall mean letters to, or agreements with, a depository for Book-Entry Bonds to effectuate a book entry system with respect to certain Bonds registered in the Bond Register under the nominee name of the depository.

"Reserve Fund" shall mean the Reserve Fund created pursuant to Section 10 hereof.

"Reserve Fund Guarantor" shall mean, with respect to any series of Bonds, the issuer of a surety bond, letter of credit or line of credit or insurance policy executed and delivered to the Paying Agent as a Reserve Fund Guaranty, to be issued by an entity experienced in insuring municipal bonds or extending lines of credit with respect to municipal bonds whose insurance policies, surety bonds, letters or lines of credit will not adversely affect the Bonds' then-current rating if then rated by Moody's Investors Service or by Standard & Poor's Corporation.

"Reserve Fund Guaranty" shall mean any surety bond, letter of credit or line of credit or insurance policy executed and delivered by a Reserve Fund Guarantor to the County or the Paying Agent for the County as a reserve fund guaranty for purposes of this resolution.

"Reserve Fund Value" shall mean the value of moneys and investments credited to the Reserve Fund determined in accordance with Section 18 hereof plus the aggregate penal sums of all Reserve Fund Guaranties.

"Reserve Requirement" shall mean, initially, an amount equal to Average Annual Debt Service on the Series 1991 Bonds, which amount shall be adjusted upon the issuance of Parity Bonds to equal Average Annual Debt Service immediately after such issuance or the maximum amount the Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code of 1986, as amended, or any comparable statutory provision limiting the amount of a reasonably required reserve and replacement fund.

"Revenue Fund" shall mean the Revenue Fund created pursuant to Section 10 hereof.

"Revenues" shall mean and include all income, moneys and receipts derived by the County from the ownership, use and operation including, without limitation, interest received on, and profits realized from the sale of, investments made with System moneys (excluding from such determination interest and profits retained in either the Construction Fund or the System Development Fund pursuant to Section 10B(8)) however, the term Revenues shall not include Bond proceeds or the interest received on any Bond proceeds placed irrevocably in trust to pay, or provide for the payment of, any Bond or Bonds Being Refunded or any amounts received which the County is contractually required to pay out as reimbursement for acquisition, construction or installation of System facilities.

"Series 1991 Bonds" shall mean the series of Bonds authorized to be issued pursuant to Section 3 hereof.

"State" shall mean the State of Arizona.

"System" shall mean the County's entire sewer system, all sewer properties of every nature hereafter owned by the County and all acquisitions, improvements and extensions added thereto by the County while any Bonds remain Outstanding, including all real and personal property of every nature comprising part of, or used or useful in connection with, the County's sewer system, and including all appurtenances, contracts, leases, franchises, and other intangibles.

"System Development Fund" shall mean the system development fund created pursuant to Section 10 hereof.

"Variable Rate Obligations" shall mean any Parity Bonds which may, in the future, bear interest at rates which cannot be determined with specificity on their original issue date.

B. Interpretation.

1. Any reference herein to the County, its Board or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

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

3. Section headings and the table of contents hereof are solely for convenience and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

4. The words "hereof" or "herein" shall refer to this resolution.

5. All accounting reports or statements required by this resolution shall be presented in accordance with generally accepted governmental accounting principles at the date of the report or statement.

Section 3. Authorization of Bonds.

A. To advance refund the Bonds Being Refunded, there are hereby authorized to be issued not to exceed \$60,000,000 principal amount of Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991. The Bonds shall never be construed to be general obligations of the County within the meaning of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended, or to create a debt of the County within the Constitution and laws of the State.

B. The Bonds are special obligations of the County payable solely from and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions hereof. Subject to Section 10(B) hereof, Net Revenues are pledged as security for the payment of the principal and redemption price of, and interest on the Bonds in accordance with their terms and the provisions hereof. All Net Revenues shall be immediately subject to the pledge of this resolution without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere herein to issue Parity Bonds nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged hereunder.

Section 4. Terms of Bonds. The Series 1991 Bonds shall be dated either the first or the 15th day of the month in which the Series 1991 Bond Purchase Agreement is executed, at the option of the Chairman, shall be numbered from 1 consecutively upwards, shall be fully registered Bonds without coupons, shall be in the denomination of \$5,000 or any integral multiple thereof, shall bear interest at a rate or rates not exceeding eight and one-half percent (8-1/2%) per

annum from the most recent January 1 or July 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date, which interest shall be payable on January 1, 1992, and semiannually thereafter on July 1 and January 1 of each year during the term of each Bond. The principal of the Bonds shall be payable at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, as Paying Agent. Interest on the Bonds shall be payable by check mailed to the Owner thereof, as shown on the Bond Register at the address appearing therein at the close of business on the Record Date. Additionally, payment may also be made by wire transfer to DTC or upon two (2) days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any Owner of Bonds (other than DTC) owning an aggregate principal amount of at least \$1,000,000. No document of any nature whatsoever need be surrendered as a condition to payment of principal of and interest on Book-Entry Bonds.

All Series 1991 Bonds will be registered so as to participate in a book-entry system with DTC (the "DTC Program"). Either the Chairman or the Finance Director is authorized to execute a Representation Letter or such other documents as may be necessary for the County to participate in the DTC Program. Upon initial issuance, the ownership of the Bonds held by DTC shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto, as nominee for DTC. The County shall have no responsibility or obligation to Direct or Indirect Participants or Beneficial Owners for which DTC holds Bonds from time to time as a depository. Without limiting the immediately preceding sentence, the County shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Direct or Indirect Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Direct or Indirect Participant or any person, other than a registered Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, or (c) the payment to any Direct or Indirect Participant or any other person, other than a registered Owner as shown in the Bond Register, of any amount with respect to the Bonds. No person other than an Owner as shown in the Bond Register shall receive a certificate evidencing a Bond or confirming ownership of a Book-Entry Bond.

The Series 1991 Bonds shall mature on July 1 of each year. The Series 1991 Bonds shall mature in such amounts in any of the years 1992 to 2015 as shall be acceptable to the Purchasers and accepted by the Chairman. No Series 1991 Bonds may mature later than July 1, 2015. The Series 1991 Bonds may be sold at a price which is below par, but the difference between the price for which the Series 1991 Bonds are sold and

their par value, (exclusive of accrued interest) shall not be greater than 2 1/2 % of such par value.

The terms of Bonds included in any series of Parity Bonds shall be set forth in the resolution authorizing such Parity Bonds.

The Valley National Bank of Arizona is hereby appointed as the Bond Registrar and the Paying Agent. The Bond Registrar shall maintain the Bond Register for registration of ownership of each Bond. A Bond may be transferred on the Bond Register upon its delivery to the Bond Registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by such Bond's Owner or the Owner's attorney-in-fact or legal representative, containing written instructions as to the details of its transfer. Transfers shall not be effective until entered on the Bond Register.

In all cases upon the transfer of a Bond, the Bond Registrar will enter the transfer of ownership on the Bond Register and will authenticate and deliver in the transferee or transferee's name a new fully registered Bond or Bonds in denominations of \$5,000 or any integral multiple thereof (no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the Owner is entitled to receive. The County or the Bond Registrar will charge the Owner for every such transfer an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or governmental charge be paid before any such new Bond or Bonds shall be delivered.

The Bond Registrar shall keep the Bond Register showing the Bonds' Owners and all ownership transfers. Bonds presented to the Bond Registrar for transfer after the close of business on the Record Date and before the close of business on the next subsequent interest payment date will be registered in the transferee's name but the related interest payment will be made to the Owners shown on the Bond Register at the close of business on the Record Date.

The Bond Registrar may but need not register the transfer of a Bond which has been selected for redemption and need not register the transfer of any Bond for a period of fifteen (15) days before the selection of Bonds to be redeemed; if the transfer of any Bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the Bond or Bonds.

Section 5. Redemption Prior to Maturity. On behalf of the County, the Chairman is authorized to agree to such provisions for redemption of the Series 1991 Bonds prior to maturity as he deems in the best interests of the County, and is authorized to include such prior redemption terms in the form of Series 1991 Bonds and to cause the Series 1991 Bonds to include such terms. The prior redemption features may include both optional and mandatory redemptions.

The Series 1991 Bonds shall be redeemed only in integral multiples of \$5,000. If less than all Outstanding Series 1991 Bonds of a single maturity are to be redeemed, the Bonds in that maturity to be redeemed shall be selected by lot in such manner as the Bond Registrar may determine.

Not more than sixty (60) nor less than thirty (30) days before any prior redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to each Reserve Fund Guarantor and to the Owner of each Bond to be redeemed at the address shown on the Bond Register. Failure to mail notice to any Owner shall not affect the validity of the proceeding for the redemption with respect to other Owners.

On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date, and, if moneys for payment of the redemption price and accrued interest are held in separate accounts by the Paying Agent, interest on such Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest and such Bonds shall be deemed paid and no longer Outstanding.

The County may redeem an amount which is included in a Bond in the denomination in excess of, but divisible by, \$5,000. In that event, the Owner shall submit the Bond for partial redemption and the Paying Agent shall make such partial payment and the Bond Registrar shall cause to be issued a new Bond in a principal amount which reflects the redemption so made to be authenticated and delivered to the Owner thereof.

Whenever Bonds which are subject to mandatory redemption are purchased, redeemed (other than pursuant to mandatory redemption) or are delivered by the County to the Paying Agent for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited against any

mandatory redemption requirements for the respective series of Bonds so purchased, redeemed or cancelled of the same maturity for such years as the County may direct.

The prior redemption terms for any Parity Bond series shall be as set forth in the resolution authorizing the issuance of such series of Bonds.

Section 6. Bond Execution. The Bonds shall be executed for the County by the Chairman and shall be attested by the Clerk by their manual or facsimile signatures and by imprinting thereon the corporate seal of the County, and such officials are authorized and directed to execute the Bonds as aforesaid.

Section 7. Source of Payment and Pledge of Revenues. The Bonds shall be payable solely from the Net Revenues. The Bonds shall be equally and ratably secured by a pledge thereof and lien thereon without priority one over the other.

Section 8. Bond Forms.

A. The Bonds shall be in substantially the form attached hereto as Exhibit A allowing those executing the Bonds to make insertions and deletions necessary to conform the Bonds to this resolution and the Offer.

B. The form of Bonds pertaining to Parity Bonds shall be determined by the County. The County shall cause the Bond forms applicable to any series of Parity Bonds to conform as nearly as practicable to the Bond form set forth in Exhibit A. Parity Bonds may be in the form of fixed interest rate obligations, Capital Appreciation Bonds or Variable Rate Obligations or any combination thereof.

Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates).

Section 10. Creation of Funds; Application of Revenues.

A. Upon the Series 1991 Bonds' issuance, the County Treasurer shall create the following special funds and accounts to be held in trust for the Owners, Reserve Fund Guarantors or the County, as the case may be, and expended as herein provided:

1. The Pima County Sewer Revenue Bond Revenue Fund (the "Revenue Fund").

2. The Pima County Sewer Revenue Bond Operation and Maintenance Fund (the "Operation and Maintenance Fund").

3. The Pima County Sewer Revenue Bond Principal and Interest Fund (the "Bond Fund").

4. The Pima County Sewer Revenue Bond Reserve Fund Guarantor Reimbursement Fund (the "Reimbursement Fund").

5. The Pima County Sewer Revenue Bond Reserve Fund (the "Reserve Fund"), which fund also shall contain separate accounts to be known as the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Pima County Sewer Revenue Bond Rebate Fund (the "Rebate Fund").

7. The Pima County Sewer Revenue Bonds System Development Fund (the "System Development Fund").

8. The Pima County Revenue Bond Sewer Construction Fund (the "Construction Fund").

B. While any Bonds are Outstanding and unpaid either as to principal or interest, the entire Revenues shall be held in the County Treasurer's custody in the Revenue Fund. The Revenue Fund shall be disbursed only for the purposes herein authorized and only in the following order of priority:

1. Operation and Maintenance Fund. First, to the Operation and Maintenance Fund, on or before the tenth (10th) day of each month, an amount which, together with any money already on deposit in said Fund, will be sufficient to pay Operating Expenses for said month. Money in the Operation and Maintenance Fund shall be used only to pay Operating Expenses. The County may accumulate in the Operation and Maintenance Fund equitable allowances for accruals and accumulations to cover periodic Operating Expenses, including such items as insurance premiums and expenditures for

renewals, replacements and repairs normally classified as Operating Expenses. Where items such as insurance, gasoline and electrical energy are purchased by the County at large, it may allocate to the System only its share of such expenditure, which allocation shall not be contestable except for fraud or willful misconduct by the County.

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August 10, 1991, through December 10, 1991, one-fifth (1/5), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August 10, 1991, through June 10, 1992, one-eleventh (1/11), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

3. Reimbursement Fund. Third, if a Drawdown shall have occurred, there shall be deposited to the Reimbursement Fund to pay Policy Costs commencing the tenth (10th) day of the first month following a Drawdown and each month thereafter for the next succeeding eleven (11) months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs or all Policy Costs with respect to such Drawdown have been paid, an amount equal to at least one-twelfth (1/12) of the aggregate Policy Costs related to the Drawdown. Moneys in the Reimbursement Fund shall be used only to pay Reserve Fund Guarantors for Policy Costs.

Policy Costs owing to a Reserve Fund Guarantor shall be paid from the Reimbursement Fund in twelve (12) equal monthly installments commencing the tenth day of the first month following a Drawdown; provided, however, that if moneys are available in the System Development Fund the Finance

Director may elect to transfer moneys to the Reimbursement Fund and then direct that any such Policy Costs be paid at an earlier date or dates. Policy Costs with respect to any Drawdown which occurs against more than one Reserve Fund Guaranty shall be reimbursed on a pro rata basis (calculated by reference to the maximum amounts available for such reimbursement).

If the County fails to repay any Policy Costs, the Reserve Fund Guarantor or Guarantors shall be entitled to exercise all remedies available to the Owners at law or under this resolution or to any Reserve Fund Guarantor under any Agreement other than (i) acceleration of the maturity of the Bonds or (ii) any other remedies which would adversely affect the Owners' rights.

All Reserve Fund Guaranties shall be held by the Paying Agent acting as fiduciary for the Owners. All Reserve Fund Guaranties shall by their terms expire no earlier than the final maturity date of the respective series for which said Reserve Fund Guaranty applies.

4. Reserve Fund. Fourth, on or before the tenth (10th) day of each month to the Reserve Fund any amounts required to be deposited to the Reserve Fund in accordance with Section 13(A)(4)(ii) if applicable, or one-twelfth (1/12) of the amount required to restore the Reserve Fund to the Reserve Requirement after a Reserve Fund withdrawal.

If, on any principal or interest payment date, a Deficiency exists, then:

- (a) If there are investments or cash in the Reserve Fund, such investment shall be liquidated and the cash and investment proceeds transferred to the Bond Fund; and
- (b) If the Deficiency is not cured after any transfers pursuant to subparagraph (a) above, then the Paying Agent shall deliver a Drawdown request to each Reserve Fund Guarantor. All Drawdowns and Reserve Fund proceeds shall be applied solely to pay the interest on, and principal of, the Bonds then due.

All money so taken from the Reserve Fund to pay such principal and interest shall be replaced therein from the first moneys in the Revenue Fund thereafter received which are not required for current transfers into the Operation and Maintenance, Bond or Reimbursement Funds pursuant to subparagraphs (1), (2) and (3) of this Subsection.

The Reserve Fund shall contain two accounts, the Contributed Reserve Account and the Capitalized Reserve Account. The two accounts are created to segregate Reserve Fund moneys and investments to provide a means of tracking such deposits and investment income thereon for arbitrage rebate purposes. All Reserve Fund deposits made from Net Revenues or other available moneys of the County shall be deposited to the Contributed Reserve Account. All Bond proceeds deposited to the Reserve Fund shall be deposited in the Capitalized Reserve Account. Any proceedings hereinafter taken with respect to Parity Bonds may specify the amount to be deposited to either Account, so long as the minimum amount required by this resolution to be deposited to the Reserve Fund shall be so deposited. All Reserve Fund Guaranties shall be deemed deposited to, and a part of, the Capitalized Reserve Account.

If, after a Reserve Fund withdrawal, the Reserve Requirement exceeds the Reserve Fund Value, unless otherwise provided herein, such deficiency shall be made up over a twelve (12) month period by deposit of twelve (12) substantially equal payments to the Contributed Account of the Reserve Fund.

5. Rebate Fund. Fifth, to the Rebate Fund the balance remaining in the Revenue Fund until the amount in the Rebate Fund equals the amount to be deposited in the Rebate Fund for arbitrage rebate purposes during such Bond Year as determined by the Finance Director.

6. System Development Fund. Sixth, any moneys in the Revenue Fund exceeding the amounts necessary to be placed in the Operation and Maintenance Fund, the Bond Fund, the Reimbursement Fund, the Reserve Fund and the Rebate Fund shall be deposited in the System Development Fund. After all payments have been made in any month, moneys in the System Development Fund may be used (without priority): (1) for System extensions and betterments; (2) for unbudgeted maintenance and operation expenses; (3) for the redemption of Bonds then subject to optional redemption prior to maturity or to purchase from time to time in the open market any Outstanding Bonds as the Finance Director deems proper; (4) to pay general obligation bonds issued by the County for acquisition of the System or for construction of additions or improvements to the System; (5) to make loans to the County to be used for any lawful County purpose under equitable terms prescribed by the Board; or (6) used for any lawful System purpose.

7. The money in the Revenue Fund shall be allotted and paid into the various Funds hereinbefore established in the order in which said Funds are listed and if in any month the money in the Revenue Fund is insufficient to

make the required deposits to any Fund, the insufficiency shall be made up in the following month or months after payment into all Funds enjoying a prior claim to the Revenues has been met in full.

8. Money on deposit in the Revenue Fund, the Operation and Maintenance Fund, the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund may be invested and reinvested by the County in Permitted Investments. All income derived from such investments shall be regarded as System Revenues and shall be deposited in the Revenue Fund. Such investments shall be liquidated as needed and the proceeds applied to the purpose for which the respective fund or account was created. Moneys in the Construction and System Development Funds may be invested in any investment which the County is permitted by law from time to time to make. At the option of the Finance Director, income derived from investments of moneys in either the Construction or System Development Funds shall be deposited to either the Revenue Fund or retained in the respective Fund.

Section 11. Covenants Regarding the System. The County covenants and agrees with each Owner that it will:

A. Permit no free sewer services to be furnished to any consumer or user;

B. Maintain the System in good condition and operate the same in an efficient manner and at reasonable cost;

C. Maintain insurance on all System properties (which may be in the form of or include an adequately-funded program of self-insurance) of the type and with the coverage normally carried by municipalities or private companies engaged in a similar business. System self-insurance may be maintained either separately or in connection with any County-wide self-insurance program; provided, that (i) any such program is in writing and has been adopted by the Board and (ii) an independent insurance or actuarial consultant appointed by the County annually reviews and certifies to the County in writing that any such program is adequate and actuarially sound. The proceeds of any such insurance, except public liability insurance, received by the County shall be pledged as security for the Bonds until used to replace the System parts damaged or destroyed, or if not so used, shall be placed in the Revenue Fund in addition to all other moneys required to be deposited therein;

D. Cause to be kept proper books and accounts adapted to the System, and cause the books and accounts to be audited after each Fiscal Year by a recognized independent

certified public accountant firm in accordance with generally accepted governmental accounting practices;

The County will furnish copies of such audits to any Reserve Fund Guarantor and to any Owner at their request, no later than one hundred eighty (180) days after the end of each Fiscal Year;

E. Faithfully and punctually perform all its duties concerning the System required by the Constitution and laws of the State of Arizona;

F. Not sell, lease, mortgage or in any manner dispose of the System or any part thereof, including any extensions and additions that may be added thereto, until all Bonds and any County obligations under any Agreement have been paid or provided for in full. This covenant shall not be construed to prevent the disposition of property which the County determines to be inexpedient for use in connection with the System. All proceeds from such disposition shall be deposited in the Revenue Fund;

G. Prior to each Fiscal Year, prepare and adopt a budget showing the estimated Revenues and Operating Expenses for System operation and maintenance for the ensuing Fiscal Year, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any Owner upon request;

H. To the extent allowed by law, discontinue the service to any premises for which the owner or occupant shall be delinquent in the payment of System charges for a period beyond the period allowed by County policy from time to time, not resume the service until all delinquent charges, with interest and penalties, shall have been paid, and do all things and exercise all remedies legally available to assure the prompt payment of System charges;

I. Duly pay and discharge, from time to time, or cause to be paid and discharged, all taxes, assessments or other governmental charges, if any, lawfully imposed upon the System, or upon any Revenues when the same shall become due, as well as any lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon the System, or upon any Revenues, or which might impair the security of the Bonds and subject to the provisions hereof, will duly observe and conform to all valid governmental requirements pertaining to the System and to all covenants, terms and conditions hereof;

J. Deposit the net proceeds realized by the County from any eminent domain proceeding concerning the System in the Revenue Fund;

K. To the extent allowed by law, refuse to grant any franchise or permits for any competing sewer system operation in the County. This covenant shall not prohibit the County from entering into "privatization" contracts, agreements or other similar arrangements with private parties.

L. Not cause or permit the moneys in the Bond Fund, the Reimbursement Fund, the Reserve Fund or the Construction Fund to be invested in any investments except Permitted Investments.

M. Not violate the terms of any Agreement and will give all notices and perform all acts and abide by all promises contained in such Agreement or Agreements.

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

Section 13. Equality of Lien; Parity Bonds. The Bonds shall each enjoy complete parity of lien on the Net Revenues despite the fact that any Bond may have been delivered before any other Bonds. The County will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the Net Revenues having priority over or parity with the Bonds herein authorized; provided, however, that additional Parity Bonds may be issued on a parity with the Bonds herein authorized under the following conditions, but not otherwise:

A. Parity Bonds may be issued on a parity with the Bonds herein authorized only if all the following conditions are met:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt

Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

2. The payments required to be made into the various Funds provided in Section 10 hereof must be current at the time of issuance of the Parity Bonds;

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

4. The Reserve Fund Value shall be increased with respect to such Parity Bonds, at the Board's option, by: (i) the immediate deposit of Parity Bond proceeds or available moneys of the County to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty to the Paying Agent, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after issuance of such Parity Bonds; or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10th

day of each month such that the Reserve Fund Value will equal or exceed the increased Reserve Requirement not later than the expiration of five years following the initial delivery of such Parity Bonds; or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the increase in the Reserve Requirement resulting from the issuance of such Bonds.

B. Any provision of this Section 13 to the contrary notwithstanding, one series of Parity Bonds having an aggregate principal amount of not to exceed \$7,000,000 may be issued prior to January 1, 1992, subject only to the conditions set forth in subparagraphs 2 through 4 of subsection A of this Section 13 but without regard to any requirements set forth in subparagraph 1 of subsection A.

#### Section 14. Bond Proceeds.

A. From the Series 1991 Bond proceeds, all accrued interest shall be deposited in the Bond Fund. All Series 1991 Bond proceeds not retained in the Bond Fund shall be delivered to the Trustee and shall be invested or expended by the Trustee as directed in the Depository Trust Agreement. The proceeds so invested or cash held by the Trustee, shall be held in trust by The Valley National Bank of Arizona, as the trustee (the "Trustee"), under the Depository Trust Agreement. After all the Bonds Being Refunded shall have become due and payable through maturity or redemption prior to maturity, any moneys or investments remaining under the Depository Trust Agreement over and above the amount necessary to be retained to pay any Bonds Being Refunded not yet presented shall be returned to the County and deposited in the Bond Fund.

B. Upon delivery of the Series 1991 Bonds, the Treasurer is ordered and directed to transfer from the reserve funds pertaining to the Bonds Being Refunded to the Construction Fund herein created all moneys and investments in such reserve funds, except amounts required by the Depository Trust Agreement to be transferred to the Trustee. All moneys so deposited to the Construction Fund shall be expended for the purposes for which the Bonds Being Refunded were originally issued.

C. All moneys deposited to the Construction Fund from the proceeds of Parity Bonds shall be held and expended solely for the purposes for which such Parity Bonds were issued.

Section 15. Resolution Incorporated Into the Bonds. The provisions of this resolution are deemed incorporated into the Bonds themselves and no change, variation or alteration of any kind in the provisions hereof shall be made in any manner, except as provided in the following Section and Section 17 hereof, until all Outstanding Bonds and interest due thereon have been paid in full or fully provided for.

Section 16. Resolution Modification.

A. Without the consent of or notice to any of the Owners, the County may modify this resolution for one or more of the following purposes:

(1) To cure any ambiguity or formal defect or omissions herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein.

(2) To grant or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(3) To secure additional Revenues for the System or provide additional security or reserves for the payment of the Bonds;

(4) To comply with the requirements of any federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(5) To permit, preserve or continue (in the event of a change in federal income tax laws (the "Code") which requires a Supplement hereto in order to continue such exclusion) the exclusion of the interest income borne on the Bonds from gross income as defined by the Code or the exemption from State income taxes and to preserve the power of the County to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized hereby) the interest income on which is likewise excluded from gross income as defined by the Code for federal income tax purposes and exempt from State income taxes;

(6) To conform the definition of Permitted Investments to the definition set forth in the initial Agreement;

(7) To vest in any Reserve Fund Guarantor the rights same rights afforded herein to any Owner or to any other Reserve Fund Guarantor;

(8) To provide such remedies and assurances as may be necessary to induce Reserve Fund Guarantors to issue Reserve Fund Guaranties or to induce Bond Insurers to issue Municipal Bond Insurance Policies with respect to the Bonds, and to conform this Resolution to the Initial Agreement.

B. Except as provided in Subsection A of this Section 16, the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding (not including in any case any Bonds that may then be held or owned by or for the County) shall have the right from time to time to consent to and approve the adoption by the Board of a resolution or resolutions modifying or amending any terms or provisions contained herein; provided, however, that this resolution may not be so modified or amended in any manner which:

1. Changes the maturity of any Outstanding Bond.
2. Changes the interest rate on any Outstanding Bond.
3. Reduces the principal or redemption premium payable on any Bond.
4. Modifies the principal, interest or redemption premium payment terms on any Bond or imposes any adverse conditions on such payments.
5. Adversely affects the rights of the Owners of less than all Bonds then Outstanding.

Whenever the County shall propose to amend or modify this resolution, it shall cause notice of the proposed amendment to be mailed by first class mail, postage prepaid to each Owner. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file with the Clerk for public inspection.

If, within one (1) year from said mailing, there shall be filed with the Clerk an instrument or instruments executed by the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding referring to the proposed amendatory resolution described in said notice and specifically consenting to and approving its adoption, the Board may adopt such amendatory resolution and such resolution shall become effective.

If the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding at the time of the adoption of such amendment, or the predecessors in title of such Owners, shall have consented to the adoption thereof as herein provided, no Owner shall have any right or interest to object to such amendment's adoption or to object to any terms or provisions therein contained or to the operation thereof or to enjoin or restrain the County or the Board from taking any action pursuant thereto.

Any consent given by the Owner shall be irrevocable for six (6) months from the mailing date above provided for and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked after such six (6) months' period by the Owners who gave such consent or by a successor in title by filing a notice of revocation with the Clerk but such revocation shall not be effective if the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding have, prior to the attempted revocation, consented to and approved such amendment.

The fact and date of any consent or revocation's execution may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to acknowledge deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Bonds held by any person executing such instrument and the date of such person's holding the same may be proved by a certificate executed by the Bond Registrar showing that on the date therein mentioned such person was shown as the Owner of the Bonds on the Bond Register.

Section 17. Rights of Reserve Fund Guarantors;  
Rights of Bond Insurers.

A. If any Bond's principal or interest shall be paid by a Reserve Fund Guarantor, (i) the pledge of the Net Revenues and all of the County's covenants, agreements and other obligations to the Owner hereunder shall continue to exist and such Reserve Fund Guarantor shall be fully subrogated to all of such Owner's rights in accordance with the respective Agreement.

B. For all purposes hereunder, the County may treat the consent of any Bond Insurer as the consent of the Owners of any Bonds then insured by such Insurer, if such Bond Insurer's insurance is then in effect and if the credit of said Insurer is then such that Bonds insured by it are rated, because of such insurance, in one of the two highest grades of municipal securities by one of the two most widely recognized rating agencies then rating municipal bond credits.

Section 18. Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value. With respect to all Funds and Accounts, valuation shall occur annually and immediately upon a withdrawal from the Reserve Fund.

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

<u>Name of Series</u>	<u>Prior Redemption Date</u>
Series 1984	July 1, 1994
Refunding Series 1985	July 1, 1993
Project of 1985	July 1, 1995
Project of 1986	July 1, 1995
Series of 1988	July 1, 1997

Bonds of any of the above-mentioned series maturing on or before the prior redemption date will be paid in the normal manner.

Section 20. Defeasance. Payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or Government Obligations, or both. The moneys and the maturing principal and interest income on such Government Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent certified public accountant, a firm of such accountants or an actuary, or firm of actuaries, or other experts in the field who shall calculate the sufficiency of the subject moneys and Government Obligations to pay when due the principal or redemption price of and interest on such Bonds. The moneys and Government Obligations shall be held by a trustee irrevocably in trust for the Owners of such Bonds solely for the purpose of paying the principal or redemption price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities, if applicable.

If payment of Bonds is so provided for, the Trustee shall mail a notice so stating to each Owner of a Bond so provided for.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the County in respect of such Bonds shall nevertheless continue but the Owners thereof shall thereafter be entitled to payment only from the moneys or Government Obligations deposited with the trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with the provision for payment of such Bond, the interest payable on any Bond is thereby made subject to federal income taxes. The trustee and the County may rely upon an opinion of a nationally recognized bond counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this Section will not be breached by so providing for the payment of any Bonds.

Section 21. Bond Purchase Agreement Form; Authorization to Execute. A Bond Purchase Agreement substantially in the form attached hereto and marked Exhibit E is approved and the Chairman is authorized to execute such Bond Purchase Agreement, and Clerk to attest, and to cause such Bond Purchase Agreement to be delivered to the Purchasers upon receiving and approving the Offer. The Bond Purchase Agreement, when so executed and delivered, shall evidence the County's agreement to sell the Series 1991 Bonds to the Purchasers in accordance therewith.

The County Treasurer is authorized and directed to cause the Series 1991 Bonds to be authenticated by the Bond Registrar and to be delivered to or upon the Purchaser's order upon payment therefor and satisfaction of all conditions for delivery thereof in accordance with the terms hereof and of the Bond Purchase Agreement.

Section 22. Authorization of Certain Agreements.

A. For and on behalf of the County, the Chairman, the Treasurer and the Clerk (as applicable) are authorized and directed to execute, attest and deliver the following agreements:

1. The Depository Trust Agreement (see Exhibit B hereto) and
2. The Bond Registrar and Paying Agent Agreement (see Exhibit C hereto),

each in substantially the form attached hereto with such changes as may be approved by such officials whose signatures thereon shall be conclusive evidence of such approval.

B. The Chairman is authorized to execute and deliver an Agreement pertaining to the Series 1991 Bonds between the County and the initial Reserve Fund Guarantor.

Section 23. Approval of Official Statement. The use and distribution of the Preliminary Official Statement pertaining to the original issuance of the Series 1991 Bonds in the form now on file with the Clerk is approved and is "deemed final" (except for permitted omissions) by the County as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1). Either the Chairman or the Finance Director is authorized on behalf of the County and in such person's official capacity, to complete the Official Statement relating to the Series 1991 Bonds with such modifications, changes and supplements as may be necessary to conform the Official Statement to the terms set forth in the Series 1991 Bond Purchase Agreement. Such officers shall approve or authorize and certify, or otherwise represent, that such official statement is the final official statement for the Series 1991 Bonds for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(3) and (4).

The Chairman is further authorized to use and distribute, or authorize the use and distribution of, the final official statement and supplements thereto in connection with the original issuance and sale of the Series 1991 Bonds as may in the Chairman's judgment be necessary or appropriate.

The Chairman and the Clerk are also authorized to sign and deliver, on behalf of the County, and in their official capacities, such certificates in connection with the accuracy of the final official statement and any amendment thereto as may, in their judgment, be necessary or appropriate.

Section 24. Federal Tax Law Covenants. In consideration of the purchase and acceptance of the Bonds by the Owners and, as authorized by Arizona Revised Statutes, Title 35, Chapter 3, Article 7, and in consideration of retaining the exclusion of interest income on the Bonds from gross income for federal income tax purposes, the County covenants with the Owners neither to take nor fail to take any action which action or failure to act is within its power and authority and which would result in the interest income on the Bonds becoming includable in gross income for federal income tax purposes under either laws existing on the date of issuance of the Bonds or such laws as they may be modified or amended.

The County agrees that it will comply with such requirement(s) and will take any such action(s) as in the opinion of a nationally recognized bond counsel ("Bond Counsel") are necessary to prevent interest income on the Bonds becoming includable in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained herein; to pay to the United States of America any required amounts representing rebates of investment income relating to the Bonds; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with proceeds of the Bonds; and limiting the use of Bond proceeds.

To determine which Series 1991 Bonds are issued for advance refunding purposes and which are issued for prior redemption of the Series 1980 Bonds, the Finance Director is authorized and directed to allocate the various maturities of the Series 1991 Bonds to the Bonds Being Refunded. Such allocation shall be deemed binding upon the County and this Board. Such allocation shall be set forth in the County's no arbitrage statement executed and delivered with respect to the Series 1991 Bonds.

Section 25. Ratification of Actions. All actions of the officers and agents of the County that conform to the purposes and intent of this resolution and which further the issuance and sale of the Bonds as contemplated by this resolution, whether heretofore or hereafter taken, shall be

and are ratified, confirmed and approved. The proper officers and agents of the County are authorized and directed to do all such acts and things and to execute and deliver all such documents for the County as may be necessary to carry out the terms and intent hereof.

Section 26. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Adopted and approved this 18th day of June, 1991.

Reg Morrison  
Chairman, Board of Supervisors

ATTEST:

Jane S Williams  
Clerk, Board of Supervisors

APPROVED AS TO FORM:

Frank [Signature]  
Bond Counsel

CERTIFICATION

I hereby certify that the foregoing Resolution No. 1991-138 was duly passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on June 18, 1991, and the vote was 4 aye's and 1 nay's and that the Supervisors were present thereat.

Jane S Williams  
Clerk, Board of Supervisors of  
Pima County, Arizona

EXHIBIT A TO BOND RESOLUTION

(Face of Bond)

PIMA COUNTY, ARIZONA  
SEWER REVENUE REFUNDING BOND  
SERIES 1991

Number:

Denomination:

Interest

Original

Rate :

Maturity Date:

Issue Date:

CUSIP:

Registered Owner:

Principal Amount:

PIMA COUNTY, ARIZONA, for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain bonds of the series of which this bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth on the reverse of this bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 1992 and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a year comprised of 360 days consisting of twelve (12) months having thirty (30) days each.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest will be paid by check payable in such money payable to the order of and mailed to the registered owner at the address shown on the registration books maintained by the registrar at the close of business on the record date as explained on the reverse hereof. Additionally, payment may also be made by wire transfer to DTC or to any Owner of Bonds (other than DTC) in an aggregate principal amount of at least \$1,000,000 upon two (2) days' prior written request delivered to the Paying Agent by such Owner specifying a wire transfer address in the continental United States. The principal and any premium will be paid when due to the registered owner upon surrender of

this bond for payment at the designated office of the paying agent, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona; provided, however, that no such surrender shall be required if this bond is participating in the book-entry system pursuant to the resolution mentioned in the reverse hereof.

See the reverse side of this bond for additional provisions.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this bond exist, have occurred and have been performed.

The County has caused this bond to be executed by the Chairman of its Board of Supervisors and attested by its Clerk, which signatures may be facsimile signatures. This bond is not valid or binding upon the County without the manually affixed signature of an authorized representative of the registrar.

PIMA COUNTY, ARIZONA

(Facsimile)  
Chairman

ATTEST:

(Facsimile)  
Clerk

(SEAL)

DATE OF AUTHENTICATION AND REGISTRATION: \_\_\_\_\_

AUTHENTICATION CERTIFICATE

This bond is one of the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, described in Resolution No. 1991-\_\_\_ mentioned on the reverse hereof.

THE VALLEY NATIONAL BANK OF ARIZONA,  
as Registrar

By \_\_\_\_\_  
Authorized Representative  
-----

(Form of Reverse Side of Bond)

This bond is one of a series of bonds in the aggregate principal amount of \$\_\_\_\_\_ of like date, tenor and effect except as to amount, rate of interest, number and maturity date, issued pursuant to the Constitution and laws of the State of Arizona and Resolution No. 1991-\_\_\_\_ adopted by the Board of Supervisors of Pima County on \_\_\_\_\_, 1991 (the "Bond Resolution"), for the purpose of providing funds with which to advance refund all of the County's outstanding sewer revenue bonds and to pay all legal, financial consultant, engineering and other necessary costs in connection therewith.

This bond and the series of which it is a part are payable as to both principal and interest from and secured by a prior and paramount lien and pledge of the revenues, proceeds and receipts to be derived by the County from the operation of the County's sewer system (the "System"), subject only to the payment of the reasonable and necessary cost of operating and maintaining the System and any payments with respect to prior lien bonds. For purposes of this bond the term "prior lien bond" shall refer to: (i) Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980, (ii) Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984, (iii) Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985, (iv) Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986, (v) Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986), dated October 1, 1986, and (vi) Pima County, Arizona, Sewer Revenue Bonds, Series of 1988, dated March 1, 1988; which were refunded by the series of which this bond is a part. Reference is made to the Bond Resolution for a more complete statement of the provisions made to secure payment hereof, the revenues from which and conditions under which this bond is payable, statements of the terms under which the Bond Resolution may be modified, and the general covenants and provisions pursuant to which this bond is issued. Said income and revenues are required by the Bond Resolution to be fully sufficient to pay the cost of operating and maintaining the System and to pay the principal of and interest on this Bond promptly as each becomes due and payable. The County has covenanted and does hereby covenant that it will fix and impose such rates and charges for the System's services and will collect and account for sufficient revenues to pay promptly the principal of and interest on this bond and all bonds on a parity with this bond. This bond and the interest hereon are enforceable exclusively from the revenues pledged thereto in the Bond Resolution and no holder hereof shall have the right to compel any exercise of the taxing power of the County to pay this bond or the interest hereon. This bond does not constitute an indebtedness or pledge of the County's general credit within

the meaning of any constitutional, charter or statutory provisions relating to the incurring of indebtedness.

Bonds maturing on or before July 1, 19\_\_, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 19\_\_, are subject to call for redemption prior to maturity, in whole at any time or in part, on July 1, 19\_\_, or on any interest payment date thereafter, at the option of the County, by the payment of a redemption price equal to the principal amount of each bond called for redemption plus accrued interest to the date fixed for redemption plus a premium payable from any source lawfully available therefor, the premium (calculated as a percentage of the principal amount of the bonds to be redeemed) to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__ and thereafter without premium.	

The bonds may be redeemed in any order of maturity designated by the County and only in integral multiples of \$5,000. If less than all of the bonds outstanding of a single maturity are to be redeemed, the bonds in that maturity to be redeemed shall be selected by lot in such manner as the registrar may determine.

Bonds of the series of which this bond is one maturing on July 1, \_\_\_\_ are subject to mandatory redemption, by lot to be selected by the Paying Agent at a redemption price of par and accrued interest to the date fixed for redemption, without premium on July 1 of the years and in the amounts as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
-------------	------------------------------

Notice of redemption of any bond will be mailed to the registered owner of the bond or bonds being redeemed at the address shown on the bond register maintained by the bond registrar, such mailing to be not more than sixty (60) nor less than thirty (30) days prior to the redemption date. Failure to properly give notice of redemption shall not affect the redemption of any bond for which notice was properly given.

The registrar or paying agent may be changed by the County without notice.

This bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the registrar, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona, upon surrender and cancellation of this bond, but only in the manner and subject to the limitation and upon payment of the charges provided in the Bond Resolution. Upon such transfer a new bond or bonds of the same aggregate principal amount, maturity and interest rate will be issued to the transferee in exchange. The registrar may require an owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes required by law. The County has chosen the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day) as the record date for this series of bonds. Should this bond be submitted to the registrar for transfer during the period commencing after the close of business on the record date and continuing to and including the next subsequent interest payment date, ownership will be transferred in the normal manner but the interest payment will be made payable to and mailed to the registered owner as shown on the registrar's books at the close of business on the record date.

The registrar may but need not register the transfer of a bond which has been selected for redemption and need not register the transfer of any bond for a period of fifteen (15) days before a selection of bonds to be redeemed; if the transfer of any bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the bond or bonds.

Bonds of this issue are issuable only in fully registered form in the denomination of \$5,000 each or integral multiples of \$5,000.

The County, the registrar and the paying agent may treat the registered owner of this bond as the absolute owner for the purpose of receiving principal, interest and any premium and for all other purposes and none of them shall be affected by any notice to the contrary.

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The following abbreviations, when used in the inscription on the face of this bond, shall be construed as

though they were written out in full according to applicable laws or regulations:

TEN COM-as tenants in common	UNIF GIFT/TRANS MIN ACT-
TEN ENT-as tenants by the	Custodian
entireties	(Cust)                      (Minor)
JT TEN-as joint tenants with	under Uniform Gifts/Transfers
right of survivorship	to Minors Act
and not as tenants	_____
in common	(State)

Additional abbreviations may also be used though not in list above

FORM OF ASSIGNMENT

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

\_\_\_\_\_  
(Name and Address of Transferee)  
the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated \_\_\_\_\_

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

Signature Guaranteed:

\_\_\_\_\_  
Commercial bank, trust company  
or member of a national securities  
exchange

EXHIBIT B TO BOND RESOLUTION

DEPOSITORY TRUST AGREEMENT

This Depository Trust Agreement, dated as of June 15, 1991 (the "Trust Agreement"), by and between Pima County, Arizona (the "County"), and The Valley National Bank of Arizona, a national banking association authorized to do trust business in the State of Arizona, as trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, the following Pima County Sewer Revenue Bonds have been issued and are outstanding:

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

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

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

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

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

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

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

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

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

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	350,000	8.25%
1993	375,000	8.25%
1994	400,000	8.25%
1995	425,000	8.25%
1996	450,000	6.70%
1997	475,000	6.40%
1998	525,000	6.60%
1999	550,000	6.70%
2000	600,000	6.80%
2001	650,000	6.90%
2002	700,000	6.90%
2003	750,000	7.00%

144

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

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

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

Such Bonds are hereinafter referred to as the "Bonds Being Refunded"; and

WHEREAS, certain of the Bonds Being Refunded will be redeemed prior to their maturity as hereinafter set forth; and

WHEREAS, the Board of Supervisors of the County, on June 18, 1991, adopted Resolution No. 1991-138 (the "Bond Resolution"), authorizing the issuance of not to exceed \$60,000,000 aggregate original principal amount Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991 (the "Refunding Bonds"), to provide funds to refund the Bonds Being Refunded; and

WHEREAS, the County will deposit a portion of the Refunding Bond proceeds with the Trustee to purchase certain obligations of the United States of America which, together with the initial cash deposit, will be used to pay the principal, interest and redemption premiums on the Bonds Being Refunded; and

WHEREAS, the Bond Resolution authorizes and directs the County to execute and deliver an irrevocable depository trust agreement for the safekeeping and handling of the moneys

and securities held in trust for the payment of the Bonds Being Refunded; and

WHEREAS, the Trustee agrees to accept and administer the trust created hereby;

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements hereinafter set forth it is hereby agreed as follows:

Section 1. The County herewith deposits with the Trustee for the account of the County from Refunding Bond proceeds and other moneys of the County the amount of \$ \_\_\_\_\_. From such deposit the Trustee shall pay the costs of issuance as shown on Exhibit D hereto.

Section 2. The Trustee shall hold the remaining moneys so deposited, all investments made with such moneys and all earnings from investment and reinvestment of such moneys and all other moneys received by the Trustee from the County hereunder as a special fund and separate trust account separate from all other funds and investments deposited with the Trustee (the "Trust Account").

Section 3. The Trust Account shall be immediately invested in obligations issued by or guaranteed by the United States of America ("Government Obligations") as follows: \$ \_\_\_\_\_ of the amount deposited with the Trustee from the Refunding Bond proceeds shall be applied to create a portfolio of Government Obligations as described in Exhibit A hereto (the unrestricted obligations); and \$ \_\_\_\_\_ shall be invested in the Government Obligations to create a portfolio of Governmental Obligations described in Exhibit B hereto;

Additionally, the sum of \$ \_\_\_\_\_ shall be held in trust by the Trustee as an initial cash balance.

The investment income from the Government Obligations shall be collected and received by the Trustee and credited to the Trust Account. The Trustee shall keep adequate records of such moneys, Government Obligations and investment earnings so as to permit the portfolio to be accounted for separately.

Section 4. The parties recognize that amounts credited to the Trust Account in the portfolio set forth in Exhibit B and the initial cash balance are, at the time of execution and delivery of this Agreement, subject to yield restrictions under the Internal Revenue Code of 1986, as amended (the "Code"), in order for the interest on the Refunding Bonds and the Bonds Being Refunded to be, and remain, excluded from gross income for purposes of federal income taxes. To comply with such currently applicable

restrictions, and subject to Section 5 hereof, the following provisions shall apply to reinvestment of amounts credited to the Trust Account:

(a) Amounts received as maturing principal of or interest on the Government Obligations credited to the portfolio prior to the date such amounts are to be used to pay principal of or interest or redemption premiums on the Bonds Being Refunded are to be reinvested only if specifically directed herein.

(b) Yields are to be calculated by means of an actuarial method of yield calculation whereby "yield" means that yield which when used in computing the present worth of all payments of principal and interest to be paid on the obligation produces an amount equal to the purchase price. The yield on investments must be computed by the use of semiannual interest compounding.

(c) The purchase price of an obligation used in determining its yield must be the market price of the obligation on an established market. This means that a premium may not be paid to adjust the yield and that a lower than market interest rate may not be accepted. At the time of execution and delivery of this Agreement, if an obligation cannot be purchased on an established market or a bona fide bid price cannot be established at a yield that does not exceed the yield restriction applicable to the moneys to be invested, investments are limited to United States Treasury Certificates of Indebtedness, Notes and Bonds--State and Local Government Series which yield no more than the restricted yield (which yield is \_\_\_\_\_ %).

(d) Notwithstanding the foregoing, any amounts held in the Trust Account may be invested in investments having any yield if the parties hereto receive an opinion in form and substance satisfactory to them of bond counsel experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds to the effect that such investment will not cause any of the Refunding Bonds or Bonds Being Refunded to become arbitrage bonds within the meaning of Section 148 of the Code, and will not otherwise cause the interest on the Refunding Bonds or Bonds Being Refunded to become included as gross income for purposes of calculating federal income taxes.

(e) Amounts received from reinvestment of maturing principal of and interest on Government Obligations prior to the date such amounts are to be used to make payments on the Bonds Being Refunded pursuant to this Section 4, to the extent not needed to provide for payments on the Bonds Being Refunded, may be withdrawn from the Trust Account and returned

to the County and applied for the benefit of the County in accordance with applicable law.

Section 5. The Trustee may sell or redeem investments held in the Trust Account in advance of their maturity dates and invest the proceeds of such sale or redemption or other moneys credited to the Trust Account in connection with such sale or redemption in Government Obligations only upon receipt of written instructions from the County Finance Director to do so, and receipt by the parties hereto of:

(a) An opinion in form and substance satisfactory to them of bond counsel experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds to the effect that such action will not cause the interest on the Bonds Being Refunded or the Refunding Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code, and will not adversely affect the right of the County to issue obligations the interest on which is excluded from gross income for federal income tax purposes; and

(b) A report from a nationally recognized accountant or firm of accountants verifying the accuracy of the arithmetic computations of the adequacy of the proceeds from the liquidation together with any other moneys and the maturing principal of and interest on any Government Obligations to be credited to the Trust Account in accordance with the County Finance Director's instructions, to pay, when due, the principal of and interest and any redemption premiums on the Bonds Being Refunded as the same become due at maturity or upon prior redemption.

Upon any such sale or redemption of investments and reinvestment any amounts not needed in the Trust Account to provide for payment of the Bonds Being Refunded, as shown by the accountant's report, may be withdrawn from the Trust Account and returned to the County Finance Director and applied for the benefit of the County in accordance with applicable law.

Section 6. Any moneys credited to the Trust Account which are not invested in Government Obligations as provided herein shall be held as a demand deposit and shall be secured as deposits of public moneys.

Section 7. The Trustee shall make timely payments from the Trust Account to the paying agent or agents for the Bonds Being Refunded in the amounts and on the dates sufficient to permit the payment when due of the principal of and interest and any redemption premiums on the Bonds Being Refunded as the same becomes due and payable.

Section 8. The Trustee shall cause notices of advance refunding of the Bonds Being Refunded in substantially the form of Exhibit C1 hereto to be mailed to the services listed on said notice. In addition, the Trustee shall cause notices in substantially the form set forth in Exhibits C2 through C7 to be published or mailed, as applicable, during the time periods set forth on each respective exhibit to the respective registered owners of the Bonds Being Refunded to be so redeemed.

Section 9. If at any time or times there are insufficient funds on hand in the Trust Account for the payment of the principal of and interest and redemption premiums on the Bonds Being Refunded as the same becomes due, or for the payment of the fees and expenses of the Trustee, the Trustee shall promptly notify the County of such deficiency and the County shall immediately pay such amount to the Trustee from the Net Revenues as defined in the Bond Resolution.

Section 10. On or before each August 15 and February 15 during the term hereof, the Trustee shall submit to the County a report covering all moneys it has received and all payments it has made pursuant hereto during the six-month period ending on the preceding July 1 and January 1 (except for the first report which will cover the period from the date on which the Refunding Bonds were issued to July 1, 1992). Each such report shall also list all investments and moneys on deposit with the Trustee hereunder at the end of the reporting period.

Section 11. For services hereunder the Trustee shall be entitled to the fees payable at the dates and in the amounts set forth in Exhibit E.

Section 12. When all amounts payable on the Bonds Being Refunded have become due and the Trustee has on deposit all moneys necessary for the payment of such amounts, and in any event on the business day preceding the date the last of the Bonds Being Refunded matures or is to be redeemed, the Trustee shall transfer all moneys and investments credited to the Trust Account and not needed to make payments on the Bonds Being Refunded to the County.

Section 13. The parties recognize that the owners of the Bonds Being Refunded have a beneficial vested interest in the moneys and investments held in trust hereunder and that the Refunding Bonds will be delivered to and accepted by the owners thereof in reliance upon the irrevocable character of the trust created hereby. It is therefore expressly recited, understood and agreed by the parties hereto that this agreement shall not be revoked, and shall not be amended in

any manner which may adversely affect the rights herein sought to be protected, until the provisions of this agreement have been fully carried out.

Section 14. The Trustee shall be under no obligation to inquire into or be otherwise responsible for the performance or nonperformance by the County of any of its obligations or to protect any of the rights of the County under any of the proceedings with respect to the Bonds Being Refunded or the Refunding Bonds. The Trustee shall not be liable for any act done, step taken or omitted by it, for any mistake of fact or law, or for anything which it may do or refrain from doing except for its negligence or its default in the performance of any obligation imposed upon it hereunder. The Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this agreement in compliance with the provisions hereof.

Section 15. The County and the Auditor General of the State of Arizona shall have the right to audit the books, records and accounts of the Trustee insofar as they pertain to the trust created hereunder.

Section 16. The Trustee is hereby authorized and directed to pay, solely from moneys deposited with the Trustee from proceeds of the Refunding Bonds or other moneys lawfully available, the costs and expenses of the issuance of the Refunding Bonds and of creating and implementing the trust created hereby as set forth in Exhibit D hereto. Amounts deposited with the Trustee for such purpose shall be held in a separate account and shall not constitute a part of the Trust Account created with respect to the Bonds Being Refunded.

Section 17. Neither this Agreement nor the Trust created hereunder may be assigned by the Trustee without the prior written consent of the County unless the Trustee is required by law to divest itself of its interest in its trust department or unless the Trustee sells or otherwise assigns all or substantially all of its trust business in which event the trust shall be continued by the Trustee's successor in interest.

Section 18. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have executed this Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains an

ambiguity which may be construed as either valid or invalid, the valid construction shall be adopted.

Section 19. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This Agreement expresses the entire understanding and all agreements of the parties hereto with each other with respect to the subject matter hereof and no party hereto has made or shall be bound by any agreement or any representation to any other party which is not expressly set forth in this Agreement.

Section 20. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute but one instrument.

Section 21. The County hereby gives notice to the Trustee that Section 38-511, Arizona Revised Statutes, as amended, provides that the County may within three years after execution hereof cancel this Agreement without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the County or any of its departments or agencies is at any time while this Agreement or any extension of this Agreement is in effect an employee or agent of the Trustee in any capacity or a consultant to the Trustee with respect to the subject matter hereof.

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

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Reg Morrison, Chairman, Board  
of Supervisors

By \_\_\_\_\_  
James Lee Kirk, County  
Treasurer

10/10/57

UNITED STATES DEPARTMENT OF

INTERNAL SECURITY

SECRET

EXHIBIT A TO DEPOSITORY TRUST AGREEMENT

UNRESTRICTED ACQUIRED OBLIGATIONS

Unrestricted Government Obligations to be acquired for  
\$ \_\_\_\_\_

<u>Purchase</u> <u>Date</u>	<u>Security</u> <u>Type</u>	<u>Principal</u>	<u>Coupon</u> <u>Rate</u>	<u>Price</u>	<u>Accrued</u> <u>Interest</u>	<u>Total Price</u>
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(1) U.S. Treasury Notes

Beginning Cash Balance \$ \_\_\_\_\_

EXHIBIT B TO DEPOSITORY TRUST AGREEMENT

RESTRICTED ACQUIRED OBLIGATIONS

Government Obligations to be acquired for \$ \_\_\_\_\_

<u>Maturity</u> <u>Date</u>	<u>Security</u> <u>Type</u>	<u>Principal</u>	<u>Coupon</u> <u>Rate</u>	<u>Price</u>	<u>Interest</u>	<u>Accrued</u> <u>Total Price</u>
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- (1) - U.S. Treasury Notes
- (2) - STRIP Bonds

State and Local Government Series

NOTE: REINVESTMENT INSTRUCTIONS HERE, IF APPLICABLE

EXHIBIT C1 TO DEPOSITORY TRUST AGREEMENT

NOTICE OF ADVANCE REFUNDING  
of the following obligations:

- PIMA COUNTY, ARIZONA, SEWER REVENUE BONDS, SERIES 1980
- PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, SERIES 1984
- PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1985
- PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, PROJECT OF 1985
- PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, PROJECT OF 1986, SERIES A (1986)
- PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, SERIES OF 1988

Such bonds are hereinafter referred to as the "Bonds Being Refunded".

Notice is hereby given that the Bonds Being Refunded have been refunded and that an irrevocable trust has been established to pay such bonds. Obligations issued by or guaranteed by the United States of America have been placed in such trust to secure payment of such bonds.

The following Bonds Being Refunded will be called for redemption prior to maturity at the following dates:

Pima County, Arizona Sewer Revenue Bonds, Series 1980

<u>Maturity Date (Feb. 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium (If any)</u>	<u>Total</u>
1992	Sep 1, 1991	\$ 445,000	2.5%	\$ 456,125
1993	Sep 1, 1991	480,000	2.5%	492,000
1994	Sep 1, 1991	515,000	2.5%	527,875
1995	Sep 1, 1991	555,000	2.5%	568,875
2010	Sep 1, 1991	16,345,000	2.5%	\$16,753,625

Pima County, Arizona Sewer Revenue Bonds, Series 1984

<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium (If any)</u>	<u>Total</u>
1995	July 1, 1994	\$ 300,000	3%	\$ 309,000
1996	July 1, 1994	300,000	3%	309,000
1997	July 1, 1994	325,000	3%	334,750
1998	July 1, 1994	325,000	3%	334,750
1999	July 1, 1994	1,300,000	3%	1,339,000
2000	July 1, 1994	1,425,000	3%	1,467,750
2001	July 1, 1994	1,575,000	3%	1,622,250
2002	July 1, 1994	1,750,000	3%	1,802,500

Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1985

<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium (If any)</u>	<u>Total</u>
1994	July 1, 1993	\$ 570,000	2%	\$581,400
1995	July 1, 1993	605,000	2%	617,100
1996	July 1, 1993	660,000	2%	673,200
1997	July 1, 1993	715,000	2%	729,300
1998	July 1, 1993	815,000	2%	831,300

Pima County, Arizona Sewer Revenue Bonds, Project of 1985

<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium (If any)</u>	<u>Total</u>
1996	July 1, 1995	\$ 475,000	0	\$ 475,000
1997	July 1, 1995	515,000	0	515,000
1998	July 1, 1995	560,000	0	560,000
1999	July 1, 1995	610,000	0	610,000
2000	July 1, 1995	665,000	0	665,000
2001	July 1, 1995	720,000	0	720,000
2002	July 1, 1995	785,000	0	785,000
2003	July 1, 1995	850,000	0	850,000
2004	July 1, 1995	925,000	0	925,000
2005	July 1, 1995	1,005,000	0	1,005,000

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

<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium (If any)</u>	<u>Total</u>
1996	July 1, 1995	\$ 450,000	1%	\$454,500
1997	July 1, 1995	475,000	1%	479,750
1998	July 1, 1995	525,000	1%	530,250
1999	July 1, 1995	550,000	1%	555,500
2000	July 1, 1995	600,000	1%	606,000
2001	July 1, 1995	650,000	1%	656,500
2002	July 1, 1995	700,000	1%	707,000
2003	July 1, 1995	750,000	1%	757,500
2004	July 1, 1995	800,000	1%	808,000
2005	July 1, 1995	875,000	1%	883,750
2006	July 1, 1995	925,000	1%	934,250

Pima County, Arizona, Sewer Revenue Bonds, Series of 1988

<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium (If any)</u>	<u>Total</u>
1998	July 1, 1997	\$ 435,000	1%	\$439,350
1999	July 1, 1997	470,000	1%	474,700
2000	July 1, 1997	505,000	1%	510,050
2001	July 1, 1997	540,000	1%	545,400
2002	July 1, 1997	585,000	1%	590,850
2003	July 1, 1997	630,000	1%	636,300
2004	July 1, 1997	680,000	1%	686,800
2005	July 1, 1997	735,000	1%	742,350
2006	July 1, 1997	795,000	1%	802,950
2007	July 1, 1997	860,000	1%	868,600
2008	July 1, 1997	930,000	1%	939,300

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Finance Director

Municipal calls:

The Depository Trust Company  
711 Stewart Avenue  
Garden City, NY 11530

Midwest Securities Trust Company  
Capital Structures-Call Notification  
440 South LaSalle Street  
Chicago, IL 60605

Registered bond calls:

Pacific Securities Depository  
Trust Company  
Pacific and Company  
Post Office Box 7041  
San Francisco, CA 94120

Bearer bond calls:

Pacific Securities Depository  
Trust Company  
Post Office Box 7042  
San Francisco, CA 94120

Philadelphia Depository Trust Company  
Reorganization Division  
1900 Market Street  
Philadelphia, PA 19103

and to:

Financial Information, Inc.'s  
Financial Daily Called Bond Service  
Post Office Box 473  
Jersey City, NJ 07303

Kenny Information Service's  
Called Bond Service  
55 Broad Street  
New York, NY 10004

Moody's Municipal and Government  
99 Church Street  
New York, NY 10007

EXHIBIT C2

NOTICE OF PRIOR REDEMPTION  
of the following obligations:

PIMA COUNTY, ARIZONA  
SEWER REVENUE BONDS  
SERIES 1980

Maturing on February 1 in the following years:  
1992 to 1995 and 2010

Notice is hereby given that all of the above-referenced bonds now outstanding have been called for redemption prior to their stated maturity dates and will be redeemed on September 1, 1991.

Owners of the above-described bonds called for redemption are notified to present the same to the Pima County Treasurer, 115 North Church, Tucson, Arizona 85701, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. All bonds must be surrendered with all interest coupons maturing subsequent to the redemption date (except that no coupons need be surrendered on bonds registered as to both principal and interest). The Redemption Price for each bond to be redeemed prior to maturity shall be accrued interest to the prior redemption date, plus the premium set forth below (calculated as a percentage of the bonds principal amount, plus the principal amount thereof. From and after September 1, 1991, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

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

<u>Cusip No.</u>	<u>Maturity Date (Feb. 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium</u>	<u>Total Redemption Price</u>
	1992	Sep 1, 1991	445,000	2.5%	\$ 456,125
	1993	Sep 1, 1991	480,000	2.5%	492,000
	1994	Sep 1, 1991	515,000	2.5%	527,875
	1995	Sep 1, 1991	555,000	2.5%	568,875
	2010	Sep 1, 1991	16,345,000	2.5%	16,753,625

The following is not part of the mailed notice.

Notice of redemption is to be published in a newspaper of general circulation in the County and a financial

newspaper or financial journal, published in the City of New York, New York. Publication must be at least 30 days but not more than 60 days prior to the redemption date. The Clerk of the Board of Supervisors of the County is required to give written notice to the owners of any registered bond.

EXHIBIT C3

NOTICE OF PRIOR REDEMPTION  
of the following obligations:

PIMA COUNTY, ARIZONA  
SEWER REVENUE BONDS  
SERIES 1984

Maturing on July 1, in the following years:  
1995 to 2002

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1994.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. The Redemption Price for each Bond to be redeemed prior to maturity shall be accrued interest to the prior redemption date, plus the premium set forth below (calculated as a percentage of the Bonds principal amount, plus the principal amount thereof. From and after July 1, 1994, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Finance Director

<u>Cusip No.</u>	<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium</u>	<u>Total</u>
	1995	July 1, 1994	300,000	3%	\$ 309,000
	1996	July 1, 1994	300,000	3%	309,000
	1997	July 1, 1994	325,000	3%	334,750
	1998	July 1, 1994	325,000	3%	334,750
	1999	July 1, 1994	1,300,000	3%	1,339,000
	2000	July 1, 1994	1,425,000	3%	1,467,750
	2001	July 1, 1994	1,575,000	3%	1,622,250
	2002	July 1, 1994	1,750,000	3%	1,802,500

The following is not part of the mailed notice.

Notice of the intended redemption shall be published to the extent required by applicable law and sent by first-class mail to the address of each registered owner of a Bond,

as shown on the registration books kept by the Registrar, said notice to be mailed at least 30 days but not more than 60 days prior to the redemption date. The notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the numbers and dates of maturity of the bonds to be redeemed; provided, however, that whenever any call includes all of the bonds of a maturity, the numbers of such maturity need not be stated; (d) require that such bonds be surrendered at the office of the Registrar; and (e) give notice that further interest on such bonds will not accrue after the designated redemption date. Copies of such notice shall also be mailed to the original purchasers of the bonds.

EXHIBIT C4

NOTICE OF PRIOR REDEMPTION  
of the following obligations:

PIMA COUNTY, ARIZONA  
SEWER REVENUE REFUNDING BONDS  
SERIES 1985

Maturing on July 1, in the following years:  
1994 to 1998

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1993.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1993, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Finance Director

<u>Cusip No.</u>	<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium</u>	<u>Total</u>
	1994	July 1, 1993	570,000	2%	\$ 581,400
	1995	July 1, 1993	605,000	2%	617,100
	1996	July 1, 1993	660,000	2%	673,200
	1997	July 1, 1993	715,000	2%	729,300
	1998	July 1, 1993	815,000	2%	831,300

The following is not part of the mailed notice.

Not more than 30 nor less than 15 days before any redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Series 1985 Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Series 1985 Bonds shall not affect the validity of the proceedings for the redemption of Series 1985 Bonds with respect to other owners of Series 1985 Bonds.

EXHIBIT C5

NOTICE OF PRIOR REDEMPTION  
of the following obligations:

PIMA COUNTY, ARIZONA  
SEWER REVENUE BONDS  
PROJECT OF 1985

Maturing on July 1, in the following years:  
1996 to 2005

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1995.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1995, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Finance Director

<u>Cusip No.</u>	<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium</u>	<u>Total</u>
	1996	July 1, 1995	475,000	0	\$ 475,000
	1997	July 1, 1995	515,000	0	515,000
	1998	July 1, 1995	560,000	0	560,000
	1999	July 1, 1995	610,000	0	610,000
	2000	July 1, 1995	665,000	0	665,000
	2001	July 1, 1995	720,000	0	720,000
	2002	July 1, 1995	785,000	0	785,000
	2003	July 1, 1995	850,000	0	850,000
	2004	July 1, 1995	925,000	0	925,000
	2005	July 1, 1995	1,005,000	0	1,005,000

The following is not part of the mailed notice.

Not more than 30 nor less than 15 days before any redemption date the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Bonds shall not affect the validity of the proceedings for the redemption of Bonds with respect to other owners of Bonds.

164

EXHIBIT C6

NOTICE OF PRIOR REDEMPTION  
of the following obligations:

PIMA COUNTY, ARIZONA  
SEWER REVENUE BONDS  
PROJECT OF 1986, SERIES A (1986)

Maturing on July 1, in the following years:  
1996 to 2006

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1995.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1995, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Finance Director

<u>Cusip No.</u>	<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium</u>	<u>Total</u>
	1996	July 1, 1995	450,000	1%	\$ 454,500
	1997	July 1, 1995	475,000	1%	479,750
	1998	July 1, 1995	525,000	1%	530,250
	1999	July 1, 1995	550,000	1%	555,500
	2000	July 1, 1995	600,000	1%	606,000
	2001	July 1, 1995	650,000	1%	656,500
	2002	July 1, 1995	700,000	1%	707,000
	2003	July 1, 1995	750,000	1%	757,500
	2004	July 1, 1995	800,000	1%	808,000
	2005	July 1, 1995	875,000	1%	883,750
	2006	July 1, 1995	925,000	1%	934,250

The following is not part of the mailed notice.

Not more than sixty (60) nor less than thirty (30) days before any redemption date the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Bonds shall not affect the validity of the proceedings for the redemption of Bonds with respect to other owners of Bonds for which notice was properly given.

EXHIBIT C7

NOTICE OF PRIOR REDEMPTION  
of the following obligations:

PIMA COUNTY, ARIZONA  
SEWER REVENUE BONDS  
SERIES OF 1988

Maturing on July 1, in the following years:  
1998 to 2008

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1997.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1997, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Finance Director

<u>Cusip No.</u>	<u>Maturity Date (July 1)</u>	<u>Prior Redemption Date</u>	<u>Principal Called</u>	<u>Premium</u>	<u>Total</u>
1998	July 1, 1997	July 1, 1997	435,000	1%	\$439,350
1999	July 1, 1997	July 1, 1997	470,000	1%	474,700
2000	July 1, 1997	July 1, 1997	505,000	1%	510,050
2001	July 1, 1997	July 1, 1997	540,000	1%	545,400
2002	July 1, 1997	July 1, 1997	585,000	1%	590,850
2003	July 1, 1997	July 1, 1997	630,000	1%	636,300
2004	July 1, 1997	July 1, 1997	680,000	1%	686,800
2005	July 1, 1997	July 1, 1997	735,000	1%	742,350
2006	July 1, 1997	July 1, 1997	795,000	1%	802,950
2007	July 1, 1997	July 1, 1997	860,000	1%	868,600
2008	July 1, 1997	July 1, 1997	930,000	1%	939,300

The following is not part of the mailed notice.

Not more than sixty (60) nor less than thirty (30) days before any redemption date the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Bonds shall not affect the validity of the proceedings for the redemption of Bonds with respect to other owners of Bonds for which notice was properly given.

EXHIBIT D TO DEPOSITORY TRUST AGREEMENT

EXPENSES

The following expenses are to be paid by the Trustee from \$ \_\_\_\_\_ deposited with the Trustee for that purpose:

<u>Item</u>	<u>Estimated Cost</u>
Bond Counsel	
Verification Fee of Independent Accountants	\$ _____
Ratings	_____
(Moody's \$ _____)	_____
(S&P \$ _____)	_____
Underwriter's Counsel	
Auditors' review fee	_____
Bond printing	_____
Trustee Fees	_____
Printing and Distribution of Official Statements	_____
Publication of Prior Redemption Notices	_____
Mailing of Prior Redemption Notices	_____
Miscellaneous	_____
Total Estimated Expenses of Issuance	\$ _____

EXHIBIT C TO BOND RESOLUTION

COUNTY FEDERAL TAXPAYER I.D. NO. \_\_\_\_\_  
COUNTY STATE TAXPAYER I.D. NO. \_\_\_\_\_

BOND REGISTRAR, TRANSFER AND PAYING AGENT CONTRACT FOR BONDS  
OF PIMA COUNTY, ARIZONA

This Agreement, made and entered into between the PIMA COUNTY, ARIZONA (hereinafter called "County"), and THE VALLEY NATIONAL BANK OF ARIZONA, PHOENIX, ARIZONA (hereinafter called "Bank").

The County will issue its Sewer Revenue Refunding Bonds, Series 1991 in the original aggregate principal amount of \$\_\_\_\_\_ (hereinafter called "Bonds"). The Board of Supervisors (the "Board") of the County has determined that the services of a Registrar, Transfer and Paying Agent are necessary and in the best interests of County.

Bank desires to perform the Registrar, Transfer and Paying Agent Services during the life of Bonds.

For and in consideration of the mutual promises, covenants, conditions and agreements hereinafter set forth, the parties agree as follows:

1. Services. Bank hereby agrees to provide the following services:

A. Registrar services which shall include, but not be limited to (1) initial authentication and verification of Bonds; (2) keeping a Bond Register in a manner sufficient to comply with Section 149 of the Internal Revenue Code of 1986, as amended (the "Code"); (3) recording transfers of ownership of Bonds promptly as such transfers occur; (4) protecting against double or overissuance; (5) authenticating new Bonds prepared for issuance to transferees of original purchasers; (6) informing County of the need for additional printings of the Bonds should the forms printed prior to initial delivery prove inadequate; and (7) lodging with County the signatures of the persons authorized from time to time to authenticate the Bonds.

B. Transfer agent services which shall include, but not be limited to, (1) receiving and verifying all Bonds tendered for transfer; (2) preparing new Bonds for delivery to transferees and delivering same either by delivery or by mail, as the case may be; (3) destroying Bonds submitted

for transfer; and (4) providing proper information for recordation in the Bond Register.

C. Paying agent services which shall include, but not be limited to, (1) providing a billing to County at least thirty (30) days prior to a Bond principal and interest payment date setting forth the amount of principal and interest due on such date; (2) preparing, executing and mailing proper interest payment checks to each registered owner of Bonds one business day prior to the scheduled payment date or as soon as money for payment of such interest has been transferred to the paying agent; (3) verifying all matured Bonds upon their surrender; (4) paying all principal and all final interest installments at maturity or prior redemption and premiums, if any, due upon Bonds as they are properly surrendered therefor to Bank; (5) preparing a semiannual reconciliation showing all principal and interest paid during the period and providing copies thereof to County and the Arizona Department of Revenue; (6) inventorying all checks, or making and retaining microfiche proof of such checks for six years (or such longer period if advised by County or the law firm of Gust, Rosenfeld & Henderson that a longer period is required by Arizona Law); and (7) making proof of such payments available to the County or any owner or former owner.

2. Record Date. The Record Date for the payment of interest will be the fifteenth day of the month preceding an interest payment date. Normal transfer activities will continue after the Record Date but interest payments will be mailed or wired, as the case may be, to the registered owners of Bonds as shown on the books of Bank on the close of business on the Record Date.

3. Issuance and Transfer of Bonds. Bank will issue Bonds to registered owners, require Bonds to be surrendered and cancelled and new Bonds issued upon transfer, and maintain the Bond Register showing the names and addresses of the owners from time to time of Bonds. Bank shall promptly record in the Bond Register all changes in ownership of Bonds.

4. Payment Deposit. County will transfer immediately available funds to Bank no later than one (1) business day prior to the date on which the interest, principal and premium payments (if any) are due on Bonds. Bank hereby agrees that all moneys held by it as paying agent shall be held in trust for the benefit of the owners of the Bonds. Bank shall not be responsible for payments to owners from any source other than moneys transferred to it by the County.

5. Collateral. Bank shall collateralize the funds on deposit at Bank in accordance with A.R.S. §§ 35-323 and 35-491. Where the collateral is not transferred by Bank to the County Treasurer but is held by Bank, Bank shall provide the

County Treasurer with a safekeeping receipt issued by its trust department which shall show on its face that it is issued for the account of the County Treasurer.

6. Turnaround Time. Bank will comply with the 72-hour turnaround time required by Securities and Exchange Commission Rule 17(A)(d)-(2) on routine transfer items.

7. Fee Schedule; Initial Fee. For its services under this Agreement, the County shall pay the Bank in accordance with the fee schedule set forth in the attached Appendix A, which is incorporated herein by reference. The initial fee for the Bank's services hereunder until the end of the County's current fiscal year is due at the initial delivery of Bonds and will be payable from proceeds of Bonds. Subsequent payments shall be made solely from the Revenues of the County's Sewer System and not from any general revenues of the County.

8. Facility and Services. If requested by County, Bank will provide a facility for the examination and packaging of Bonds prior to Bond closing and assist with all details of Bond closing, including transfer of Bond proceeds. Bank will cause its authorized representative to execute the authentication on the face of the Bonds at least one day prior to actual closing. With the approval of County and upon payment of any added costs and giving of such indemnification as Bank shall reasonably require, custody of the Bonds may be given to the initial purchaser at least one day prior to closing.

9. Hold Harmless. Bank shall indemnify and hold harmless County, its Board, Treasurer, Finance Director and all boards, commissions, officials, officers and employees of County, individually and collectively, from Bank's failure to perform to the standard of care required of Bank hereunder.

10. Standard of Care Required of Bank. In performing its duties hereunder, Bank shall exercise that care which a prudent person would exercise in dealing with his own property and funds.

11. Entire Agreement. This Agreement and Appendix A attached hereto contain the entire understanding of the parties with respect to the subject matter hereof, and no waiver, alteration or modification hereof, shall be binding unless in writing and signed by a duly authorized representative of all parties hereto.

12. Amendment/Termination. County reserves the right to terminate any service of Bank set forth in this Agreement or all of the services upon providing a sixty (60) day prior written notice.

13. Receipt. By execution of this agreement Bank hereby acknowledges receipt of (1) Resolution No. 1991-\_\_\_\_ authorizing the issuance of Bonds and the Bond Purchase Agreement for the purchase of the Bonds; (2) a signature certificate showing the actual signatures of the persons executing the Bonds and adopting as and for their signatures the signatures on the Bonds; (3) the County's Receipt acknowledging receipt of payment of the purchase price of the Bonds including any accrued interest or discount thereon; (4) the Bond Counsel opinion of Gust, Rosenfeld & Henderson; and (5) the debt service payment schedule.

14. Reports to Arizona Department of Revenue. Bank shall notify the Arizona Department of Revenue ("Department") pursuant to A.R.S. §§ 35-501 and 502, or successor statutes of the payment of principal on any Bonds and payment of interest thereon for each semiannual interest and bond retirement payment. Alternatively, Bank shall agree to provisions for the making of such reports acceptable to Bank, County and the Department. Copies of all reports shall be delivered to County.

15. Form of Records. The Bank's records shall be in such form as to be in compliance with standards as have been or may be issued from time to time by the Securities and Exchange Commission, the Municipal Securities Rulemaking Board of the United States, the requirements of the Code and any other applicable securities industry standard.

16. Advice of Counsel. When Bank deems it necessary or reasonable, it may apply to Gust, Rosenfeld & Henderson or such other law firm or attorney approved by County for instructions or advice. When consented to in writing by County, costs and expenses for such legal advice shall be paid by County.

17. Examination of Records. County, or its duly authorized agents may examine records relating to the Bonds at the office of Bank where such records are kept at reasonable times as agreed upon with Bank and such records shall be subject to audit from time to time at the request of County or Bank. On request, Bank will furnish County with a list of the names, addresses and other information concerning the owners of the Bonds or any of them.

18. Payment of Unclaimed Amounts. In the event any check representing payment of interest on the Bonds is returned to Bank without endorsement or is not submitted to Bank for payment, or any Bond is not presented for payment of principal or the final interest installment at the maturity or redemption date, if funds sufficient to pay such interest or principal due upon Bonds shall have been made available to Bank for the benefit of the owners thereof, it shall be the

duty of Bank to hold such funds, without liability for interest thereon, for the benefit of the owners of such Bonds who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to the amounts due. Bank's obligation to hold such funds shall continue for a period of two years and six months following the date on which such interest or principal became due, whether at maturity or at the date fixed for redemption thereof, or otherwise, at which time Bank shall surrender any remaining funds so held to County, whereupon any claim of whatever nature by the owners of such Bonds arising under the Bonds shall be made upon County.

19. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision.

20. Conflict of Interest. The County hereby gives notice to Bank that Section 38-511, Arizona Revised Statutes, as amended, provides that the County may within three years after execution hereof cancel this Agreement without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the County or any of its departments or agencies is at any time while this Agreement or any extension of this Agreement is in effect an employee or agent of Bank in any capacity or a consultant to Bank with respect to the subject matter hereof.

This Agreement is dated and effective as of June 15, 1991.

PIMA COUNTY, ARIZONA

By \_\_\_\_\_  
Chairman, Board of Supervisors

ATTEST:

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

\_\_\_\_\_  
By \_\_\_\_\_  
Authorized Officer

APPROVED AS TO FORM:

\_\_\_\_\_  
Bond Counsel

Attach as Appendix A the fee schedule of the Registrar.

# Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona  
County of Pima      ss

*I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.*

*I further certify that the attached resolution entitled*

RESOLUTION NO. 1991- 182

RESOLUTION AMENDING RESOLUTION NO. 1991-138 AND RATIFYING THE ADOPTION OF RESOLUTION NO. 1991-138 AS HEREIN AMENDED.

(See attached copy)

*is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 6th day of August, 1991, 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 7th day of October, 2009.*

*Robin Brigode, Deputy  
Clerk*

RESOLUTION NO. 1991-182

RESOLUTION AMENDING RESOLUTION NO. 1991-138 AND RATIFYING THE ADOPTION OF RESOLUTION NO. 1991-138 AS HEREIN AMENDED.

WHEREAS, the Board of Supervisors of Pima County, Arizona, has heretofore adopted its Resolution No. 1991-138 authorizing issuance of Pima County Sewer Revenue Refunding Bonds, Series 1991; and

WHEREAS, the County has now been presented with a commitment to purchase a reserve fund guaranty from Financial Guaranty Insurance Company ("FGIC"); and

WHEREAS, in order to purchase the reserve fund guaranty from FGIC, Resolution No. 1991-138 must be amended to conform as a condition to the issuance of a reserve fund guaranty by FGIC;

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

Resolution No. 1991-138 be amended to read as follows (fully capitalized words indicate new matter; strike throughs indicate deleted matter):

A. That Section 9 of Resolution No. 1991-138 be amended to read as follows:

Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) AND SAID RATES, FEES AND OTHER CHARGES SHALL ALSO BE ESTABLISHED AND MAINTAINED AT RATES SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR.

B. That Section 10B(2) be amended to read as follows:

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August SEPTEMBER 10, 1991, through December 10, 1991, ~~one-fifth (1/5)~~ ONE-FOURTH (1/4), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August SEPTEMBER 10, 1991, through June 10, 1992, ~~one-eleventh (1/11)~~ ONE-TENTH (1/10), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

C. That Section 12 be amended to read as follows:

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

FOR ALL PURPOSES OF SECTION 12, EXCEPT THE GIVING OF NOTICE OF DEFAULT TO BONDHOLDERS, THE BOND INSURER SHALL BE DEEMED TO BE THE SOLE HOLDER OF THE BONDS IT HAS INSURED FOR

SO LONG AS IT HAS NOT FAILED TO COMPLY WITH ITS PAYMENT OBLIGATIONS UNDER THE BOND INSURANCE POLICY.

D. That Section 13A(1) be amended to read as follows:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds AND SAID NET REVENUES MUST ALSO HAVE BEEN SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

E. That Section 16 of said Resolution No. 1991-138 be amended by adding a new Section C to read as follows:

C. ANY OTHER PROVISION OF THIS SECTION 16 TO THE CONTRARY NOTWITHSTANDING, NO AMENDMENT TO RESOLUTION NO. 1991-138 SHALL BECOME EFFECTIVE UNLESS AND UNTIL IT IS APPROVED BY ALL BOND INSURERS AND RESERVE FUND GUARANTORS APPLICABLE TO THE BONDS.

F. Section 18 of said Resolution No. 1991-138 is amended to read as follows:

Section 18. Method of Valuation; Frequency.

In computing the amount in any fund or account, Permitted Investments shall be valued at their market value EXCLUSIVE OF ACCRUED INTEREST. With respect to all Funds and Accounts, valuation shall occur annually ON THE FIRST BUSINESS DAY OF EACH BOND YEAR and immediately upon a withdrawal from the Reserve Fund.

F. Section 19 of said Resolution No. 1991-138 is amended to read as follows:

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 89 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

ROLL OF ROLL

ROLL OF ROLL

SCHOOL DISTRICT  
COUNTY OF ...  
CITY OF ...  
DISTRICT OF ...  
BOARD OF ...

...  
...  
...  
...  
...

None of any of the above mentioned districts shall have the right to place the proposed roll of ... in the name of ...

It is the order of the Board of Supervisors of ... that the roll of ... be ...

... approved this ... of ...

Approved by  
*[Signature]*  
... of ...

*[Signature]*  
...  
...

Approved by  
*[Signature]*  
...

...

It is the order of the Board of Supervisors of ... that the roll of ... be ...

*[Signature]*  
... of Supervisors of ...

**PIMA COUNTY  
SEWER REVENUE BONDS**

**2009  
AGREEMENT  
REGARDING  
RESERVE FUND GUARANTIES**

**DATED AS OF  
October 9, 2009**

**BY AND BETWEEN**

**PIMA COUNTY, ARIZONA**

**AND**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Paying Agent**

**THIS 2009 RESERVE FUND GUARANTY AGREEMENT**, dated as of October 9, 2009 by and between Pima County, Arizona (the "County") and The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"):

WITNESSETH

WHEREAS, the County has issued and has outstanding sewer revenue bonds (collectively, the "Outstanding Sewer Revenue Bonds"), pursuant to authority of Resolution No. 1991-138, as amended (the "Bond Resolution"), as follows: Sewer Improvement and Refunding Bonds, Series 1998; Sewer Revenue Refunding Bonds, Series 2001; Sewer Revenue Refunding Bonds, Series 2004; and Sewer Revenue Bonds, Series 2009; and

WHEREAS, the County has entered into agreements with the Water Infrastructure Finance Authority of Arizona (formerly known as the Wastewater Management Authority of Arizona (the "Authority") pursuant to which the County has borrowed amounts from the Authority (collectively, the "Authority Obligations") and each of which was executed and delivered as "Parity Bonds" in accordance with Section 13 of the Bond Resolution and is payable solely from "Net Revenues" on a parity with the Outstanding Sewer Revenue Bonds and each of the other Authority Obligations, as follows:

<u>Agreement</u>	<u>Date</u>
Loan Agreement	February 1, 1996
Loan Agreement	July 1, 1997
Loan Agreement	October 27, 2000
Amendment No. 1 to Loan Agreement	December 28, 2001
Loan Agreement	May 11, 2004
Amendment No. 1 to Loan Agreement	September 1, 2005
Loan Agreement	October 9, 2009

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

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

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

<u>Provider</u>	<u>No.</u>	<u>Date</u>	<u>Amount</u>
Financial Guaranty Insurance Company ("FGIC")	91010312	8/27/91	\$5,103,070.53
AMBAC Indemnity Corporation ("AMBAC")	SB0108BE	4/8/92	931,116.00
AMBAC	SB0156BE	2/10/93	427,931.00
AMBAC	SB0253BE	5/12/94	440,174.00
MBIA Insurance Corporation	24438	6/1/97	680,240.63
FGIC	08010533	6/11/98	1,538,309.37
FGIC	01010305	4/12/01	2,842,689.10
Financial Security Assurance Inc.	20843-R	1/25/07	625,000.00
Assured Guaranty Corp.	D-2008-338	5/22/08	4,400,000.00
Assured Guaranty Corp.	D-2009-580	5/6/09	2,300,000.00

WHEREAS, the County may at a future date deposit additional Reserve Fund Guaranties with the Paying Agent relating to the Parity Obligations; and

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

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

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

Section 1. Representations and Undertakings of the County.

(a) The County hereby represents and certifies to the Paying Agent that the Authority Obligations were each executed and delivered in accordance with Section 13 of the Bond Resolution and constitute "Parity Bonds" thereunder.

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

Section 2. Undertakings of the Paying Agent.

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

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

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

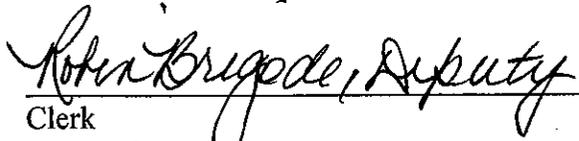
Section 4. Term. This Agreement shall terminate at such time as none of the Authority Obligations remain outstanding and unpaid.

[Signature page follows]

PIMA COUNTY, ARIZONA

By:   
Chairman  
Board of Supervisors

ATTEST:

  
Clerk  
Board of Supervisors

APPROVED AS TO FORM:

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

By:   
Timothy E. Pickrell

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Paying Agent

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

[Signature page to 2009 Agreement Regarding Reserve Fund Guaranties]

PIMA COUNTY, ARIZONA

By: \_\_\_\_\_  
Chairman  
Board of Supervisors

ATTEST:

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

APPROVED AS TO FORM:

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

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

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Paying Agent

By:   
Its: Vice President

[Signature page to 2009 Agreement Regarding Reserve Fund Guaranties]

## Report of Bond and Security Issuance Pursuant to A.R.S. § 35-501B

**This information is due to the Department of Revenue within 60 days of the issue.**

1. Jurisdiction: Pima County, Arizona	
2. Issue name/title: WIFA Sewer Revenue Loan 2009	
3. Dated Date: 10/9/2009 Closing Date: 10/9/2009	4. Par amount: \$8,002,383
5. Overall Interest rate (TIC-OR NIC): 2.464%	6. Type of Bond or Security: Sewer Revenue
7. Repayment sources: Sewer revenues.	
8. Total amount outstanding: \$248,477,247	9. Total amount outstanding of senior or subordinate bonds: \$-0-
10. Original issue price: Attach Schedule 1	
a. Par Amount (Principal Amount) \$8,002,383.00	11. Total limitations (Constitutional or Statutory) on the type of bonds/securities issued: For general obligation Bonds: N/A
b. Original Issue Discount (-) 0.00	a. Secondary net assessed value:
c. Premium Amount (+) 0.00	b. Debt limit percentage:
d. Original Issue Price (=) \$8,002,383.00	c. Total debt limit:
e. Underwriter Compensation (Discount) (-) 0.00	12. Available debt limit:
f. Net Proceeds (=) \$8,002,383.00	13. Total amount authorized: \$105,000,000.00
14. Remaining authorized amount: 0.0	15. If voter authorized, Election dates: May 18, 2004

**16 – 19 Please attach 1) a schedule providing a detailed listing of Issue Costs; 2) the Debt Service Schedule; 3) Form 8038, and 4) the Final Official Statement. Please refer to instructions on back of form.**

<p> Signature _____</p> <p>Title, address and phone number _____</p> <p>Timothy E. Pickrell, Esq. _____</p> <p>Bond Counsel _____</p> <p>Squire, Sanders &amp; Dempsey L.L.P. _____</p> <p>40 North Central Avenue., #2700 _____</p> <p>Phoenix, Arizona 85004 _____</p> <p>( 602 ) 528-4031 _____</p>	<p>October 9, 2009 _____ Date</p> <p>Political Subdivision Contact Name, address, phone number _____</p> <p>Pima County Finance Department _____</p> <p>Pima County, Arizona _____</p> <p>130 West Congress, 10<sup>th</sup> Floor _____</p> <p>Tucson, Arizona 85701 _____</p> <p>(520) 740-3030 _____</p>
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**Submit this form with attachments within 60 days of issuance to:**

Arizona Department of Revenue  
Attention OERA, 9<sup>th</sup> Floor  
1600 W Monroe  
Phoenix AZ 85007



ATTACHMENT TO  
REPORT OF BOND AND SECURITY ISSUANCE

Name of Issue: PIMA COUNTY, ARIZONA  
SEWER REVENUE LOAN 2009  
WATER INFRASTRUCTURE FINANCE AUTHORITY

16. COSTS OF ISSUANCE

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

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

## Exhibit A of Loan Agreement

**Section 1: Financial Assistance Terms and Conditions**  
 Pima County, Arizona  
 07-Oct-09

Loan Number.....	91A115-10
Closing Date.....	10/09/09
First Payment Period.....	01/01/10

**Financial Assistance Terms and Conditions**

Original Loan Amount as of the Closing Date.....	\$	10,002,383.00
Forgivable Principal Amount.....	\$	2,000,000.00
Intended Repayment Amount.....	\$	8,002,383.00
Loan Term.....		15
Combined Interest & Fee Rate		2.464%
Total # of Payment Periods within Loan Term.....		30

**Principal Repayments**

Period Principal Repayments Begin.....	2
First Principal Repayment Date.....	07/01/10
Final Principal Repayment Date.....	07/01/24

**Combined Interest and Fee Payment Dates**

First Combined Interest and Fee Payment Date*.....	01/01/10
Final Combined Interest and Fee Payment Date.....	07/01/24

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

**Debt Service Reserve Fund Requirements**

Total Reserve Amount.....	In conformance with Master Resolution
Annual Amount.....	In conformance with Master Resolution
Reserve Funded by (Date).....	In conformance with Master Resolution

**Repair and Replacement Fund Requirement**

Begin Funding on (Date).....	Not Applicable
Annual Amount.....	None
Semi-Annual Deposit.....	None

**Annual Payment**

Years 1 through 5.....	\$	644,613.72
Years 6 through 10.....	\$	644,613.72
Years 11 through 15.....	\$	644,613.72

**Section 2: Loan Repayment Schedule**  
**Pima County, Arizona**  
**07-Oct-09**

Year Period		Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment
1	1	01/01/10	2.464%	44,912.93		
1	2	07/01/10	2.464%	98,589.36	447,435.00	590,937.29
2	3	01/01/11	2.464%	93,076.96		
2	4	07/01/11	2.464%	93,076.96	458,459.80	644,613.72
3	5	01/01/12	2.464%	87,428.73		
3	6	07/01/12	2.464%	87,428.73	469,756.26	644,613.72
4	7	01/01/13	2.464%	81,641.34		
4	8	07/01/13	2.464%	81,641.34	481,331.04	644,613.72
5	9	01/01/14	2.464%	75,711.34		
5	10	07/01/14	2.464%	75,711.34	493,191.04	644,613.72
6	11	01/01/15	2.464%	69,635.22		
6	12	07/01/15	2.464%	69,635.22	505,343.28	644,613.72
7	13	01/01/16	2.464%	63,409.40		
7	14	07/01/16	2.464%	63,409.40	517,794.92	644,613.72
8	15	01/01/17	2.464%	57,030.17		
8	16	07/01/17	2.464%	57,030.17	530,553.38	644,613.72
9	17	01/01/18	2.464%	50,493.75		
9	18	07/01/18	2.464%	50,493.75	543,626.22	644,613.72
10	19	01/01/19	2.464%	43,796.27		
10	20	07/01/19	2.464%	43,796.27	557,021.18	644,613.72
11	21	01/01/20	2.464%	36,933.77		
11	22	07/01/20	2.464%	36,933.77	570,746.18	644,613.72
12	23	01/01/21	2.464%	29,902.18		
12	24	07/01/21	2.464%	29,902.18	584,809.36	644,613.72
13	25	01/01/22	2.464%	22,697.33		
13	26	07/01/22	2.464%	22,697.33	599,219.06	644,613.72
14	27	01/01/23	2.464%	15,314.94		
14	28	07/01/23	2.464%	15,314.94	613,983.84	644,613.72
15	29	01/01/24	2.464%	7,750.66		
15	30	07/01/24	2.464%	7,750.66	629,112.44	644,613.76
				1,613,146.41	8,002,383.00	9,615,529.41