#12

MAY 8 2014

Chandler

All-America City

2010

Chandler • Arizona

Where Values Make The Difference

MEMORANDUM **Management Services Memo No. 14-072**

DATE: MAY 8, 2014

TO: MAYOR AND COUNCIL

THRU: RICH DLUGAS, CITY MANAGER RD
NACHIE MARQUEZ, ASSISTANT CITY MANAGER NM

FROM: DAWN LANG, MANAGEMENT SERVICES DIRECTOR DL

SUBJECT: RESOLUTION NO. 4750 AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $20,000,000 WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2014

RECOMMENDATION

Staff recommends Council adopt Resolution No. 4750, prepared by City's bond counsel firm of Gust Rosenfeld, authorizing the issuance and sale of not to exceed $20,000,000 aggregate principal amount of City of Chandler, Arizona, Water and Sewer Revenue Refunding Bonds, Series 2014. This Resolution authorizes the Management Services Director to determine whether it is in the City's best interest to sell the Series 2014 Bonds in a competitive bid or through a negotiated sale.

BACKGROUND

The Water and Sewer Revenue Refunding Bonds, Series 2014 are subject to the provisions of the City's Master Resolution No. 1917 and amendments included in Resolution No. 4765 pertaining to the requirements for and the administration of reserve funds. These Refunding Bonds are secured by the net revenues of the Water and Wastewater Operating Funds.

Current interest rates offer an opportunity to refinance a portion of the City's debt by refunding bonds previously issued and outstanding; specifically Water and Sewer Revenue Bonds, Series 2001, 2003 and 2005, allowing the City to realize debt service savings. This will reduce the amount of debt service expenses paid from the Water and Wastewater Operating Funds, thereby providing savings to the City ratepayers.

The final interest rates will affect the principal amount needed to refund the prior bonds, thus the resolution authorizes the maximum principal amount that may be sold. The final principal amount will be determined when the actual interest rate is established.

FINANCIAL IMPLICATIONS

The resolution authorizes the refunding of the City's outstanding Water and Sewer Revenue Bonds if the savings are at least 3% of the principal amount of the bonds being refunded. Depending upon the final issue size, this refunding is expected to generate net debt service savings to the City of approximately $1,400,000 in present value dollars. The savings are net of all costs of issuance.

PROPOSED MOTION

Move for the adoption of Resolution No. 4750, authorizing the issuance and sale of not to exceed $20,000,000 aggregate principal amount of City of Chandler, Arizona, Water and Sewer Revenue Refunding Bonds, Series 2014 and authorizing the Management Services Director to determine whether it is in the City's best interest to sell the Series 2014 Bonds in a competitive bid or through a negotiated sale.

Attachments: Resolution No. 4750
Registrar Contract – Draft
Depository Trust Agreement – Draft
Continuing Disclosure Certificate – Draft
Preliminary Official Statement - Draft

c: Marsha Reed, Assistant City Manager

RESOLUTION NO. 4750

RESOLUTION RELATING TO FINANCE; SUPPLEMENTING THE CITY'S RESOLUTION NO. 1917 OF MARCH 30, 1991 PERTAINING TO THE ISSUANCE OF WATER AND SEWER REVENUE BONDS; AUTHORIZING THE ISSUANCE AND SALE OF CITY OF CHANDLER, ARIZONA, WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2014; DELEGATING THE AUTHORITY TO APPROVE CERTAIN MATTERS WITH RESPECT TO THE BONDS AND THE BONDS TO BE REFUNDED; AUTHORIZING THE PURCHASE OF BOND AND RESERVE FUND INSURANCE OR GUARANTIES, IF NECESSARY; AUTHORIZING THE APPOINTMENT OF A REGISTRAR, TRANSFER AGENT AND PAYING AGENT AND A DEPOSITORY TRUSTEE; APPROVING THE FORM OF CERTAIN DOCUMENTS AND AUTHORIZING COMPLETION, EXECUTION AND DELIVERY THEREOF; DELEGATING THE AUTHORITY TO APPROVE AND DEEM FINAL A FORM OF OFFICIAL STATEMENT; RATIFYING ALL ACTIONS TO BE TAKEN WITH RESPECT TO THE BONDS IN FURTHERANCE OF THIS RESOLUTION; AND DECLARING AN EMERGENCY.

WHEREAS, pursuant to Title 9, Chapter 5, Article 3, Arizona Revised Statutes, as amended (the "*Act*"), the City of Chandler, Arizona (the "*City*") is authorized to issue and sell its water and sewer revenue refunding bonds; and

WHEREAS, by Resolution No. 1917 adopted by the Mayor and Council on March 30, 1991, as amended by Resolution No. 4765 adopted May 8, 2014 (as amended and supplemented, the "*Master Resolution*"), the City authorized the issuance of City of Chandler, Arizona Water and Sewer Revenue Refunding Bonds, Series 1991, and prescribed the terms and conditions upon which additional revenue bonds may be issued on a parity basis; and

WHEREAS, pursuant to the Master Resolution and supplements thereto, the City issued its Water and Sewer Revenue Bonds, Series 2001; Water and Sewer Revenue Refunding Bonds, Series 2003, and Water and Sewer Revenue Bonds, Series 2005 (the "*Prior Bonds*"), and the Mayor and Council of the City has decided to provide for the refunding and, as applicable, redemption of a certain amount of the Prior Bonds on or prior to their respective maturity dates (the "*Bonds Being Refunded*"); and

WHEREAS, the conditions prescribed in the Master Resolution for issuing bonds will be met prior to the issuance of the Series 2014 Refunding Bonds herein authorized; and

WHEREAS, the issuance of not to exceed $20,000,000 principal amount of Water and Sewer Revenue Refunding Bonds, Series 2014 (the "*Series 2014 Refunding Bonds*") authorized hereby and the application of the net proceeds thereof to refund the Bonds Being Refunded is necessary and advisable and is in the best interests of the City because the proposed Series 2014 Refunding Bonds can be sold to bear interest rates lower than the rates on the Bonds Being Refunded and this reduction in interest rate, together with the ability of the City to restructure its debt in a more efficient manner, will result in substantial debt service savings to the City; and

WHEREAS, the firm of Piper Jaffray & Co. will serve as the City's financial advisor (the "*Financial Advisor*") with respect to the Series 2014 Refunding Bonds; and

WHEREAS, by this resolution the Mayor and Council will authorize the Management Services Director, to determine if it is in the best interest of the City, to sell the Series 2014 Refunding Bonds either through a (i) competitive bid process and receive electronic bids for the purchase of the Series 2014 Refunding Bonds authorizing the execution, issuance and sale of the Series 2014 Refunding Bonds to the winning bidder (the "*Purchaser*") at such prices, interest rates, maturities and redemption features as may be hereafter determined by the Management Services Director, with the advice of the Financial Advisor (the "*Competitive Bid*") or (ii) negotiated sale by receiving a proposal for the purchase of the Series 2014 Refunding Bonds from an underwriter or underwriters, as selected by the Management Services Director, with the assistance of the Financial Advisor, (the "*Underwriter*") on such terms and at such prices, interest rates, maturities and redemption features as may hereafter be approved by the Management Services Director and agreed to by the Underwriter (the "*Negotiated Sale*").

WHEREAS, if the Series 2014 Refunding Bonds are sold through a Negotiated Sale a proposal in the form of a Bond Purchase Agreement entered into between the City and the Underwriter (the "*Bond Purchase Agreement*") will be received from Underwriter for the purchase of the Series 2014 Refunding Bonds; and;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF CHANDLER, ARIZONA, as follows:

Section 1. **Resolution Supplements Resolution No. 1917; Definitions**. This resolution shall be supplemental to the Master Resolution and shall be construed in conjunction therewith. All words and phrases used herein which were defined in the Master Resolution shall have the meanings given them in the Master Resolution.

Section 2. **Authorization of the Series 2014 Refunding Bonds**. Pursuant to the Act and for the purpose of providing funds to refund certain of the City's water and sewer revenue bonds used to construct improvements to the City's water and sewer system, the City hereby authorizes the issuance of the Series 2014 Refunding Bonds in the aggregate principal amount of not to exceed $20,000,000.

The Series 2014 Refunding Bonds are "Post-2013 Bonds" and will be issued to provide funds to refund the Bonds Being Refunded and to pay the costs of issuance of the Series 2014 Refunding Bonds. The Mayor and Council find and determine that it is expedient, necessary and advisable for the City to restructure a portion of its outstanding bonded debt to lower the debt service payments due on its revenue debt. The Mayor and Council hereby require that the present value of the debt service savings, net of all costs associated with the Series 2014 Refunding Bonds shall be not less than 3.00% of the principal amount of the Bonds Being Refunded.

The Series 2014 Refunding Bonds shall be issued and sold in accordance with the provisions of this resolution or Bond Purchase Agreement and delivered against payment therefor by the Purchaser or Underwriter, as applicable.

Section 3. **Negotiated Sales Process and Execution of Bond Purchase Agreement**. If the Management Services Director, with the advice of the Financial Advisor, determines it to be in the best interest of the City, the Management Services Director may cause any series of the Series 2014 Refunding Bonds to be sold through a Negotiated Sale.

If sold pursuant to a Negotiated Sale, the maturity dates, the principal amount maturing in each year, the interest rates, any optional and mandatory redemption provisions and any other financial terms of the Series 2014 Refunding Bonds shall be as set forth in the Bond Purchase Agreement. If sold pursuant to a Negotiated Sale, the Management Services Director is further authorized and directed to prepare and the Mayor or any Council Member or the Management Services Director is authorized and directed to execute, and the Clerk is authorized and directed to attest, the Bond Purchase Agreement setting forth the final terms and provisions of the Series 2014 Refunding Bond and of the sale of the Series 2014 Refunding Bonds to the Underwriter. The Bond Purchase Agreement shall be in a form acceptable to and approved by the Mayor or any Council Member or the Management Services Director executing it, such execution to be conclusive proof of such approval.

Section 4. Competitive Bid Process and Notice Inviting Bids. If the Series 2014 Refunding Bonds are sold through a Competitive Bid, the principal amount maturing in each year, the security for the Series 2014 Refunding Bonds, the optional and mandatory redemption provisions, the series designation and any other final terms of the Series 2014 Refunding Bonds shall be as set forth in the Notice Inviting Bids for the Purchase of Series 2014 Refunding Bonds (the "NIB"). The NIB, in substantially the form attached hereto as Exhibit A, is approved, and the Management Services Director, with assistance from the Financial Advisor, is authorized and directed to complete the NIB in a manner consistent with the terms of this resolution and thereafter circulate the NIB. Bids for the Series 2014 Refunding Bonds shall be received electronically through the PARITY® electronic bidding process.

Section 5. Terms of the Series 2014 Refunding Bonds.

A. Terms of Series 2014 Refunding Bonds. The Series 2014 Refunding Bonds hereby authorized to be issued shall be designated City of Chandler, Arizona Water and Sewer Revenue Refunding Bonds, Series 2014, (the series designation is authorized to change to the year in which the Series 2014 Refunding Bonds are issued) will be dated such date as set forth in the Purchase Agreement, will mature on July 1 in some or all of the years 2015 through 2020, inclusive, and will bear interest from their date to the maturity or earlier redemption date of each of the Series 2014 Refunding Bonds provided that the bond yield shall not exceed 4.00%.

The Series 2014 Refunding Bonds are special obligations of the City payable solely from Net Revenues. Subject to the provisions of Section 10(B) of the Master Resolution, all of the Series 2014 Refunding Bonds shall be equally and ratably secured by a pledge of the Net Revenues and a lien thereon without priority one over the other. The Series 2014 Refunding Bonds shall in all respects be on a parity with the Bonds, including the Pre-2013 Bonds described in Section 8 hereof except as to the Reserve Fund, all as set forth in the Master Resolution. The Series 2014 Refunding Bonds shall not constitute a debt or general obligation of the City within the meaning of any constitutional or statutory debt limitation, nor shall payment of the Series 2014 Refunding Bonds or interest or redemption premiums thereon be enforceable out of any funds other than the Net Revenues pledged to such payment, nor shall any Series 2014 Refunding Bond Owner have the right to compel any exercise of the taxing power of the City to make such payment.

B. Book-Entry-Only System. So long as the Series 2014 Refunding Bonds are administered under the Book-Entry-Only System described herein and in the Letter of Representations, interest payments and principal payments that are part of periodic principal and

interest payments shall be paid to Cede & Co. or its registered assigns in same-day funds no later than the time established by DTC on each interest or principal payment date (or in accordance with then existing arrangements between the City and DTC). The City has entered into an agreement (the "*Letter of Representations*") with DTC in connection with the issuance of bonds of the City and, while the Letter of Representations is in effect, the procedures established therein shall apply to the Series 2014 Refunding Bonds.

C. Registration. If the Book-Entry-Only System is discontinued, the Registrar's registration books will show the registered owners of the Series 2014 Refunding Bonds (the owner or owners of the Series 2014 Refunding Bonds as shown on the Registrar's registration books shall be referred to as "*Owner*" or "*Owners*"). While the Series 2014 Refunding Bonds are subject to the Book-Entry-Only System, the Series 2014 Refunding Bonds shall be registered in the name of Cede & Co., or its registered assigns. The Series 2014 Refunding Bonds will be administered by the Registrar in a manner which assures against double issuance and provides a system of transfer of ownership on the books of the Registrar in the manner set forth in the Series 2014 Refunding Bonds.

D. Payment. If the Book-Entry-Only System is discontinued, interest on the Series 2014 Refunding Bonds will be payable on each Interest Payment Date by check mailed to the Owner thereof at the Owner's address all as shown on the registration books maintained by the Registrar as of the close of business of the Registrar on the fifteenth (15th) day of the month preceding an Interest Payment Date (the "*Record Date*").

If the Book-Entry-Only System is discontinued, principal of the Series 2014 Refunding Bonds will be payable, when due, only upon presentation and surrender of the Series 2014 Refunding Bond at the designated corporate trust office of the Paying Agent (as defined hereafter). Upon written request of an Owner of at least $1,000,000 in principal amount of Series 2014 Refunding Bonds not less than twenty (20) days prior to an Interest Payment Date, all payments of interest and, if adequate provision for surrender is made, principal shall be paid by wire transfer in immediately available funds to an account within the United States of America designated by such Owner.

Notwithstanding any other provision of this resolution, payment of principal of and interest on any Series 2014 Refunding Bond that is held by a securities depository or Bonds subject to a Book-Entry-Only System may be paid by the Paying Agent by wire transfer in "same day funds".

E. Other Terms. The Series 2014 Refunding Bonds have such additional terms and provisions as are set forth in the form of Series 2014 Refunding Bond attached hereto as *Exhibit B*, which are a part of this resolution.

Section 6. **Redemption**. The Series 2014 Refunding Bonds are not subject to call for optional redemption prior to their stated maturity dates.

Section 7. **Security**. Subject to the provision of the Master Resolution which allows for the issuance of additional bonds on a parity basis and the rights of owners of Bonds heretofore issued to be on a parity basis with the Series 2014 Refunding Bonds, and the parity lien and pledge of Net Revenues with respect to the Parity Bonds (including the Parity Bonds refunded by the Series 2014 Refunding Bonds) described in Section 8 of this resolution, the Series 2014

Refunding Bonds are payable as to both principal and interest solely from the Net Revenues derived by the City from the operation of its Water and Sewer System.

Section 8. **Series 2014 Bonds on a Parity**. The Series 2014 Refunding Bonds shall be on a parity with the City's:

Issue	Original Principal Amount
Water and Sewer Revenue Bonds, Series 1994	$5,150,000
Water and Sewer Revenue Bonds, Series 2001	$12,500,000
Water and Sewer Revenue Refunding Bonds, Series 2003	$17,830,000
Water and Sewer Revenue Refunding Bonds, Series 2005	$15,485,000
Water and Sewer Revenue Bonds, Series 2005	$10,000,000

which bonds have been authorized in Resolution No. 1917 and other supplemental resolutions adopted by the Mayor and Council of the City, and any other bonds heretofore or hereafter issued by the City as "*Parity Bonds*." Owners of the Series 2014 Refunding Bonds shall enjoy the same parity of lien and rights of enforcement enjoyed by the Parity Bonds authorized in such resolutions; subject to the parity lien and pledge of Net Revenues with respect to the Parity Bonds that have been refunded ("*Refunded Parity Bonds*"), in the event the securities held in trust for the payment of the Refunded Parity Bonds are ever insufficient to pay such Refunded Parity Bonds. However, the Series 2014 Bonds are Post-2013 Bonds and do not therefore benefit in any way from the Pre-2013 Debt Service Reserve or the Pre-2013 Debt Service Reserve Surety Policies, and said Pre-2013 Bonds being the only class of bonds secured by the Pre-2013 Debt Service Reserve and Pre-2013 Debt Service Reserve Surety Policies, as defined in the Master Resolution.

The City reaffirms all covenants and conditions contained in the Master Resolution and agrees that all such covenants and conditions shall also apply to all Series 2014 Refunding Bonds and all funds created or continued by the Master Resolution are hereby ordered expanded so as to service the increased requirements caused by the issuance of the Series 2014 Refunding Bonds.

Section 9. **Use of Proceeds**. Upon the delivery of and payment for the Series 2014 Refunding Bonds in accordance with the terms of their sale, the net proceeds from the sale of the Series 2014 Refunding Bonds, after payment of the costs and expenses of issuance, shall be set aside, together with certain funds of the City, if any, required to pay the Bonds Being Refunded, in a special trust fund maintained by a bank or trust company selected by the Management Services Director as depository trustee (the "*Depository Trustee*") and shall be used to pay, when due, principal of and interest and premium on the Bonds Being Refunded, all as more fully described in that certain Depository Trust Agreement dated the date of the Series 2014 Refunding Bonds (the "*Depository Trust Agreement*"), by and between the City and the Depository Trustee. Amounts credited to the trust, other than any beginning cash balance, shall be invested immediately in obligations issued by or guaranteed by the United States of America the maturing principal of and interest on which, together with any beginning cash balance, shall be sufficient to pay the principal of and premium and interest on the Bonds Being Refunded as the same becomes due at maturity or prior redemption as provided herein.

Section 10. Form of Series 2014 Refunding Bonds; Book-Entry-Only System.

A. Form of Series 2014 Refunding Bonds. The Series 2014 Refunding Bonds shall be in substantially the form of *Exhibit B* attached hereto and incorporated by reference herein, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the NIB or the Bond Purchase Agreement and are approved by those officers executing the Series 2014 Refunding Bonds and execution thereof by such officers shall constitute conclusive evidence of such approval.

The Series 2014 Refunding Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each Series 2014 Refunding Bond shall be dated the date of its authentication and registration.

The Series 2014 Refunding Bonds are prohibited from being converted to coupon or bearer bonds without the consent of the City Council and approval of bond counsel. If the Book-Entry-Only System is discontinued, the Series 2014 Refunding Bonds shall be reissued and transferred in the form of the Series 2014 Refunding Bond to be prepared at that

Section 11. Execution of Series 2014 Refunding Bonds and Other Documents.

A. The Series 2014 Refunding Bonds shall be executed for and on behalf of the City by the Mayor or Vice Mayor and attested by the Clerk by their manual or facsimile signatures and the City seal will be either photographically, mechanically reproduced or manually imprinted or affixed on the Series 2014 Refunding Bonds. If the signatures are affixed or imprinted by facsimile, the Mayor or Vice Mayor and Clerk shall execute a certificate adopting as their signatures the facsimile signatures appearing on the Series 2014 Refunding Bonds. If an officer whose signature is on a Series 2014 Refunding Bond no longer holds that office at the time the Series 2014 Refunding Bond is authenticated and registered, the Series 2014 Refunding Bond shall nevertheless be valid. A Series 2014 Refunding Bond shall not be valid or binding until authenticated by the manual signature of an authorized officer of the Registrar. The signature shall be conclusive evidence that the Series 2014 Refunding Bond has been authenticated and issued under this resolution.

B. Registrar Contract. The form of Registrar's contract concerning duties of the Registrar for the Series 2014 Refunding Bonds, in substantially the form submitted to the Mayor and Council and on file with the City Clerk, is hereby approved and the Mayor, Vice Mayor, City Clerk or Management Services Director is hereby directed to execute such contract on behalf of the City with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby and are approved by those officers executing the documents and cause such respective contract to be delivered. Execution by such officers shall constitute conclusive evidence of such approval.

C. Depository Trust Agreement. The form of Depository Trust Agreement, as presented to Mayor and Council and on file with the City, concerning the refunding of the Bonds Being Refunded is hereby approved and the Mayor, Vice Mayor, the Clerk or the Management Services Director is hereby directed to execute such contract on behalf of the City with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby and are approved by those officers executing the documents. Execution by such officers shall constitute conclusive evidence of such approval and cause such respective contract to be delivered.

D. Continuing Disclosure Certificate. In order to comply with the provisions of the Rule (as hereafter defined), unless an exemption from the terms and provisions of the Rule is applicable to the Series 2014 Refunding Bonds, the Mayor, Vice Mayor, City Clerk or Management Services Director is hereby authorized and directed to prepare, execute and deliver on behalf of the City a written agreement or undertaking for the benefit of the Owners (including beneficial owners) of the Series 2014 Refunding Bonds, in substantially the form presented to the Mayor and Council and on file with the City Clerk. The written agreement or undertaking shall contain such terms and provisions as are necessary to comply with the Rule including, but not limited to (i) an agreement to provide to the MSRB, currently through the MSRB's EMMA, the financial information or operating data presented in the final official statement as determined by the Management Services Director and the annual audited financial statements of the City and (ii) an agreement to provide material events disclosure to the MSRB, currently through the MSRB's EMMA.

E. Official Statement. The preparation of a preliminary official statement in a form that is deemed "final", as hereafter described, is hereby authorized and approved and the distribution of such preliminary official statement and the NIB are hereby authorized and approved. Such preliminary official statement shall be in a form that is approved and deemed "final" for all purposes of Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934 (the "*Rule*"), by the Management Services Director. The City will cause a final official statement (the "*Official Statement*") in substantially the form of the preliminary official statement referred to above to be prepared and distributed with the Series 2014 Refunding Bonds upon initial issuance. The Mayor, Vice Mayor or Management Services Director are authorized to approve, execute and deliver the Official Statement on behalf of the City and the execution by such officer shall be deemed conclusive evidence of such approval. The preliminary official statement and the Official Statement may be prepared in conjunction with, and may be part of the same document, the preliminary official statement and the Official Statement for any other bonds which may be issued by the City.

F. Reserve Fund Guaranty. If the City elects to fund the Reserve Fund with a Post-2013 Reserve Fund Guaranty, either the Mayor or the Management Services Director are hereby authorized and directed to execute an agreement with the 2014 Refunding Bonds Reserve Fund Guarantor (as defined in Section 17 hereof) to provide for a Reserve Fund Policy.

Section 12. Mutilated, Lost or Destroyed Series 2014 Refunding Bonds. In case any Series 2014 Refunding Bond becomes mutilated or destroyed or lost, the City shall cause to be executed and delivered a new Series 2014 Refunding Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Series 2014 Refunding Bond or in lieu of and in substitution for such Series 2014 Refunding Bond destroyed or lost, upon the Owner's paying the reasonable expenses and charges of the City in connection therewith and, in the case of the Series 2014 Refunding Bond destroyed or lost, filing with the Clerk by the Owner evidence satisfactory to the City that such Series 2014 Refunding Bond was destroyed or lost, and furnishing the City with a sufficient indemnity bond pursuant to § 47-8405, Arizona Revised Statutes.

Section 13. Acceptance of Final Bid; Sale of Series 2014 Refunding Bonds. If the Series 2014 Refunding Bonds are sold through a Competitive Bid, the Management Services Director is hereby authorized and directed to accept the bid of the lowest responsible bidder, provided such bid and the issuance of any or all of the Series 2014 Refunding Bonds complies with the terms and conditions of this resolution and the NIB. Any or all of the Series 2014 Refunding Bonds are hereby ordered sold to such winning bidder.

If any or all of the Series 2014 Refunding Bonds are sold through a Negotiated Sale, the Underwriter will purchase such Bonds pursuant to the form of Bond Purchase Agreement to be received by the Management Services Director. When the final terms of such Bonds are known, the Bond Purchase Agreement shall be finalized. The Mayor, any member of the Council or the Management Services Director are authorized and directed to cause the Bond Purchase Agreement to be completed and executed; provided, however, that the parameters of this resolution shall govern the Bond Purchase Agreement and neither the Mayor, any member of the Council or the Management Services Director is authorized to insert in the Bond Purchase Agreement any terms or conditions which would be contrary to this resolution. Upon the completion, execution and delivery of the Bond Purchase Agreement, any or all of the Series 2014 Refunding Bonds are ordered sold to the Underwriter pursuant to the Bond Purchase Agreement.

The Management Services Director is hereby authorized and directed to cause the Series 2014 Refunding Bonds to be delivered to or upon the order of the Purchaser or the Underwriter, as applicable upon receipt of payment therefor and satisfaction of the other conditions for delivery thereof in accordance with the terms of the sale.

Section 14. **Registrar**. The City will maintain an office or agency where Series 2014 Refunding Bonds may be presented for registration of transfer (the "*Registrar*") and an office or agency where Series 2014 Refunding Bonds may be presented for payment (the "*Paying Agent*"). The City may appoint one or more co-registrars or one or more additional Paying Agents. The Registrar and Paying Agent may make reasonable rules and set reasonable requirements for their respective functions with respect to the owners of the Series 2014 Refunding Bonds.

The Management Services Director shall select a Registrar and Paying Agent with respect to the Series 2014 Refunding Bonds. The City may change the Registrar or Paying Agent without notice to or consent of Owners of the Series 2014 Refunding Bonds and the City may act in any such capacity.

Each Paying Agent shall be required to agree in writing that the Paying Agent will hold in trust for the benefit of the owners of the Series 2014 Refunding Bonds all money held by the Paying Agent for the payment of principal of and interest and any premium on the Series 2014 Refunding Bonds.

The Registrar may appoint an authenticating agent acceptable to the City to authenticate Series 2014 Refunding Bonds. An authenticating agent may authenticate Series 2014 Refunding Bonds whenever the Registrar may do so. Each reference in this resolution to authentication by the Registrar includes authentication by an authenticating agent acting on behalf and in the name of the Registrar and subject to the Registrar's direction.

The Registrar shall keep a register of the Series 2014 Refunding Bonds, which register will show the Owners of the Series 2014 Refunding Bonds and any transfer of the Series 2014 Refunding Bonds. When Series 2014 Refunding Bonds are presented to the Registrar or a co-registrar with a request to register a transfer, the Registrar shall register the transfer on the registration books if its requirements for transfer are met and shall authenticate and deliver one or more Series 2014 Refunding Bonds registered in the name of the transferee of the same principal amount, maturity and rate of interest as the surrendered Series 2014 Refunding Bonds. Bonds presented to the 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 name of the

transferee but the interest payment will be made payable to and mailed to the Owners shown on the books of the Registrar as of the close of business on the Record Date.

The Registrar shall authenticate Series 2014 Refunding Bonds for original issue up to $20,000,000 in aggregate principal amount upon the written request of the Management Services Director. The aggregate principal amount of Series 2014 Refunding Bonds outstanding at any time may not exceed that amount except for replacement Series 2014 Refunding Bonds as to which the requirements of the Registrar and the City are met.

Section 15. **Tax Covenants**. In consideration of the purchase and acceptance of the Series 2014 Refunding Bonds by the Owners thereof and, as authorized by Arizona Revised Statutes, Title 35, Chapter 3, Article 7, and in consideration of retaining the exclusion of interest income from gross income for federal income tax purposes, the City covenants with the Owners from time to time of the Series 2014 Refunding Bonds to neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in interest income on the Series 2014 Refunding Bonds becoming subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of issuance of the Series 2014 Refunding Bonds or such laws as they may be modified or amended.

With respect to the Series 2014 Refunding Bonds, the City or a partner of Gust Rosenfeld P.L.C., bond counsel to the City ("*bond counsel*"), is authorized to execute and file on behalf of the City information reporting returns and to file or deliver such other information as may be required by Section 149(e) of the Code.

The City agrees that it will comply with such requirements as in the opinion of bond counsel are necessary to prevent interest on the Series 2014 Refunding Bonds becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements to be prepared by bond counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Series 2014 Refunding 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 moneys relating to the Series 2014 Refunding Bonds; and limiting the use of the proceeds of the Series 2014 Refunding Bonds and property financed thereby.

Section 16. **Resolution a Contract**. This resolution shall constitute a contract between the City and the Owners of the Series 2014 Refunding Bonds issued hereunder and shall not be repealed or amended except as provided in the Master Resolution for repeal or amendment thereof and as provided herein.

Section 17. **Bond Insurance and Registered Bond Payment Concerning the Bond Insurance Policy(s)**. If the Mayor or Management Services Director determines it to be in the best interests of the City, the Mayor or Management Services Director is authorized to execute and deliver agreements with any 2014 Refunding Bonds Insurer (as defined hereafter) or Post-2013 Reserve Fund Guarantor (as defined hereafter) if necessary to obtain a 2014 Refunding Bonds Municipal Bond Insurance Policy (as defined hereafter) or a 2014 Refunding Bonds Reserve Fund Guaranty (as defined hereafter), such agreements may include provisions approved by the

Management Services Director, including provisions such as the following and such provisions, including the following, shall bind the City:

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

(i) "*2014 Refunding Bonds Insurer*" shall mean, if any, the Insurer (as defined in the Master Resolution) providing the Municipal Bond Insurance Policy for the Series 2014 Refunding Bonds, or any successor thereto.

(ii) "*2014 Refunding Bonds Municipal Bond Insurance Policy*" shall mean, if any, the municipal bond new issue insurance policy issued by the 2014 Refunding Bonds Insurer that guarantees payment of principal and interest on the Series 2014 Refunding Bonds.

(iii) "*2014 Refunding Bonds Reserve Fund Guarantor*" shall mean, if any, the Reserve Fund Guarantor (as defined in the Master Resolution) providing the Reserve Fund Guaranty (as defined in the Master Resolution) in connection with the issuance of the Series 2014 Bonds.

(iv) "*2014 Reserve Fund Guaranty*" shall mean, if any, the Reserve Fund Guaranty delivered in connection with the issuance of the Series 2014 Refunding Bonds.

B. In the event a 2014 Refunding Bonds Municipal Bond Insurance Policy is issued by a 2014 Refunding Bonds Insurer, the City hereby covenants with the 2014 Refunding Bonds Insurer as follows:

(i) The 2014 Refunding Bonds Insurer and, if requested, the 2014 Refunding Bonds Reserve Fund Guarantor shall be provided with the following information:

(1) Within 120 days after the end of each of the City's Fiscal Years, the Water and Sewer System (the "*System*") budget for the new year, annual audited financial statements relating to the System, a statement of the amount on deposit in the Reserve Fund as of the last valuation, and, if not presented in the audited financial statements, a statement of the Net Revenues pledged to payment of the Series 2014 Refunding Bonds and any Parity Bonds in such Fiscal Year;

(2) Official statement or other disclosure, if any, prepared in connection with the issuance of additional System-related debt, whether or not it is on a parity with the Series 2014 Refunding Bonds, within 30 days after the sale thereof;

(3) Notice of any draw upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Reserve Fund;

(4) Notice of the redemption, other than mandatory sinking fund redemption, of any of the Series 2014 Refunding Bonds, including the principal amount, maturities and CUSIP numbers thereof; and

(5) Simultaneously with the delivery of the annual audited financial statements:

(A) The number of System users as of the end of the Fiscal Year;

(B) Notification of the withdrawal of any System user comprising 4% or more of the System sales measured in terms of revenue dollars since the last reporting date; and

(C) Any significant plant retirements or expansions planned or undertaken since the last reporting date; and

(6) Such additional information as the 2014 Refunding Bonds Insurer may reasonably request from time to time.

(ii) Any credit instrument provided in lieu of a cash deposit into the Reserve Fund, unless issued by the 2014 Refunding Bonds Insurer, shall conform to the requirements set forth in Exhibit C to the Master Resolution.

(iii) In determining whether a payment default has occurred or whether a payment on the Series 2014 Refunding Bonds has been made under this resolution, no effect shall be given to payments made under the 2014 Refunding Bonds Municipal Bond Insurance Policy.

(iv) The 2014 Refunding Bonds Insurer shall receive immediate notice of any payment default and notice of any other default known to the Paying Agent, the City or any applicable receiver or trustee within 30 days of such person's knowledge thereof.

(v) For all purposes of this resolution's provisions governing defaults in the payment of principal of or interest on the Series 2014 Refunding Bonds by the City and any remedies, except the giving of notice of default to Owners, the 2014 Refunding Bonds Insurer shall be deemed to be the sole Owner of the Series 2014 Refunding Bonds it has insured for so long as it has not failed to comply with its payment obligations under the 2014 Refunding Bonds Municipal Bond Insurance Policy.

(vi) The Paying Agent and any trustee or receiver shall not take the 2014 Refunding Bonds Municipal Bond Insurance Policy into account in determining whether the rights of Owners are adversely affected by actions taken pursuant to the terms and provisions of this resolution.

(vii) Any amendment or supplement to this resolution shall be subject to the prior written consent of the 2014 Refunding Bonds Insurer. Any rating agency rating the Series 2014 Refunding Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption.

C. So long as the 2014 Refunding Bonds Municipal Bond Insurance Policy shall be in full force and effect with respect to the Series 2014 Refunding Bonds, the City and the Paying Agent hereby agree to comply with the following provisions:

(i) The gross amount to be deposited to the Bond Fund to pay principal and/or interest on the Series 2014 Refunding Bonds on any interest payment date shall be on deposit at least fifteen (15) Business Days prior to such interest payment date;

(ii) If, on the fifteenth (15th) day (or if the fifteenth (15th) day is not a Business Day, then on the Business Day next preceding the fifteenth (15th) day) prior to an interest payment date, the Paying Agent determines that there will be insufficient funds in the funds and accounts available to pay the principal of or interest on the Series 2014 Refunding Bonds on such interest payment date, the Paying Agent shall so notify any agent or trustee therefor as directed by the 2014 Refunding Bonds Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 2014 Refunding Bonds to which such deficiency will be applicable and whether payment due on such Series 2014 Refunding Bonds will be deficient as to either principal or interest, or both;

(iii) The Paying Agent shall, after giving notice to the 2014 Refunding Bonds Insurer as provided in (B) above, make available to the 2014 Refunding Bonds Insurer the registration books of the City maintained by the Bond Registrar, and all records relating to the funds and accounts established under this resolution;

(iv) The Paying Agent shall provide the 2014 Refunding Bonds Insurer with a list of Owners entitled to receive principal or interest payments from the 2014 Refunding Bonds Insurer under the terms of the 2014 Refunding Bonds Municipal Bond Insurance Policy, and shall make arrangements with the 2014 Refunding Bonds Insurer to pay principal and interest due on the Series 2014 Refunding Bonds; and

(v) The Paying Agent shall, at the time it provides notice to such 2014 Refunding Bonds Insurer pursuant to (B) above, notify Owners entitled to receive principal or interest payments from the 2014 Refunding Bonds Insurer (X) as to the fact of such entitlement, (Y) that the 2014 Refunding Bonds Insurer will remit all or a portion of the interest payments next coming due, and (Z) instructing the Owners as to the procedures they must follow to receive payment in accordance with the applicable 2014 Refunding Bonds Municipal Bond Insurance Policy.

Section 18. Insurer To Be Deemed an Owner.

A. Notwithstanding any provision of this resolution to the contrary, so long as the Insurer shall not be in default of any payment provision under its Municipal Bond Insurance Policy, the 2014 Refunding Bonds Insurer shall, at all times, be deemed the exclusive owner of all Series 2014 Refunding Bonds to initiate any action or remedy to be undertaken or approve any modification or amendment of the Master Resolution pertaining to the Series 2014 Refunding Bonds.

B. To the extent that the Insurer makes payment of principal of or interest on the Series 2014 Refunding Bonds, it shall become the Owner of such Series 2014 Refunding Bonds, appurtenant interest payments or rights to payment of principal of or interest on such Series 2014 Refunding Bonds, and be fully subrogated to all of the Owner's rights thereunder, including the Owner's right to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Paying Agent shall note the 2014 Refunding Bonds Insurer's rights as subrogee on the registration books of the City maintained by the Registrar upon receipt of proof from the Insurer as to payment of interest thereon to the Owners of the Series 2014 Refunding Bonds, and

(ii) in the case of subrogation as to claims for past due principal, the Paying Agent shall note the 2014 Refunding Bonds Insurer's rights as subrogee on the registration books of the City maintained by the Registrar upon surrender of the Series 2014 Refunding Bonds by the Owners thereof to the 2014 Refunding Bonds Insurer.

C. In the event that the principal of and/or interest on the Series 2014 Refunding Bonds shall be paid by the 2014 Refunding Bonds Insurer pursuant to the terms of the Municipal Bond Insurance Policy, (i) the pledge of the Net Revenues and all covenants, agreements and other obligations of the City to the Owners shall continue to exist and the 2014 Refunding Bonds Insurer shall be fully subrogated to all of the rights of such Owners in accordance with the terms and conditions of subparagraph (B) above and the Municipal Bond Insurance Policy, and (ii) the City shall pay interest to the Insurer amounts so paid by the 2014 Refunding Bonds Insurer at the Reimbursement Rate.

Section 19. **Redemption of Certain Bonds**. Some or all of the maturities of the Prior Bonds may be refunded. Those selected for refunding are referred to herein as the Bonds Being Refunded. The Mayor and Council hereby order that the maturities of the Bonds Being Refunded and the times that the Bonds Being Refunded will be redeemed will be determined by the Management Services Director and will be as set forth in the Official Statement.

Section 20. **Severability**. It is the intention hereof to confer upon the City the whole of the powers provided for in the Act and if any one or more sections, clauses, sentences and parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Series 2014 Refunding Bonds issued pursuant hereto but shall be confined to the specific sections, clauses, sentences and parts so determined. All prior resolutions or parts thereof in conflict herewith be and the same are hereby repealed; provided, however, in the event of a conflict between the terms of this resolution and the Master Resolution, the terms of the Master Resolution shall control.

Section 21. **Ratification of Actions**. All actions of the officers and agents of the City which conform to the purposes and intent hereof and which further the issuance and sale of the Series 2014 Refunding Bonds as contemplated by this resolution whether heretofore or hereafter taken shall be and are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent hereof.

Section 22. **Qualified Tax-Exempt Obligations**. The Series 2014 Refunding Bonds are NOT "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*").

Section 23. **Emergency**. The immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety of the City, an emergency is declared to exist and this resolution shall be in full force and effect from and after its passage, adoption and approval by the Mayor and Council and is hereby exempt from the referendum provisions of the constitution and laws of the State of Arizona. This emergency is declared to exist in order to allow the City to deliver the Series 2014 Refunding Bonds within thirty days of the date of sale and thereby achieve lower interest rates.

PASSED, ADOPTED AND APPROVED on May 8, 2014.

ATTEST:

Mayor

Clerk

APPROVED AS TO FORM:

Bond Counsel

Exhibit A – Notice Inviting Bids
Exhibit B – Bond Form

CERTIFICATION

I, Marla Paddock, the duly appointed and acting City Clerk for the City of Chandler, Arizona, hereby certify that the foregoing Resolution No. 4750 was duly passed and adopted by the Mayor and the Council of the City of Chandler, Arizona, at a meeting held on May 8, 2014, and the vote was ____ aye's and ____ nay's and that the Mayor and ____ Council members were present thereat.

Clerk, City of Chandler, Arizona

TS2:dlh 2135314.4 4/25/2014

EXHIBIT A

$14,800,000*
CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE REFUNDING BONDS,
SERIES 2014

NOTICE INVITING BIDS FOR THE PURCHASE OF SERIES 2014 REFUNDING BONDS

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 10:00 a.m., Mountain Standard Time ("*MST*"), on May 21, 2014, by the City of Chandler, Arizona (the "*City*"), for the purchase of all, but not less than all, of $14,800,000* aggregate principal amount of its Water and Sewer Revenue Refunding Bonds, Series 2014 (the "*Series 2014 Refunding Bonds*"). A bid may be submitted only through the facilities of PARITY® ("*PARITY*"). Submission of bids is further discussed below. The Management Services Director will announce the bids received and will award the contract for the purchase of bonds to the winning bidder at such time.

The City reserves the right to continue the date for receipt of bids. If the date for receipt of bids is continued, the City will give notice of the continuance by PARITY at *i-Deal.com*, prior to 10:00 a.m. MST on the business day prior to May 21, 2014.

The Series 2014 Refunding Bonds will be dated the date of initial delivery, and will bear interest from their date to the maturity of each of the Series 2014 Refunding Bonds at a rate or rates per annum of not to exceed 9%. Interest on the Series 2014 Refunding Bonds is payable semiannually on January 1 and July 1 commencing ____ 1, 20__. The Series 2014 Refunding Bonds will mature on July 1 in the years 20__through 20__, inclusive, in the principal amounts as follows:

Maturity Date (July 1)	Principal Amount
2016	$6,665,000
2017	3,205,000
2018	2,455,000
2019	2,475,000

OPTIONAL REDEMPTION: The Series 2014 Refunding Bonds are not subject to call for optional redemption prior to their stated redemption dates.

PURPOSE: The Series 2014 Refunding Bonds are being issued for the purpose of refunding certain outstanding obligations of the City (the "Bonds Being Refunded") and to pay the costs of issuance of the Series 2014 Refunding Bonds.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of 11:00 a.m., MST. The time maintained by PARITY shall constitute the official time.

*Preliminary, subject to change.

ELECTRONIC BIDDING PROCEDURES: Bids may be submitted only through the facilities of PARITY in accordance with this Notice Inviting Bids for the Purchase of Series 2014 Refunding Bonds. Bids must be submitted on the official bid form that resides on the PARITY system (the "*Official Bid Form*"), without alteration or interlineation. Subscription to the Thomson Financial Municipal Group's BIDCOMP Competitive Bidding System is required in order to submit a bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. The City is using PARITY as a communications media, and not as the City's agent, to conduct electronic bidding for the Series 2014 Refunding Bonds.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the Series 2014 Refunding Bonds on the terms provided in this Notice Inviting Bids for the Purchase of Series 2014 Refunding Bonds and shall be binding upon the entity making the bid. The City and Financial Advisor shall not be responsible for any malfunction or mistake made by, or as result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice Inviting Bids for the Purchase of Series 2014 Refunding Bonds shall conflict with information provided by PARITY, as the online system provider, this Notice Inviting Bids for the Purchase of Series 2014 Refunding Bonds shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 395 Broadway, 2nd Floor, New York, New York 10018, Attn: Customer Support (212.849.5021).

Bidders are requested to state in their bids the true interest cost to the City, as described under "AWARD AND DELIVERY" herein. All electronic bids shall be deemed to incorporate this Notice Inviting Bids for the Purchase of Series 2014 Refunding Bonds.

INTEREST RATES: Bids for the purchase of the Series 2014 Refunding Bonds must state the rate or rates of interest to be paid and no bid at a price less than the par value of the Series 2014 Refunding Bonds, together with all accrued interest thereon at the date of delivery of the Series 2014 Refunding Bonds, will be considered. All Series 2014 Refunding Bonds of the same maturity must bear the same rate of interest. The highest rate bid shall not exceed the lowest rate by more than 2% per annum. Bids must be expressed in multiples of one-eighth (1/8) of one percent or one-twentieth (1/20) of one percent. Interest will be calculated on the basis of a year comprised of 360 days consisting of twelve (12) months of thirty (30) days each.

Any interest rate bid which would result in an interest payment amount having fractional cents will be deemed a waiver of the right to payment of such fractional cents. No fractional cents will be paid or accumulated for payment on any Bond.

FORM OF BID; GOOD FAITH DEPOSIT: The prescribed form of bid for the Bonds will be available on the PARITY system and all bids must be submitted on that form. Within twenty-four hours of the bid award, the winning bidder shall provide a good faith deposit to the City in the amount of $292,400.00* (the "Deposit"), in the form of any of the following: (i) a certified or cashier's check payable to the City, or of (ii) a wire transfer to the City, delivered to the City within 24 hours of notification of award. Neither the City nor the Financial Advisor has any liability for delays in the transmission of the Deposit.

The Deposit made by **certified or cashier's check** should be made payable to the City and delivered to City of Chandler, Arizona, Attn: Management Services Director, 175 S. Arizona Avenue, 3rd Floor, Chandler, Arizona 85225.

The Deposit sent via **wire** transfer should be sent to the City according the following instructions:

JP Morgan Chase Bank, ABA Number 122100024; Account number: 22281093; For Further Credit to: City of Chandler Depository Account, Reference: Name of Bidder – Street & Highway User Revenue Refunding Bonds, Series 2014;

Contemporaneously with such wire transfer, the bidder shall send an e-mail to the Management Serivces Director (e-mail address: dawn.lang@chandleraz.gov) and to the Financial Advisor (e-mail addresses: william.c.davis@pjc.com and rene.a.moreno@pjc.com), including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies, and (iv) federal reference number, if available.

The Deposit received from the winning bidder, the amount of which will be deducted at settlement, will be deposited by the City and no interest will accrue the winning bidder. In the event the winning bidder fails to comply with the accepted bid, said amount will be retained by the City.

Contemporaneously with such wire transfer, the bidder shall send an e-mail to the Management Services Director (e-mail address: dawn.lang@chandleraz.gov) and to the Financial Advisor (e-mail addresses: william.c.davis@pjc.com and rene.a.moreno@pjc.com), including the following information; (i) indication that a wire transfer has been made, (ii) the amount of the wire transfer, (iii) the issue to which it applies, (iv) federal reference number, if available, and (v) the return wire instructions if such bidder is not awarded the Series 2014 Refunding Bonds.

The Deposit received from the winning bidder, the amount of which will be deducted at settlement, will be deposited by the City and no interest will accrue the winning bidder. In the event the winning bidder fails to comply with the accepted bid, said amount will be retained by the City.

AWARD AND DELIVERY: Unless all bids are rejected, the Series 2014 Refunding Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the City. The true interest cost will be computed by establishing the interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the Series 2014 Refunding Bonds and the price bid, including any premium or discount but excluding accrued interest. Delivery of the Series 2014 Refunding Bonds will be made to the purchaser upon payment in federal or immediately available funds at the offices of Gust Rosenfeld P.L.C. ("*Bond Counsel*"), Phoenix, Arizona, or, at the purchaser's request and expense, at any other place mutually agreeable to both the City and the winning bidder.

BOOK-ENTRY-ONLY SYSTEM: The Series 2014 Refunding Bonds will be initially issued to, and registered in the name of, Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as the securities depository of the Series 2014 Refunding Bonds for a book-entry-only system (the "*Book-Entry-Only System*"). Under the Book-Entry-Only System, beneficial ownership interests in the Series 2014 Refunding Bonds will be available in book-entry form only through direct or indirect DTC participants.

Ownership interests in the Series 2014 Refunding Bonds may be purchased in principal amounts of $5,000 or integral multiples thereof.

Transfers of beneficial ownership interest in the Series 2014 Refunding Bonds will be accomplished by book entries made by DTC and the DTC Participants or Indirect DTC Participants who act on behalf of the Beneficial Owners. For every transfer and exchange of a beneficial interest in the Series 2014 Refunding Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Series 2014 Refunding Bonds at any time by giving notice to the Bond Registrar and Paying Agent and to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), physical certificates representing the Series 2014 Refunding Bonds will be registered in the names of the Beneficial Owners and executed and delivered. In addition, the City may determine to discontinue the Book-Entry-Only System of transfers through DTC (or a successor securities depository). In such event, physical certificates representing the Series 2014 Refunding Bonds will be registered in the names of the Beneficial Owners and executed and delivered. Upon registration of Series 2014 Refunding Bonds in the Beneficial Owner's name, the Beneficial Owners will become the owners of the Series 2014 Refunding Bonds for all purposes, including the receipt of principal and interest payments and notices with respect to the Series 2014 Refunding Bonds. See "THE SERIES 2014 REFUNDING BONDS -Book-Entry-Only System" in the Preliminary Official Statement.

REGISTRATION AND TRANSFER: The City will request bids for the services of bond registrar and paying agent with respect to the Series 2014 Refunding Bonds and will name such registrar and paying agent (the "*Registrar*") at the time of award of the sale of the Series 2014 Refunding Bonds to the successful bidder. If the Book-Entry-Only System is discontinued, the Registrar will administer registration and transfer of the Series 2014 Refunding Bonds and the Series 2014 Refunding Bonds will be transferable only upon the bond register to be maintained by the Registrar upon surrender to the Registrar. The Registrar may be changed without notice to any owner or beneficial owner of the Series 2014 Refunding Bonds.

PAYMENT OF SERIES 2014 REFUNDING BONDS: So long as the Book-Entry-Only System is in effect, all payments of principal, interest and premium, if any, shall be paid to DTC. If the Book-Entry-Only System is discontinued, interest on the Series 2014 Refunding Bonds shall be payable by check mailed on or prior to the interest payment date to the Owners of the Series 2014 Refunding Bonds at the addresses of such owners as they appear on the books of the Registrar on the record date (as described hereafter). Principal of, and premium, if any, on the Series 2014 Refunding Bonds shall be paid when due upon surrender of such Series 2014 Refunding Bonds at the designated corporate trust office of the Registrar (unless the Owner of the Series 2014 Refunding Bonds is eligible for payment by wire transfer). If the Book-Entry-Only System is discontinued, upon prior written request of an Owner of at least $1,000,000 in principal amount of Series 2014 Refunding Bonds outstanding or on any Series 2014 Refunding Bonds held by a securities depository made at least twenty (20) days prior to an interest payment date, all payments of interest and, if adequate provision for surrender is made, principal and premium, if any, shall be paid by wire transfer in immediately available funds to an account within the United States of America designated by such Owner of the Series 2014 Refunding Bonds. Payment of principal and interest as to the Series 2014 Refunding Bonds held by a securities repository shall be by wire transfer.

RECORD DATE: So long as the Series 2014 Refunding Bonds are held under the Book-Entry-Only System, payments of principal and interest shall be paid to DTC. If the Book-Entry Only System is discontinued, the record date for determination of ownership for payment of interest shall be the fifteenth calendar day prior to an interest payment date. The Registrar shall pay interest to the Owners of record on the record date notwithstanding that transfers of ownership may occur on any Bond between the record date and the next interest payment date.

SECURITY: Principal of and interest on the Bonds are payable solely from the net revenues derived by the City from the operation of its Water and Sewer system (the "*System*") after provision has been made for the payment from the gross revenues of the System of the reasonable and necessary expenses of the operation and maintenance of the System, subject only to the rights of the owners of parity bonds. Neither the Bonds nor the obligations of the City thereunder constitute a debt or a pledge of the full faith and credit of the City, the State or any political subdivision thereof.

PARITY BONDS: The Series 2014 Refunding Bonds shall be on a parity with certain outstanding bonds of the City, which bonds have been authorized by Resolution No. 1917 and other supplemental resolutions adopted by the Mayor and Council of the City, and any other bonds heretofore or hereafter issued as Parity Bonds. Owners of the Bonds shall enjoy the same parity of lien and rights of enforcement with respect to System Net Revenues enjoyed by the bonds authorized in such resolutions. However, the Series 2014 Refunding Bonds shall not be secured by or have rights in the Pre-2013 Reserve Funds. The Series 2014 Refunding Bonds are Post-2013 Bonds and are secured by a "springing" reserve fund should Net Revenues fall below 175% of the principal and interest requirements on all outstanding Bonds in any Bond Year.

CUSIP NUMBERS: CUSIP numbers will be placed on the Series 2014 Refunding Bonds, but neither failure to print such numbers on any Series 2014 Refunding Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Series 2014 Refunding Bonds in accordance with the terms of the sale. No CUSIP number will be deemed to be part of any Series 2014 Refunding Bond or of the contract evidenced thereby.

RIGHT OF REJECTION: The City reserves the right in its discretion to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence.

COST OF SERIES 2014 REFUNDING BONDS FORMS: The City shall bear the cost of printing of the Series 2014 Refunding Bonds and will furnish full executed Series 2014 Refunding Bonds, registered in the name of the purchaser or nominees, to the purchaser upon payment therefor.

CANCELLATION: Bidders are to take notice that, pursuant to Arizona law, if, within three (3) years from the award of the contract to purchase the Series 2014 Refunding Bonds, any person who was significantly involved in initiating, negotiating, securing, drafting or creating the contract for the purchase of the Series 2014 Refunding Bonds on behalf of the City becomes an employee or agent of the winning bidder in any capacity or a consultant to the winning bidder with respect to the contract for the purchase of the Series 2014 Refunding Bonds, the City may cancel the contract without penalty or further obligation by the City. In addition to such cancellation, the City may recoup any fees or commissions paid or due to any person who was significantly involved in initiating, negotiating, securing, drafting or creating the contract for the purchase of the Series 2014 Refunding Bonds on behalf of the City.

LEGAL OPINION: The Series 2014 Refunding Bonds are sold with the understanding that the City will furnish the purchaser with the approving opinion of Bond Counsel. An undated copy of such opinion can be found in the Preliminary Official Statement. Said attorneys have been retained by the City as Bond Counsel and in such capacity are to render their opinion only upon the legality of the Series 2014 Refunding Bonds under Arizona law and on the exemption of the interest income on such Series 2014 Refunding Bonds from federal and State of Arizona income taxes (see "*Tax-Exempt Status*" below). Fees of Bond Counsel for services rendered in connection with such approving opinion are expected to be paid from Series 2014 Refunding Bond proceeds. Except to the extent necessary to issue its approving opinion as to validity of the Series 2014 Refunding Bonds, Bond Counsel has not been requested to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Series 2014 Refunding Bonds and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. In submitting a proposal for the Series 2014 Refunding Bonds, the bidder agrees to the representation of the City by Bond Counsel.

TAX-EXEMPT STATUS: In the opinion of Bond Counsel under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City the interest income on the Series 2014 Refunding Bonds is excluded from gross income for purposes of calculating federal income taxes and is exempt from Arizona income taxes.

INFORMATION FROM PURCHASER: The successful bidder for the Series 2014 Refunding Bonds will be required to provide the City with a certificate in a form acceptable to Bond Counsel, which certificate shall state the initial offering prices at which each maturity of the Series 2014 Refunding Bonds were offered to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) and at which a substantial amount of the Series 2014 Refunding Bonds of each maturity were reasonably expected to be sold.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The City, acting through its Management Services Director, will deem the Preliminary Official Statement provided in connection with the sale of the Series 2014 Refunding Bonds to be final as of its date except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder.

Within twenty-four hours after the award of the Series 2014 Refunding Bonds, the winning bidder must provide the City with all necessary offering price information, selling compensation information, all other terms of the sale which are depending on such matters and any underwriter information, all as may be necessary to complete the final Official Statement.

Within seven (7) business days after the award of the Series 2014 Refunding Bonds, the City will provide the winning bidder with 100 copies of the final Official Statements at no cost. The final Official Statement will be in substantially the same form as the Preliminary Official Statement with such additions, deletions or revisions as the City deems necessary.

The City will deliver at closing an executed certificate stating that as of the date of delivery the information contained in the final Official Statement, including any supplement, relating to the City and the Series 2014 Refunding Bonds is true and correct in all material respects and that such final Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE: In connection with the issuance of the Series 2014 Refunding Bonds, the City will deliver a continuing disclosure certificate for purposes of the Rule as hereinafter described and as described in the Official Statement. For purposes of the Rule, the City is the only "obligated person" with respect to the Series 2014 Refunding Bonds and will agree, as described in the Official Statement, to provide or cause to be provided (i) certain annual financial information and operating data (the "*Annual Information*") for the preceding fiscal year, (ii) the City's audited financial statements, (iii) timely notice of the occurrence of certain material events with respect to the Series 2014 Refunding Bonds, and (iv) timely notice of any failure by the City to provide its Annual Information within the time specified in that certificate. See the more complete description of the certificate in the Preliminary Official Statement. The City is in compliance with its existing continuing disclosure filing requirements.

NO LITIGATION AND NON-ARBITRAGE: The City will deliver a certificate to the effect that no litigation is pending affecting the issuance and sale of the Series 2014 Refunding Bonds. The City will also deliver an arbitrage certificate covering its reasonable expectations concerning the Series 2014 Refunding Bonds.

ADDITIONAL INFORMATION: Copies of the Official Bid Form and Notice Inviting Bids for the Purchase of Series 2014 Refunding Bonds and the Official Statement will be furnished to any bidder upon request made to the Clerk of the City of Chandler, Arizona; or to Piper Jaffray & Co., 2525 E. Camelback Road, Suite 925, Phoenix, AZ 85016, telephone 602.808.5422, Financial Advisor to the City.

CITY OF CHANDLER, ARIZONA

EXHIBIT B

Number: R-_____ Denomination: $_____

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

CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2014

Interest Rate	Maturity Date	Original Issue Date	CUSIP:
____%	July 1, 20__	_____ 1, 2014	_____

Registered Owner: CEDE & CO.

Principal Amount: _____ AND NO/100 DOLLARS ($_____.00)

THE CITY OF CHANDLER, 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.

INSERT CALL FEATURE, IF APPLICABLE.

Interest is payable on January 1 and July 1 of each year commencing _____ 1, 20_, 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 of and interest on this bond are payable in lawful money of the United States of America. Interest payments and principal payments that are part of periodic principal and interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns, in same-day funds no later than 2:30 p.m. (Eastern Time) on each interest or principal payment date in accordance with existing arrangements between the City and DTC.

So long as the book-entry-only system is in effect, this bond is non-transferable. If the book-entry-only system is discontinued, 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 corporate trust office of _____, upon surrender and cancellation of this bond. Bonds of this issue will be issued only in fully registered form in the denomination of $5,000 of principal or integral multiples thereof.

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 and that the series of bonds of which this is one, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and laws of the State of Arizona.

This bond is one of an issue of bonds in the aggregate principal amount of $_____ of like date, tenor and effect except as to amount, rate of interest, number, redemption provisions and maturity date, issued pursuant to the Constitution and laws of the State of Arizona including particularly Section 9-535.01, Arizona Revised Statutes, Resolution No. 1917 adopted by the Mayor and Council of the City of Chandler on March 30, 1991, and Resolution No. 4750 adopted by the Mayor and Council of the City of Chandler on May 8, 2014 (collectively the "*Bond Resolution*"), for the purpose of providing funds to advance refund certain outstanding revenue and refunding bonds payable from revenues of the City's Water and Sewer System (the "*System*") and to pay all legal, financial consultant, financial and other necessary costs in connection therewith.

This bond and the issue of which it is a part are on a parity with the lien and pledge of the revenues, proceeds and receipts to be derived by the City from the operation of the System with the following bonds of the City: (1) Water and Sewer Revenue Bonds, Series 1994; (2) Water and Sewer Revenue Refunding Bonds, Series 2001; (3) Water and Sewer Revenue Refunding Bonds, Series 2003; (4) Water and Sewer Revenue Refunding Bonds, Series 2005; and (5) Water and Sewer Revenue Bonds, Series 2005; which bonds have been authorized in prior resolutions of the Mayor and Council of the City, and any other bonds heretofore or hereafter issued by the City as "*Parity Bonds*" and owners of this bond and the other bonds of this issue shall enjoy the same parity of lien and rights of enforcement enjoyed by the bonds authorized in prior resolutions; subject to the parity lien and pledge of Net Revenues with respect to the Parity Bonds that have been refunded ("*Refunded Parity Bonds*"), in the event the securities held in trust for the payment of the Refunded Parity Bonds are ever insufficient to pay such Refunded Parity Bonds. However, the bonds are Post-2013 Bonds and do not share in the Pre-2014 Reserve Fund securing the Pre-2013 Bonds. The bonds are secured by the Post-2013 Reserve Fund securing all bonds issued after January 1, 2014. Reference is made to the Bond Resolution for a more complete statement of the provisions made to secure payment of the bonds, 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 City has covenanted and does hereby covenant that it will fix and impose such rates and charges for the utility services rendered by the System and for the use of services furnished by the System 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 owner hereof shall have the right to compel any exercise of the taxing power of the City to pay this bond or the interest hereon. This bond does not constitute an indebtedness or pledge of the general credit of the City within the meaning of any constitutional, charter or statutory provisions relating to the incurring of indebtedness.

So long as the book-entry-only system is in effect, this bond is non-transferable. If the book-entry-only system is discontinued, this bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the registrar, upon surrender and cancellation of this bond.

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.

The registrar or paying agent may be changed by the City without notice. The City, 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.

The City has caused this bond to be executed by its Mayor, attested by its Clerk and countersigned by its Management Services Director, which signatures may be facsimile signatures and the seal of the City to be impressed hereon. This bond is not valid or binding upon the City without the manually affixed signature of an authorized representative of the registrar. This bond is prohibited from being issued in coupon or bearer form without the approval of the City Council and the occurrence of certain other conditions.

CITY OF CHANDLER, ARIZONA

_____
Mayor

ATTEST:

_____
Clerk

COUNTERSIGNED:

_____
Management Services Director

(SEAL)

DATE OF AUTHENTICATION AND REGISTRATION: _____

AUTHENTICATION CERTIFICATE

This bond is one of the City of Chandler, Arizona, Water and Sewer Revenue Refunding Bonds, Series 2014, described in the resolution mentioned on the reverse hereof.

_____, as Registrar

By_____
Authorized Representative

INSERT INSURANCE STATEMENT, IF APPLICABLE

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

UNIF GIFT/TRANS MIN ACT-_____Custodian_____
(Cust) (Minor)
under Uniform Gifts/Transfers to Minors Act_____
(State)

Additional abbreviations may also be used though not in list above

TS2:dlh 2135314.4 4/25/2014

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:

_____

Firm or Bank

_____

Authorized Signature

The signature(s) should be guaranteed by an eligible guarantor institution pursuant to SEC Rule 17Ad-15

ALL FEES AND TRANSFER COSTS SHALL BE PAID BY THE TRANSFEROR

DRAFT

CITY FEDERAL TAXPAYER I.D. NO. 86-6000238

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT CONTRACT FOR BONDS OF THE CITY OF CHANDLER, ARIZONA

This Bond Registrar, Transfer Agent and Paying Agent Contract dated as of _____ 1, 2014 (the "*Contract*"), is made and entered into between the **CITY OF CHANDLER, ARIZONA** (hereinafter called the "*City*"), and _____, _____, Arizona (hereinafter called the "*Bank*"), and witnesseth as follows:

The City will issue its City of Chandler, Arizona, Water and Sewer Revenue Refunding Bonds, Series 2014 (the "*Bonds*") in the aggregate principal amount of $_____. The Mayor and City Council (the "*Council*") have determined that the services of a bond registrar, transfer agent and paying agent are necessary and in the best interests of the City. Initially, the Bonds will be issued in book-entry-only form through The Depository Trust Company ("*DTC*") and, so long as the book-entry-only system is in effect, the Bonds will be registered in the name of Cede & Co., the nominee name of DTC.

The Bank desires to perform registrar, transfer agent 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 do agree as follows:

1. **Services**. The Bank hereby agrees to provide the following services:

A. Registrar services which shall include, but not be limited to, (1) initial authenticating and verifying the Bonds; (2) keeping registration books sufficient to comply with Section 149 of the Internal Revenue Code of 1986, as amended (the "*Code*"); (3) recording transfers of ownership of the Bonds promptly as such transfers occur; (4) protecting against double or overissuance; (5) authenticating new Bonds prepared for issuance to transferees of original and subsequent purchasers; and (6) informing the City of the need for additional printings of the Bonds should the forms printed prior to initial delivery prove inadequate.

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 registration books.

C. Paying agent services which shall include, but not be limited to, (1) providing a billing to the City at least thirty (30) days prior to a Bond interest payment date setting forth the amount of principal and interest due on such date; (2) preparing, executing, wiring or mailing all interest payments to each registered owner of the Bonds on or before the scheduled payment date and in no event later than the time established by DTC on the date such

payments are due (unless sufficient funds to make such payments have not been received by the Bank); (3) verifying all matured Bonds upon their surrender; (4) paying all principal and premium, if any, due upon the Bonds as they are properly surrendered therefor to the Bank; (5) preparing a semiannual reconciliation showing all principal and interest paid during the period and providing copies thereof to the City; (6) inventorying all cancelled checks, or microfilm proof of such checks for six (6) years after payment; and (7) making proof of such payments available to the City or any owner or former owner.

2. **Record Date**. The "*Record Date*" for the payment of interest will be the fifteenth (15th) day of the month preceding an interest payment date. Normal transfer activities will continue after the Record Date but the interest payment on a particular Bond will be mailed to the registered owners of Bonds as shown on the books of the Bank on the close of business on the Record Date. Principal (and premium, if any) shall be paid only on surrender of the particular Bond at or after its maturity or prior redemption date, if applicable.

3. **Redemption Notices**. The Bank agrees to provide certain notices to the Bond owners as required to be provided by the Bank in, and upon being provided with a copy of, the resolution of the City approving the issuance, sale and delivery of the Bonds. So long as the Book-Entry-Only System is in effect, the Bank shall send notices of redemption to DTC in the manner required by DTC. If the Book-Entry-Only System is discontinued, the Bank shall mail notice of redemption of any Bond to the registered owner of the Bond or Bonds being redeemed at the address shown on the bond register maintained by the registrar not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Neither the failure of DTC nor any registered owner of Bonds to receive a notice of redemption nor any defect therein will affect the validity of the proceedings for redemption of Bonds as to which proper notice of redemption was given.

The Bank also agrees to send notice of any redemption to the Municipal Securities Rulemaking Board (the "*MSRB*"), currently through the MSRB's Electronic Municipal Market Access system ("*EMMA*"), in the manner required by the MSRB, but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

If moneys for the payment of the redemption price and accrued interest are not held in separate accounts by the City or by a paying agent prior to sending the notice of redemption, such redemption shall be conditional on such moneys being so held on the date set for redemption and if not so held by such date, the redemption shall be cancelled and be of no force and effect.

Each redemption notice must contain, at a minimum, the complete official name of the issue with series designation, CUSIP number, certificate numbers, amount of each Bond called (for partial calls), date of issue, interest rate, maturity date, publication date (date of release to the general public, or the date of general mailing of notices to Bond owners and

information services), redemption date, redemption price, redemption agent and the name and address of the place where Bonds are to be tendered, including the name and phone number of the contact person. Such redemption notices may contain a statement that no representation is made as to the accuracy of the CUSIP numbers printed therein or on the Bonds.

4. **Issuance and Transfer of Bonds**. The Bank will issue the Bonds to registered owners, require the Bonds to be surrendered and cancelled and new Bonds issued upon transfer, and maintain a set of registration books showing the names and addresses of the owners from time to time of the Bonds. The Bank shall promptly record in the registration books all changes in ownership of the Bonds.

5. **Payment Deposit**. The City will transfer immediately available funds to the Bank no later than one (1) business day prior to or, if agreed to by the parties hereto, on the date on which the interest, principal and premium payments (if any) are due on the Bonds, but in no event later than the time established by DTC, on the date such payments are due. The Bank shall not be responsible for payments to Bond owners from any source other than moneys transferred, or caused to be transferred, to it by the City.

6. **Collateral**. The Bank shall collateralize the funds on deposit at the Bank in accordance with A.R.S. §§ 35-323 and 35-491.

7. **Turnaround Time**. The Bank will comply with the three (3) business day turnaround time required by Securities and Exchange Commission Rule 17Ad-2 on routine transfer items.

8. **Fee Schedule; Initial Fee**. For its services under this Contract, the City will pay the Bank in accordance with the fee schedule set forth in the attached *Exhibit A*, which is incorporated herein by reference. The fee for the Bank's initial services hereunder and services to be rendered until [June 30, 2014] is $_____ and shall be billed by the Bank to the City after closing and paid by the City after the initial delivery of the Bonds solely from proceeds of the Bonds. Subsequent payments shall be made in accordance with this Contract.

9. **Costs and Expenses**. The City hereby agrees to pay all costs and expenses of the Bank pursuant hereto. If, for any reason, the amounts the City agrees to pay herein may not be paid from the annual tax levy for debt service on the Bonds, such costs shall be paid by the City from any funds lawfully available therefor and the City agrees to take all actions necessary to budget for and authorize expenditure of such amounts.

10. **Fees for Services in Subsequent Fiscal Years**. The Bank will bill the City prior to [June 1, 2014], and prior to each June 1 thereafter.

11. **Hold Harmless**. The Bank shall indemnify and hold harmless the City, its Mayor and Council, the Management Services Directorresponsible for financial matters and all boards, commissions, officials, officers and employees of the City, individually and collectively, from the Bank's failure to perform to its standard of care as herein stated.

12. **Standard of Care Required**. In the absence of bad faith on its part in the performance of its services under this Contract, the Bank shall not be liable for any action taken or omitted to be taken by it in good faith and believed by it to be authorized hereby or within the rights and powers conferred upon it hereunder, nor for action taken or omitted to be taken by it in good faith and in accordance with advice of counsel, and shall not be liable for any mistakes of fact or error of judgment or for any actions or omissions of any kind unless caused by its own willful misconduct or negligence.

13. **Entire Contract**. This Contract and *Exhibit A* attached hereto contain the entire understanding of the parties with respect to the subject matter hereof, and no waiver, alteration or modification of any of the provisions hereof, shall be binding unless in writing and signed by a duly authorized representative of all parties hereto.

14. **Amendment**. The City and the Bank reserve the right to amend any individual service set forth herein or all of the services upon providing a sixty (60) day prior written notice. Any corporation, association or agency into which the Bank may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from such conversion, sale merger, consolidation or transfer to which it is a party, *ipso facto*, shall be and become successor registrar, transfer agent and paying agent under this Contract and vested with all or the same rights, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

15. **Resignation or Replacement**. The Bank may resign or the City may replace the Bank as registrar, transfer agent and paying agent at any time by giving thirty (30) days' written notice of resignation or replacement to the City or to the Bank, as applicable. The resignation shall take effect upon the appointment of a successor registrar, transfer agent and paying agent. A successor registrar, transfer agent and paying agent will be appointed by the City; provided, that if a successor registrar, transfer agent and paying agent is not so appointed within ten (10) days after a notice of resignation is received by the City, the Bank may apply to any court of competent jurisdiction to appoint a successor registrar, transfer agent and paying agent. Any resignation or replacement of the Bank pursuant to this Section shall be without cost to the City.

In the event the Bank resigns or is replaced, the City reserves the right to appoint a successor registrar, transfer agent and paying agent who may qualify pursuant to A.R.S. §§ 35-491, et seq., or any subsequent statute pertaining to the registration, transfer and payment of bonds. In such event the provisions hereof with respect to payment by the City shall remain in full force and effect, but the Management Services Directorresponsible for financial matters shall then be authorized to use the funds collected for payment of the costs and expenses of the Bank hereunder, provided that the Bank shall have been paid its fees and expenses due and owing to it, to pay the successor registrar, transfer agent and paying agent or as reimbursement if the Management Services Director responsible for financial matters acts as registrar, transfer agent and paying agent.

16. **Reports to Arizona Department of Revenue**. The Bank shall make such reports to the Arizona Department of Revenue (the "*Department*") pertaining to the retirement of any Bonds and of all payments of interest thereon within thirty (30) days of a request therefor, from the City or its agents to comply with the requirements of the Department pursuant to A.R.S. § 35-502.

17. **Form of Records**. The Bank's records shall be kept 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 securities industry standard. Bank shall retain such records in accordance with the applicable record keeping standard of the Internal Revenue Service. In lieu of destruction and immediately prior to the date the Bank would destroy any Bondholder or Bond payment records maintained by the Bank pursuant to this Contract, such records shall be provided to the City.

18. **Advice of Counsel and Special Consultants**. When the Bank deems it necessary or reasonable, it may apply to Gust Rosenfeld P.L.C. or such other law firm or attorney approved by the City for instructions or advice. Any fees and costs incurred shall be added to the next fiscal year's fees, costs and expenses to be paid to the Bank.

19. **Examination of Records**. The City, or its duly authorized agents may examine the records relating to the Bonds at the office of the Bank where such records are kept at reasonable times as agreed upon with the Bank and such records shall be subject to audit from time to time at the request of the City, the Bank or the Auditor General of the State of Arizona (the "*State*").

20. **Payment of Unclaimed Amounts**. In the event any check for payment of interest on a Bond is returned to the Bank unendorsed or is not presented for payment within two (2) years from its payment date, or any Bond is not presented for payment of principal at the maturity or redemption date, if applicable, if funds sufficient to pay such interest or principal due upon such Bond shall have been made available to the Bank for the benefit of the owner thereof, it shall be the duty of the Bank to hold such funds, without liability for interest thereon, for the benefit of the owner of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. The Bank's obligation to hold such funds shall continue for two (2) years and six (6) months (subject to applicable escheat or unclaimed property law) following the date on which such interest or principal payment became due, whether at maturity or at the date fixed for redemption, or otherwise, at which time the Bank shall surrender such unclaimed funds so held to the City, whereupon any claim of whatever nature by the owner of such Bond arising under such Bond shall be made upon the City and shall be subject to the provisions of applicable law.

21. **Invalid Provisions**. If any provision hereof is held to be illegal, invalid or unenforceable under present or future laws, this Contract shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Contract; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision.

22. **Mutilated, Lost or Destroyed Bonds**. With respect to Bonds which are mutilated, lost or destroyed, the Bank shall cause to be executed and delivered a new Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond lost or destroyed, upon the registered owner's paying the reasonable expenses and charges in connection therewith and, in the case of any Bond destroyed or lost, filing by the registered owner with the Bank and the City of evidence satisfactory to the Bank and the City that such Bond was destroyed or lost, and furnishing the Bank and the City with a sufficient indemnity bond pursuant to A.R.S. § 47-8405.

23. **Conflict of Interest**. Each party gives notice to the other parties that A.R.S. § 38-511 provides that the State, its political subdivisions or any department or agency of either, may within three (3) years after its execution cancel any contract without penalty or further obligation made by the State, its political subdivisions or any of the departments or agencies of either, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either, is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

24. **Covenants**. The City has agreed in its authorizing resolution to take all necessary actions required to preserve the tax-exempt status of the Bonds. Such actions may require the calculation of amounts of arbitrage rebate, which may be due and owing to the United States. The calculation of such rebate amount may be performed by an individual or firm qualified to perform such calculations and who or which may be selected and paid by the City. If the City does not retain a consultant to do the required calculations concerning arbitrage rebate and if, in the sole discretion of the City, a rebate calculation is required to permit interest on the City's Bonds to be and remain exempt from gross income for federal income tax purposes, the City may include, in addition to all other bills payable under this Contract, the costs and expenses and fees of an arbitrage consultant. The City may contract with a consultant to perform such arbitrage calculations as are necessary to meet the requirements of the Code. All fees, costs and expenses so paid may be deducted from moneys of the City or from tax levies made to pay the interest on the Bonds. Such costs, fees and expenses shall be considered as interest payable on the Bonds. This Contract shall be full authority to the City to cause to be levied and collected such amounts as may be necessary to make all rebates to the United States of America.

25. **Levy for Expenses**. Except for the initial fiscal year's costs and expenses, all costs and expenses incurred with respect to services for registration, transfer and payment of the Bonds and, if applicable, for costs and expenses in connection with the calculation of arbitrage rebate shall be treated as interest on the Bonds and the City agrees to include the same in the taxes levied for interest debt service during each of the ensuing fiscal years.

26. **Waiver of Trial by Jury**. Each party hereto hereby agrees not to elect a trial by jury of any issue triable of right by jury, and waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist with regard to this Contract, or any claim, counterclaim or other action arising in connection herewith. This waiver of right to trial by jury

is given knowingly and voluntarily by each party, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue.

27. **Governing Law**. The Contract is governed by the laws of the State.

28. **Transfer Expenses**. The transferor of any Bond will be responsible for all fees and costs relating to such transfer of ownership.

29. **E-verify Requirements**. To the extent applicable under A.R.S. § 41-4401, the Bank and its subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). The Bank's, or its subcontractor's, breach of the above-mentioned warranty shall be deemed a material breach of the Contract and may result in the termination of the Contract by the City. The City retains the legal right to randomly inspect the papers and records of the Bank and its subcontractors who work on the Contract to ensure that the Bank and its subcontractors are complying with the above-mentioned warranty.

The Bank and its subcontractors warrant to keep the papers and records open for random inspection by the City during normal business hours. The Bank and its subcontractors shall cooperate with the City's random inspections including granting the City entry rights onto its property to perform the random inspections and waiving their respective rights to keep such papers and records confidential.

This Contract is dated and effective as of _____ 1, 2014.

CITY OF CHANDLER, ARIZONA

By_____
Mayor

ATTEST:

_____
City Clerk

_____, as Bank

By_____
Authorized Representative

Attach as Exhibit A the fee schedule of the Bank.

DRAFT

DEPOSITORY TRUST AGREEMENT

This Depository Trust Agreement (the "*Agreement*") dated as of _____1, 2014, by and between the **CITY OF CHANDLER, ARIZONA** (the "*City*"), and _____, a national banking association authorized to do trust business in the State of Arizona, as trustee (the "*Trustee*") and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**(as successor in trust to BNY Western Trust Company) the registrar of the Water and Sewer Revenue Bonds, Series 2001 (the "*2001 Refunded Registrar*"), **U.S. BANK NATIONAL ASSOCIATION**, the registrar of the Water & Sewer Revenue Refunding Bonds, Series 2003 (the "*2003 Refunded Registrar*") and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**(as successor in trust to J.P. Morgan Trust Company, National Association) the registrar of the Water and Sewer Revenue Bonds, Series 2005 (the "*2005 Refunded Registrar*" and together with the 2001 Refunded Registrar, and the 2003 Refunded Registrar, the "Refunded Registrar"),

W I T N E S S E T H:

WHEREAS, the following bonds of the City have been issued and are currently outstanding (the "*Bonds Being Refunded*"):

CUSIP (Base No. 158879)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Bonds Being Refunded (% of Principal)
JU1	02/01/2001	Water and Sewer Revenue Bonds, Series 2001 (the "Series 2001 Bonds Being Refunded")	$1,045,000	2018	1,045,000	2014	100%
LQ7	06/01/2003	Water and Sewer Revenue Refunding Bonds (the "Series 2003 Bonds Being Refunded")	7,515,000	2016	7,515,000	2014	100%
MG8 MH6 MJ2 MK9	03/23/2005	Water and Sewer Revenue Bonds, Series 2005 (the "Series 2005 Bonds Being Refunded")	2,225,000 2,500,000 2,500,000	2018 2019 2020	2,225,000 2,500,000 2,500,000	2015 2015 2015	100% 100% 100%

; and

WHEREAS, the Refunded Registrar is the bond registrar and paying agent for the Bonds Being Refunded; and

WHEREAS, by a resolution adopted on April 24, 2014 (the "*Bond Resolution*"), the Mayor and Council of the City has authorized the issuance, sale and delivery of $_____ in aggregate principal amount of the City's Water and Sewer Revenue Refunding, Series 2014 (the "*Bonds*") issued to refund the Bonds Being Refunded; and

WHEREAS, the Bond Resolution authorizes and directs the City to enter into an irrevocable trust agreement with the Trustee for the safekeeping and handling of the moneys and securities to be held in trust to pay 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. Deposit With Trustee. Pursuant to this Agreement, the Trustee has received for deposit to the account of the City the following amount:

Bond proceeds
Less: Underwriters' Discount
Total

Such proceeds of the Bonds, shall be applied as follows: (a) $_____ to currently refund the Series 2001 Bonds Being Refunded and Series 2003 Bonds Being Refunded, (b) $_____ to advance refund the Series 2005 Bonds Being Refunded, and (c) $_____ to pay costs of issuance to advance refund the Bonds Being Refunded.

Section 2. Trust Account. Excluding the $_____ that shall be held by the Trustee in the Costs of Issuance Account (as hereafter defined) and used to pay costs of issuance, the Trustee shall hold the 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 City hereunder in an irrevocable, segregated and separate trust account separate from all other funds and investments deposited with the Trustee for the sole and exclusive benefit of the holders of the Bonds Being Refunded until final payment thereof (the "*Trust Account*").

Section 3. Government Obligations. On the date of initial delivery of the Bonds, the Trustee shall invest the Trust Account in (a) obligations issued by or the principal of and interest on which are unconditionally guaranteed by the United States of America or (b) any of the senior debt of any of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities, including, without limitation: (i) United States Treasury Obligations - State and Local Government Series; (ii) United States Treasury bills, notes and bonds, as traded on the open market; or (iii) Zero Coupon United States Treasury Bonds; or (iv) shares in an investment management company that invests solely in obligations issued by or the principal of an interest on which are unconditionally guaranteed by the United States of America (the "*Government Obligations*") as follows: $_____ shall be applied to create a portfolio of moneys and Government Obligations as described in *Exhibit A-1* hereto (the "*Restricted Obligations*"), $_____ shall be applied to create a portfolio of moneys and Government Obligations as described in *Exhibit A-2* hereto (the "*Unrestricted Obligations*") and $_____ will be held uninvested as an initial cash deposit to the Trust Account for the current and advance refunding of the Bonds Being Refunded.

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.

The Trustee shall not sell or redeem such Government Obligations in advance of their maturity dates except as provided in Section 5 hereof.

Section 4. Code Provisions. The parties recognize that amounts credited to the Trust Account and invested in the Restricted Obligations are, at the time of execution and delivery hereof, subject to restrictions as to investment under the Internal Revenue Code of 1986, as amended (the "*Code*"), in order for the interest on the Bonds and the Bonds Being Refunded to be, or continue to be, excluded from gross income for purposes of calculating federal income taxes. In order to comply with such currently applicable restrictions, and subject to the provisions of Section 5 hereof, the following provisions shall apply with respect 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 premium on the Bonds Being Refunded and are not to be reinvested.

(b) Yields are to be calculated by means of an actuarial method of yield calculation whereby "yield" means the discount rate that, when used in computing the present value as of the date the investment is first allocated to the Bonds of all unconditionally payable receipts from the investment (using the same compounding intervals and financial conventions used to compute the yield on the Bonds), produces an amount equal to the present value of all unconditionally payable payments for the investments. The Trustee will not be responsible for the calculation of any yield.

(c) The purchase price of a Government Obligation used in determining its yield must be the market price of the Government Obligation on an established market. This means that a premium may not be paid to adjust the yield and that a lower interest rate than is usually paid may not be accepted. At the time of execution and delivery hereof, if a Government 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 regarding the Restricted Obligations, 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.

(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 Bonds or the 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 Bonds or the Bonds Being Refunded to become included in gross income for purposes of calculating federal income taxes.

(e) Amounts received from reinvestment of maturing principal of and interest on Government Obligations, if any, prior to the date such amounts are to be used to make payments on the Bonds Being Refunded pursuant to this Section 4 and which are not needed to provide for payments on the Bonds Being Refunded may be withdrawn from the Trust Account and returned to the City and applied for the benefit of the City in accordance with applicable law.

Notwithstanding any provision of this Agreement to the contrary, the Trustee shall not be liable or responsible for any calculation or determination which may be required in connection with, or for the purpose of complying with, Section 148 of the Code, or any successor statute or any regulation, ruling or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in non-purpose obligations having a

yield higher than the yield on the bonds, and the Trustee shall not be liable or responsible for monitoring the compliance by the City with any of the requirements of Section 148 of the Code or any applicable regulation, ruling or other judicial or administrative interpretation thereof; it being acknowledged and agreed that the sole obligation of the Trustee with respect to the investment of monies hereunder shall be to invest such monies in accordance with instructions received by it as set forth in this Agreement.

Section 5. Investment Instructions. The Trustee may sell or redeem Trust Account investments 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 City's Management Services 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 Bonds to be included in gross income for federal income tax purposes and will not cause the Bonds Being Refunded or the Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code, and will not adversely affect the right of the City 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 certified public accountant or firm of certified public 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 City Treasurer of the City'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 discussed above, may be withdrawn from the Trust Account and returned to the City Treasurer of the City and applied for the benefit of the City in accordance with applicable law.

(c) The parties hereto acknowledge and agree that on the date the Bonds are issued and delivered against payment therefor (the "*Delivery Date*"), the Trustee is to receive the Government Obligations referred to above in Section 3. If the Trustee shall not receive any of the Government Obligations (the "*Failed Escrow Securities*"), the Trustee shall accept, as temporary substitutes cash or, at the same purchase price, other Government Obligations ("*Substitute Escrow Securities*") the payments on which are scheduled to provide, as determined by an independent certified public accountant, along with such cash, at least the same amounts of moneys on or before the same dates as the Failed Escrow Securities for which they are substituted. (The Trustee may rely upon a report of an independent firm of certified public accountants that the condition in the preceding sentence is satisfied.) If Substitute Escrow Securities are delivered, thereafter, upon delivery to the Trustee of Failed Escrow Securities, together with any amounts paid thereon subsequent to the Delivery Date, the Trustee shall return an amount of such cash and Substitute Escrow Securities, and any amount paid thereon subsequent to the Delivery Date, corresponding to the Failed Escrow Securities which the Substitute Escrow Securities replaced.

Section 6. Moneys Not Invested. Any Trust Account moneys which are not at any time invested in Government Obligations shall be held as a demand deposit by the Trustee and shall be secured as deposits of public moneys.

Section 7. Timely Payments. The Trustee shall make timely payments from the Trust Account to the paying agents for the Bonds Being Refunded in the amounts and on the dates sufficient to pay principal, interest and any applicable premium coming due on each series of the Bonds Being Refunded. Unless otherwise directed by the City Treasurer of the City, in order to determine the amounts and the dates on which principal, interest and applicable premium is due on each series of the Bonds Being Refunded, the Trustee may rely upon the debt service schedules with respect to each series of the Bonds Being Refunded as appear in the Verification Report prepared by _____, certified public accountants, in connection with the issuance of the Bonds.

Section 8. Notices. (a) On the date of initial issuance of the Bonds, the City hereby irrevocably instructs the 2001 Refunded Registrar to send via telecopy or through other electronic means to the Depository Trust Company, the bond insurer, if any, for the Series 2001 Bonds Being Refunded and to the Municipal Securities Rulemaking Board ("MSRB"), currently through the MSRB's Electronic Municipal Market Access system ("EMMA"), by the method required by the MSRB, the notice of refunding in substantially the form of *Exhibit B-1* hereto.

(b) On the date of initial issuance of the Bonds, the City hereby irrevocably instructs the 2003 Refunded Registrar to send via telecopy or through other electronic means to the Depository Trust Company, the bond insurer, if any, for the Series 2003 Bonds Being Refunded and to the Municipal Securities Rulemaking Board ("MSRB"), currently through EMMA, by the method required by the MSRB, the notice of refunding in substantially the form of *Exhibit B-2* hereto.

(c) On the date of initial issuance of the Bonds, the City hereby irrevocably instructs the 2005 Refunded Registrar to send via telecopy or through other electronic means to the Depository Trust Company, the bond insurer, if any, for the Series 2005 Bonds Being Refunded and to the Municipal Securities Rulemaking Board ("MSRB"), currently through EMMA, by the method required by the MSRB, the notice of advance refunding in substantially the form of *Exhibit B-3* hereto.

(d) The City hereby irrevocably instructs the 2001 Refunded Registrar that the July 1, 2018 maturity of the Series 2001 Bonds Being Refunded shall be redeemed by the Trustee on July 1, 2014. Not more than sixty nor less than thirty days prior to the date set for redemption, the 2001 Refunded Registrar shall send via telecopy or other electronic means a notice of prior redemption of the July 1, 2018 maturity of the 2001 Bonds Being Refunded in substantially the form attached hereto as *Exhibit C-1* to the Depository Trust Company, two national information services, the bond insurer, if any, for the 2001 Bonds Being Refunded and to the MSRB, currently through EMMA, by the method required by the MSRB.

(e) The City hereby irrevocably instructs the 2003 Refunded Registrar that the July 1, 2016 maturity of the Series 2003 Bonds Being Refunded shall be redeemed by the Trustee on July 1, 2014. Not more than sixty nor less than thirty days prior to the date set for redemption, the 2003 Refunded Registrar shall send via telecopy or other electronic means a notice of prior redemption of the July 1, 2016, maturity of the 2003 Bonds Being Refunded in substantially the form attached hereto as *Exhibit C-2* to the Depository Trust Company, two national information services, the bond insurer, if

any, for the 2003 Bonds Being Refunded and to the MSRB, currently through EMMA, by the method required by the MSRB.

(f) The City hereby irrevocably instructs the 2005 Refunded Registrar that the July 1, 2017 through July 1, 2020 maturities of the Series 2005 Bonds Being Refunded shall be redeemed by the Trustee on July 1, 2015. Not more than sixty nor less than thirty days prior to the date set for redemption, the 2003 Refunded Registrar shall send via telecopy or other electronic means a notice of prior redemption of the July 1, 2017 through July 1, 2020 maturities of the 2005 Bonds Being Refunded in substantially the form attached hereto as *Exhibit C-3* to the Depository Trust Company, two national information services, the bond insurer, if any, for the 2005 Bonds Being Refunded and to the MSRB, currently through EMMA, by the method required by the MSRB.

(e) The City agrees to pay the expenses of the Refunded Registrar in giving all notices required hereunder pursuant to the registrar contract relative to the Bonds Being Refunded.

Section 9. Insufficient Funds. If at any time or times there are insufficient funds on hand in the Trust Account to pay the principal of and interest and any redemption premium 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 City of such deficiency and the City shall promptly pay such amount to the Trustee.

Section 10. Trustee Fees. For services hereunder, the Trustee shall be entitled to the Trustee's fees set forth in *Exhibit D* attached hereto, such fees being due upon the initial deposit of moneys with the Trustee and representing payment of the Trustee's initial fee and prepayment of the annual Trustee's fees for services hereunder during the term hereof. The Trustee shall not create or permit to be created any lien on moneys in the Trust Account for the failure to pay any such fees. The Trustee shall be reimbursed for all out of pocket costs.

Section 11. Reports. On or before each January 15 and July 15 during the term hereof, the Trustee shall submit to the City a report covering all moneys it has received and all payments it has made under the provisions hereof during the six-month period ending on the preceding June 30 and December 31 (except for the first such report, due January 15, 20__ which will cover the period commencing with the date on which the Bonds were issued to and including December 31, 20__). Each such report shall also list all investments and moneys in the Trust Account as of the report date.

Section 12. Transfer Upon Full Payment. 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 not required for payment of principal, interest and premium, if any, with respect to the Bonds Being Refunded to the City Treasurer of the City for the City's benefit.

Section 13. Agreement Irrevocable. The parties recognize that the owners of the Bonds Being Refunded have a beneficial vested interest in the moneys and investments held in the Trust Account and that the Bonds will be delivered to and accepted by the owners thereof in reliance upon the irrevocable character of the trust so created. Therefore, 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 hereof have been fully carried out.

Section 14. Non-Liability. The Trustee shall be under no obligation to inquire into or be otherwise responsible for the performance or nonperformance by any paying agent for the Bonds Being Refunded of any of their obligations or to protect any of the rights of the City under any of the proceedings with respect to the Bonds Being Refunded or the Bonds. The Trustee shall not be liable for any act done or step taken or omitted by it or for any mistake of fact or law or for anything which it may do or refrain from doing except for its negligence or its 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 hereto in compliance with the provisions hereof.

Section 15. Audit. The City 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. Costs of Issuance. The Trustee is hereby authorized and directed to pay, solely from moneys deposited with the Trustee for deposit to the Costs of Issuance Account ($_____), the costs and expenses as set forth in *Exhibit D* hereto. Amounts deposited with the Trustee for such purpose shall be held in a separate Costs of Issuance Account. Any amounts remaining on the date six (6) months following the date the Bonds are issued shall be transferred to the City and deposited to the Debt Service Fund and used to pay interest on the Bonds on the next succeeding interest payment date.

Section 17. Trustee Responsibility. In the event the Trustee is required or permitted hereby, or is requested hereunder, to take any action (or refrain from taking any action) as the Trustee, the performance (or nonperformance) of which would, in the Trustee's sole judgment, subject the Trustee to unreasonable risk of liability or expense, the Trustee shall have no duty to take (or refrain from taking) any such action until the Trustee has been furnished with indemnity adequate, in its sole judgment, to protect the Trustee, its directors, officers, employees, agents and attorneys for, from and against such liability or expense, and all reasonable costs and expenses (including reasonable attorneys' fees) in connection therewith, or until its duty as to any such action (or inaction) shall have been finally adjudicated by a court of competent jurisdiction and all applicable periods in which to appeal or seek appellate review have expired.

To the extent permitted by law, the City will indemnify and hold the Trustee, its directors, officers, employees, agents and attorneys harmless for, from and against any loss, liability, judgment or expense (including reasonable attorneys' fees) arising from the Trustee's performance of its obligations hereunder except any such loss, liability, judgment or expense resulting from the successful allegation of the Trustee's negligence or willful misconduct or breach of trust. The rights of the Trustee to such indemnification shall survive the termination of this Agreement.

The Trustee may consult with independent counsel, chosen by it with reasonable care, and shall not be liable for action taken or not taken in good faith in reliance upon the written advice or opinion of such counsel. The Trustee shall not be liable for the accuracy of any calculations provided by others to it under this Agreement as to the sufficiency of the moneys or Government Obligations deposited with it to pay the principal of and interest and redemption premiums, if any, on the Bonds Being Refunded at the respective maturities or earlier redemption of the Bonds Being Refunded. Furthermore, the Trustee may conclusively rely in good faith as to the truth, accuracy and

correctness of, and shall be protected and indemnified in acting or refraining from acting upon, any written opinion, calculation, notice, instruction, request, certificate, document or opinion furnished to the Trustee in accordance herewith and signed or presented by the proper party pursuant hereto and it need not investigate the truth or accuracy of any fact or matter stated in such opinion, calculation, notice, instruction, request, certificate or opinion.

The Trustee may at any time resign and be discharged of the duties and obligations created hereby. If the Trustee resigns, or is dissolved, liquidated or in the process of being dissolved or liquidated or otherwise becomes incapable of acting hereunder, or is taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee may be appointed. No resignation or removal may become effective until a successor Trustee shall have been appointed. In the event that no appointment of a successor Trustee occurs within sixty (60) days, the holder of any of the Bonds Being Refunded or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee acceptable to the City, and such court may thereupon, after such notice as it shall deem proper, appoint a successor Trustee acceptable to the City. Any successor Trustee appointed under this Agreement shall execute, acknowledge and deliver to its predecessor and the City an instrument in writing accepting such appointment and, thereupon, such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all rights, estates, powers, trusts, duties and obligations of its predecessor; but, such predecessor shall, nevertheless, on the written request of such successor Trustee, execute, acknowledge and deliver an instrument transferring to such successor Trustee all of the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it to the successor Trustee.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation, association or agency shall be otherwise qualified and eligible under this Section, without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Trustee, at any time prior to the first anniversary of the date hereof, may assign and transfer by written agreement all property, rights, interests, powers, duties and obligations of the Trustee as established hereunder, to a bank or trust company that is duly qualified to conduct trust business in the State of Arizona that is under common corporate control with the Trustee and that otherwise satisfies the qualification requirements hereunder for successor Trustees. Upon such assignment and transfer, the transferee bank or trust company shall become successor Trustee and receive, accept and hold all property, rights, interests, powers, duties and obligations thereof without further actions or approvals of any other person.

Section 18. Assignment; Merger. Neither this Agreement nor the Trust Account created hereunder may be assigned by the Trustee without the prior written consent of the City 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 corporate trust business in which event the trust shall be continued by the Trustee's successor in interest.

Section 19. Severability. 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 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 20. Applicable Laws. 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 herein.

Section 21. Counterparts. 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 22. Conflict of Interest. The City hereby gives notice to the Trustee that A.R.S. § 38-511, as amended, provides that the State of Arizona, its political subdivisions or any department or agency of either, may within three (3) years after execution thereof cancel any contract without penalty or further obligation, made by the State of Arizona, its political subdivisions or any department or agency of either, if any person significantly involved in initiating, negotiating, securing, drafting or creating such agreements on behalf of the State of Arizona, its political subdivisions or any department or agency of either, is at any time while such contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

Section 23. E-verify Requirements. To the extent applicable under A.R.S. § 41-4401, the Trustee and its subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). The Trustee's, or its subcontractor's, breach of the above-mentioned warranty shall be deemed a material breach of the Contract and may result in the termination of the Contract by the City. The City retains the legal right to randomly inspect the papers and records of the Trustee and its subcontractors who work on the Contract to ensure that the Trustee and its subcontractors are complying with the above-mentioned warranty.

The Trustee and its subcontractors warrant to keep such papers, information, and records necessary to verify compliance with the above-mentioned warranty (collectively, the "*Information*") open for random inspection by the City during the Trustee's normal business hours. The Trustee and its subcontractors shall reasonably cooperate with the City's random inspections including granting the City entry rights onto its property to perform the random inspections, granting the City access to, and use of, the Information, provided that, the City agrees that it will use the Information solely for the purpose of verifying compliance with the E-verify requirements and the warranty of this Section 23 and, subject to the requirements of law, including the public records law of the State of Arizona, the City will preserve the confidentiality of any information, records, or papers the City views, accesses, or otherwise obtains during any and every such random inspection, including, without limitation, the Information.

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

CITY OF CHANDLER, ARIZONA

By_____

_____

_____, as Trustee

By_____
Title:_____

ACKNOWLEDGED AND AGREED FOR PURPOSES OF SECTION 8 HEREOF:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as 2001 Refunded Registrar and 2005 Refunded Registrar

By_____
Its_____

U.S. BANK NATIONAL ASSOCIATION., as 2003 Refunded Registrar

By_____
Its_____

EXHIBIT A-1

TAXABLE RESTRICTED OBLIGATIONS

United States Treasury Obligations, State and Local Government Series to be acquired for $_____. $_____ will be retained as the initial cash balance.

Security Type	Maturity Date	Par Amount and Price	Coupon Rate

EXHIBIT A-2

RESTRICTED OBLIGATIONS

United States Treasury Obligations, State and Local Government Series to be acquired for $_____. $_____ will be retained as the initial cash balance.

Security Type	Maturity Date	Par Amount and Price	Coupon Rate

EXHIBIT B-1

NOTICE OF REFUNDING

CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE BONDS, SERIES 2001

CUSIP (Base No. 158879)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Bonds Being Refunded (% of Principal)
JU1	02/01/2001	Water and Sewer Revenue Bonds, Series 2001	$1,045,000	2018	1,045,000	2014	100%

Such bonds are hereinafter referred to as the "Bonds Being Refunded".

Notice is hereby given that the Bonds Being Refunded have been refunded prior to maturity and that an irrevocable trust has been established and funded with obligations issued by or guaranteed by the United States of America in order to provide for the payment of the Bonds Being Refunded.

The Bonds Being Refunded will be paid on the dates and in the amounts (plus interest accrued thereon to the redemption date), as set forth above.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (as successor in trust to BNY Western Trust Company), the Refunded Registrar

By_____

THIS IS NOT A REDEMPTION NOTICE

The Refunded Registrar shall mail this notice by first class mail to all registered owners of the Bonds Being Refunded and send via telecopy or through other electronic means to the Depository Trust Company, Assured Guaranty Municipal Corp. (formerly, Financial Security Assurance), the bond insurer, and to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB..

EXHIBIT B-2

NOTICE OF REFUNDING

CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE REFUNDING BONDS,
SERIES 2003

CUSIP (Base No. 158879)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Bonds Being Refunded (% of Principal)
LQ7	06/01/2003	Water and Sewer Revenue Refunding, Series 2003	7,515,000	2016	7,515,000	2014	100%

Such bonds are hereinafter referred to as the "Bonds Being Refunded".

Notice is hereby given that the Bonds Being Refunded have been refunded prior to maturity and that an irrevocable trust has been established and funded with obligations issued by or guaranteed by the United States of America in order to provide for the payment of the Bonds Being Refunded.

The Bonds Being Refunded will be paid on the dates and in the amounts (plus interest accrued thereon to the redemption date), as set forth above.

U.S. BANK NATIONAL ASSOCIATION, the
Refunded Registrar

By_____

THIS IS NOT A REDEMPTION NOTICE

The Refunded Registrar shall mail this notice by first class mail to all registered owners of the Bonds Being Refunded and send via telecopy or through other electronic means to the Depository Trust Company, and to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

.

EXHIBIT B-3

NOTICE OF ADVANCE REFUNDING

CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE BONDS, SERIES 2005

CUSIP (Base No. 158879)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Bonds Being Refunded (% of Principal)
MG8	03/23/2005	Water and Sewer Revenue Bonds, Series 2005	2,225,000	2018	2,225,000	2015	100%
MH6			2,500,000	2019	2,500,000	2015	100%
MJ2			2,500,000	2020	2,500,000	2015	100%
MK9							

Such bonds are hereinafter referred to as the "Bonds Being Refunded".

Notice is hereby given that the Bonds Being Refunded have been refunded prior to maturity and that an irrevocable trust has been established and funded with obligations issued by or guaranteed by the United States of America in order to provide for the payment of the Bonds Being Refunded.

The Bonds Being Refunded will be paid on the dates and in the amounts (plus interest accrued thereon to the redemption date), as set forth above.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (as successor in trust to J.P. Morgan Trust Company, National Association), the "Refunded Registrar"

By_____

THIS IS NOT A REDEMPTION NOTICE

The Refunded Registrar shall mail this notice by first class mail to all registered owners of the Bonds Being Refunded and send via telecopy or through other electronic means to the Depository Trust Company, Financial Guaranty Insurance Company, the bond insurer, and to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

EXHIBIT C-1

NOTICE OF REDEMPTION
of the following obligations:

City of Chandler, Arizona Water and Sewer Revenue Bonds, Series 2001, dated February 1, 2001 maturing July 1, 2018.

Notice is hereby given that the below-described principal amounts of the above-referenced bonds outstanding have been called for redemption and will be redeemed on July 1, 2014. The maturity dates and amounts of the bonds to be redeemed are as follows:

CUSIP (Base No. 158879)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Bonds Being Refunded (% of Principal)
JU1	02/01/2001	Water and Sewer Revenue Bonds, Series 2001	$1,045,000	2018	1,045,000	2014	100%

Owners of the above-described bonds called for redemption are notified to present the same at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as successor in trust to BNY Western Trust Company, (the "Refunded Registrar"), 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. All bonds so called for redemption must be surrendered and no interest will be paid on the above-described bonds from and after the redemption date.

The Refunded Registrar shall not be responsible for the selection or use of the CUSIP numbers, nor is any representation made as to its correctness indicated in this redemption notice or on any bond.

DATED: _____

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (as successor in trust to BNY Western Trust Company), the Refunded Registrar

By_____

The following is not part of this notice:

Not more than sixty nor less than thirty days prior to the date set for redemption, The Bank of New York Mellon Trust Company, N.A. (as successor in trust to BNY Western Company) shall cause a notice of any such redemption to be mailed first class mail to each registered owner and to two national information services. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the depository. A notice shall also be sent via telecopy or through other electronic means to the Depository Trust Company, Assured Guaranty Municipal Corp. (formerly, Financial Security Assurance), the bond insurer, and to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

EXHIBIT C-2

NOTICE OF REDEMPTION
of the following obligations:

City of Chandler, Arizona, Water and Sewer Revenue Refunding Bonds, dated July 1, 2003 maturing July 1, 2016.

Notice is hereby given that the below-described principal amounts of the above-referenced bonds outstanding have been called for redemption and will be redeemed on July 1, 2016. The maturity dates and amounts of the bonds to be redeemed are as follows:

CUSIP (Base No. 158879)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Bonds Being Refunded (% of Principal)
LQ7	06/01/2003	Water and Sewer Revenue Refunding Bonds, Series 2003	7,515,000	2016	7,515,000	2014	100%

Owners of the above-described bonds called for redemption are notified to present the same at the corporate trust office of U.S. Bank National Association (the "Refunded Registrar"), 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. All bonds so called for redemption must be surrendered and no interest will be paid on the above-described bonds from and after the redemption date.

The Refunded Registrar shall not be responsible for the selection or use of the CUSIP numbers, nor is any representation made as to its correctness indicated in this redemption notice or on any bond.

DATED: _____

U.S. BANK NATIONAL ASSOCIATION, the Refunded Registrar

By_____

The following is not part of this notice:

Not more than sixty nor less than thirty days prior to the date set for redemption, U.S. Bank National Association shall cause a notice of any such redemption to be mailed first class mail to each registered owner and to two national information services. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the depository. A notice shall also be sent via telecopy or through other electronic means to the Depository Trust Company, and to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

EXHIBIT C-3

NOTICE OF REDEMPTION
of the following obligations:

City of Chandler, Arizona Water and Sewer Revenue Bonds, dated March 23, 2005 maturing July 1, 2017 through and including 2020.

Notice is hereby given that the below-described principal amounts of the above-referenced bonds outstanding have been called for redemption and will be redeemed on July 1, 2015. The maturity dates and amounts of the bonds to be redeemed are as follows:

CUSIP (Base No. 158879)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Bonds Being Refunded (% of Principal)
MG8	03/23/2005	Water and Sewer Revenue Bonds, Series 2005 (the "Series 2005 Bonds Being Refunded")	2,225,000	2018	2,225,000	2015	100%
MH6			2,500,000	2019	2,500,000	2015	100%
MJ2			2,500,000	2020	2,500,000	2015	100%
MK9							

Owners of the above-described bonds called for redemption are notified to present the same at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as successor in trust to J.P. Morgan Trust Company, National Association, (the "Refunded Registrar"), 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. All bonds so called for redemption must be surrendered and no interest will be paid on the above-described bonds from and after the redemption date.

The Refunded Registrar shall not be responsible for the selection or use of the CUSIP numbers, nor is any representation made as to its correctness indicated in this redemption notice or on any bond.

DATED: _____

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (as successor in trust to J.P. Morgan Trust Company, National Association), the "Refunded Registrar

By_____

The following is not part of this notice:

Not more than sixty nor less than thirty days prior to the date set for redemption, The Bank of New York Mellon Trust Company, N.A. (as successor in trust to J.P. Morgan Trust Company, National Association) shall cause a notice of any such redemption to be mailed first class mail to each registered owner and to two national information services. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the depository. A notice shall also be sent via telecopy or through other electronic means to the Depository Trust Company, Financial Guaranty Insurance Company, the bond insurer, and to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

TS2:dlh 2136752.2 4/7/2014

EXHIBIT D

EXPENSES

The following expenses are to be paid by the Trustee from Bond Proceeds deposited with the Trustee for that purpose:

Bond Counsel Fee and Costs (1)	$
Underwriters' Counsel Fee (2)	
Financial Advisor Fee and Costs (3)	
Bond Ratings	
CPA Verification (4)	
Trustee Fees, Refunded Registrar and initial Bond Registrar and Paying Agent Fees (5)	
Official Statement Preparation, Printing and Mailing (6)	
Miscellaneous	
TOTAL	**$**

(1) Gust Rosenfeld P.L.C.
(2)
(3) Piper Jaffray, & Co.
(4)
(5)
(6)

DRAFT

$_____

CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE
REFUNDING BONDS, SERIES 2014

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP Base No. 158879)

This Continuing Disclosure Certificate (the "*Disclosure Certificate*") is undertaken by the City of Chandler, Arizona (the "*City*") in connection with the issuance of Water & Sewer Revenue Refunding Bonds, Series 2014 (the "*Bonds*"). In consideration of the initial sale and delivery of the Bonds, the City covenants as follows:

Section 1. **Purpose of the Disclosure Certificate**. This Disclosure Certificate is for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (as hereinafter defined).

Section 2. **Definitions**. Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

"*Annual Report*" shall mean the annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Bond Counsel*" shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the City.

"*Bondholder*" shall mean any registered owner or beneficial owner of the Bonds.

"*Dissemination Agent*" shall mean the City or any person designated in writing by the City as the Dissemination Agent.

"*EMMA*" shall mean the Electronic Municipal Market Access system and the EMMA Continuing Disclosure Service of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

"*Listed Events*" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"*Official Statement*" shall mean the final official statement dated _____, 2014 relating to the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the "*Filing Date*"), commencing February 1, 2015, provide electronically to MSRB, in a format prescribed by MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

(b) If the City is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the City shall promptly send a notice to EMMA in substantially the form attached as *Exhibit A* not later than such Filing Date.

(c) If the City's audited financial statements are not submitted with the Annual Report and the City fails to provide to EMMA a copy of its audited financial statements within 30 days of receipt thereof by the City, then the City shall promptly send a notice to EMMA in substantially the form attached as *Exhibit B*.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date(s) for providing the Annual Report and audited financial statements the proper address of EMMA; and

(ii) if the Dissemination Agent is other than the City, file a report or reports with the City certifying that the Annual Report and audited financial statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the audited financial statements of the City; provided, however, that if the audited financial statements of the City are not available at the time of the filing of the Annual Report, the City shall file unaudited financial statements of the City with the Annual Report and, when the audited financial statements of the City are available, the same shall be submitted to EMMA within 30 days of receipt by the City.

(b) The City's Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections 3 and 4(a) hereof, annual audited financial statements for the City (CAFR).

(B) Annually updated financial information and operating data of the type contained in the following subsections of the Official Statement:

Schedule of Water and Sewer System Customers;
In Appendix B, the data set forth on the tables listed below:
- Assessed and Estimated Full Cash Values;
- Property Taxes - Property Tax Assessment Ratios;
- Assessed Valuation by Property Classification;

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The audited annual financial statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the City's audited annual financial statements is contained in Note 1 of the audited financial statement included within the Official Statement.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

This Section 5 shall govern the giving of notices by the City of the occurrence of any of the following events with respect to the Bonds, and the City shall in a timely manner, not in excess of ten business days after the occurrence of the event, provide notice of the following events with EMMA:

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

Note to Paragraph (12) above: For the purposes of the event identified in paragraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. **Termination of Reporting Obligation**. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the City to give notice of such defeasance or prior redemption.

Section 7. **Dissemination Agent**. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. **Amendment**. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the City, or the type of business conducted;

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

Notice of any amendment to the accounting principles shall be sent within 30 days to EMMA.

Section 9. **Filing with EMMA**. The City shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

Section 10. **Additional Information**. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. **Default**. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Bondholder may seek specific performance by court order to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

Section 12. **Compliance by the City**. The City hereby covenants to comply with the terms of this Disclosure Certificate. The City expressly acknowledges and agrees that compliance with the undertaking

contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter, Bond Counsel or the City's financial advisor.

Section 13. **Subject to Appropriation**. Pursuant to Arizona law, the City's undertaking to provide information under this Disclosure Certificate is subject to appropriation, solely from its Water and Sewer Revenues or such funds as the City chooses, to cover the costs of preparing and sending the Annual Report and notices of material events to EMMA. Should funds that would enable the City to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact will be made in a timely manner to EMMA in the form of *Exhibit C* attached hereto.

Section 14. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 15. **Governing Law**. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Date: _____, 2014

CITY OF CHANDLER, ARIZONA

By_____
Its Management Services Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Chandler, Arizona
Name of Bond Issue: $_____ Water & Sewer Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 158877

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Disclosure Certificate dated _____, 2014. The City anticipates that the Annual Report will be filed by _____.

Dated:

City of Chandler, Arizona

By_____
Its _____

EXHIBIT B

NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: City of Chandler, Arizona
Name of Bond Issue: $_____ Water & Sewer Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 158877

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated _____, 2014, with respect to the above-named Bonds. The City anticipates that the audited financial statements for the fiscal year ended June 30, ____ will be filed by _____.

Dated:

City of Chandler, Arizona

By_____
Its _____

EXHIBIT C

NOTICE OF FAILURE TO APPROPRIATE FUNDS

Name of Issuer: City of Chandler, Arizona
Name of Bond Issue: $_____ Water & Sewer Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 158877

NOTICE IS HEREBY GIVEN that the City failed to appropriate funds necessary to perform the undertaking required by the Disclosure Certificate dated _____, 2014.

Dated: _____

City of Chandler, Arizona

By_____
Its _____

DRAFT

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2014.

NEW ISSUE – Book-Entry-Only **RATINGS: See "RATINGS" herein**

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City as mentioned under "TAX EXEMPTION" herein, interest income on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. Interest income on the Bonds is not an item of preference to be included in computing alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to federal alternative minimum tax. See "TAX EXEMPTION", "BOND PREMIUM" and "ORIGINAL ISSUE DISCOUNT" herein.

$14,800,000*
CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE REFUNDING BONDS
SERIES 2014

Dated: Date of Initial Delivery **Due: July 1, as shown on the inside front cover**

The City of Chandler, Arizona (the "City"), will issue its Water and Sewer Revenue Refunding Bonds, Series 2014 (the "Bonds"), for the purpose of refunding certain maturities of the City's outstanding water and sewer revenue refunding bonds (the "Bonds Being Refunded") and to pay costs incurred in connection with the issuance of the Bonds.

Purchases of beneficial ownership interests in the Bonds will be made in book-entry-only form in principal amounts of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interests in the Bonds. See Appendix D – "BOOK-ENTRY-ONLY SYSTEM." The principal of, premium, if any, and interest on the Bonds will be paid by U.S. Bank National Association (the "Bond Registrar and Paying Agent") to Cede & Co., as long as Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to the DTC Participants (as that term is defined herein) is the responsibility of DTC, and disbursement of such payments to the purchasers of beneficial ownership interests in the Bonds is the responsibility of DTC Participants and Indirect Participants (as that term is defined herein), as more fully described herein.

Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2015*, until maturity.

See Maturity Schedule on Inside Front Cover

The Bonds are not subject to redemption prior to maturity. See "THE BONDS – Redemption Provisions" herein*.

The Bonds, together with bonds issued on a parity therewith (the "Parity Bonds"), are payable as to both principal and interest solely from the revenues derived by the City from the operation of its water and sewer systems described herein (collectively, the "System") after provision has been made for the payment from such revenues of the reasonable and necessary expenses of the operation and maintenance of the System (the "Net Revenues"). The Bonds are also on a parity with the Bonds Being Refunded and certain Parity Bonds that have previously been refunded in the event of a deficiency in the income derived from the United States Treasury obligations held in irrevocable trust to provide for payment of such Bonds Being Refunded and such refunded Parity Bonds. See "THE BONDS – Security For and Sources of Payment of the Bonds" and "VERIFICATION OF MATHEMATICAL COMPUTATIONS." **The Bonds are not general obligations of the City and neither constitute an indebtedness of the City when computing its limit imposed by constitutional, statutory or charter provisions or a charge against the general credit or taxing power of the City nor a liability of the City for payment of the Bonds other than from the sources described herein.**

The Bonds are offered when, as and if issued by the City and received by the underwriters identified below (the "Underwriters"), subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriters by _____, Counsel to the Underwriters. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about _____*.

This cover page contains certain information for quick reference only. It is not a summary of this issue of which the Bonds are a part. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

* Preliminary, subject to change.

DRAFT

MATURITY SCHEDULE*

$14,800,000*
CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE REFUNDING BONDS
SERIES 2014

Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No. 158879 (a)
2016	$6,665,000	%	%	
2018	3,205,000			
2019	2,455,000			
2020	2,475,000			

(a) Copyright 2014, American Bankers' Association. CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for information only. None the City, the Financial Advisor, their counsel or agents takes responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

CITY OF CHANDLER, ARIZONA

CITY COUNCIL

Jay Tibshraeny, *Mayor*
Rick Heumann, *Vice Mayor*
Trinity Donovan, *Councilmember*
Nora Ellen, *Councilmember*
Kevin Hartke, *Councilmember*
Jack Sellers, *Councilmember*
Jeff Weninger, *Councilmember*

CITY ADMINISTRATIVE OFFICERS

Rich Dlugas, *City Manager*
Marsha Reed, *Assistant City Manager*
Nachie Marquez, *Assistant City Manager*
Dawn Lang, *Management Services Director*
Kay Bigelow, *City Attorney*
Marla Paddock, *City Clerk*

BOND COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

FINANCIAL ADVISOR

Piper Jaffray & Co.®
Phoenix, Arizona

TRUSTEE, BOND REGISTRAR AND PAYING AGENT

_____
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the City of Chandler, Arizona (the "City"), Water and Sewer Revenue Refunding Bonds, Series 2014 (the "Bonds"), identified on the inside front cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth herein has been provided by the City, the offices of the Maricopa County Assessor, Finance and Treasurer, the State of Arizona Department of Revenue and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City or the Underwriters. The presentation of information, including tables of receipts from revenues and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No person, including any broker, dealer or salesman has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. All estimates and assumptions contained herein have been based on the latest information available and are believed to be reliable, but no representations are made that such estimates and assumptions are correct, will be realized or will be repeated in the future. The information and any expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties or matters described herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors pursuant to, Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The issuance and sale of the Bonds will not be registered under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Arizona Securities Act in reliance upon exemptions provided under such Acts for the issuance and sale of securities such as the Bonds. The Bonds will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, State or other government entity or agency will have passed upon the merits of the Bonds or the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

The City will covenant to provide continuing disclosure as described in this Official Statement under "CONTINUING SECONDARY MARKET DISCLOSURE" and in Appendix G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE," pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

TABLE OF CONTENTS

Page

INTRODUCTORY STATEMENT 1
THE BONDS 1
Authorization and Purpose 1
General Provisions 1
Bond Registrar and Paying Agent ..... 2~~2~~
Redemption Provisions ..... 2~~2~~
Registration and Transfer ..... 2~~2~~
Security For and Sources of Payment of the Bonds ..... 3~~3~~
THE SYSTEM - NET REVENUES ..... 4~~4~~
Water Service ..... 4~~4~~
Sewer Service ..... 4~~4~~
Schedule of Current System Fees and Charges ..... 5~~5~~
Section 50-9. Water Meter Installation Fee ..... 5~~5~~
Section 50-11. Water Rates ..... 6~~6~~
Section 50-12. Sewer Service Rates ..... 8~~7~~
Schedule of Water and Sewer System Rate Increases (a) ..... 9~~8~~
Schedule of Water System Customers ..... 9~~8~~
Schedule of the 10 Largest Water System Customers ..... 10~~9~~
Schedule of Sewer System Customers ..... 10~~9~~
Schedule of the 10 Largest Sewer System Customers ..... 11~~10~~
Combined Schedule of Water and Sewer System Revenues, ... 12~~11~~
Expenses, Net Revenues and Debt Service Coverage ..... 12~~11~~
PLAN OF REFUNDING ..... 13~~12~~
Bonds Being Refunded* ..... 13~~12~~
VERIFICATION OF MATHEMATICAL COMPUTATIONS ..... 14~~13~~
ESTIMATED SOURCES AND USES OF FUNDS ..... 14~~13~~
WATER AND SEWER REVENUE ESTIMATED BOND DEBT SERVICE ..... 15~~14~~
REQUIREMENTS AND ESTIMATED DEBT SERVICE COVERAGE (a) ..... 15~~14~~
RATINGS ..... 16~~15~~
TAX EXEMPTION ..... 16~~15~~
ORIGINAL ISSUE DISCOUNT ..... 17~~16~~
BOND PREMIUM ..... 18~~17~~
UNDERWRITING ..... 18~~17~~
LITIGATION ..... 18~~17~~
LEGAL MATTERS ..... 18~~17~~
ADDITIONAL INFORMATION ..... 19~~18~~
CERTIFICATION CONCERNING OFFICIAL STATEMENT ..... 20~~19~~
POLITICAL DONATIONS ..... 20~~19~~
CONTINUING SECONDARY MARKET DISCLOSURE ..... 20~~19~~
CITY ACCOUNTING POLICIES ..... 20~~20~~
FINANCIAL STATEMENTS ..... 21~~20~~

TABLE OF CONTENTS
(continued)

Appendix A:	City of Chandler, Arizona – General Economic and Demographic Information
Appendix B:	City of Chandler, Arizona – Financial Data
Appendix C:	Summaries of the Authorizing Resolutions
Appendix D:	Book-Entry-Only System
Appendix E:	Form of Approving Legal Opinion
Appendix F:	City of Chandler, Arizona – Audited Financial Statements for the Year Ended June 30, 2004
Appendix G:	Form of Continuing Disclosure Certificate

OFFICIAL STATEMENT

$14,800,000*
CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2014

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the appendices hereto, has been prepared in connection with the original issuance and sale by the City of Chandler, Arizona (the "City"), of $14,800,000* Water and Sewer Revenue Refunding Bonds, Series 2014 (the "Bonds"), identified on the inside front cover page hereof. Certain information concerning the authorization terms, conditions of sale and security for and sources of payment for the Bonds is set forth in this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes, or uncodified, or of the Arizona Constitution (the "Arizona Constitution") or the Charter of the City (the "Charter") are references to those current provisions. Those provisions may be amended, repealed or supplemented.

As used in this Official Statement "debt service" means principal and interest on the obligations referred to, "County" means Maricopa County, Arizona and "State" or "Arizona" means the State of Arizona. Initial capitals denote terms defined herein, including those defined in Appendix C – "SUMMARIES OF THE AUTHORIZING RESOLUTIONS."

THE BONDS

Authorization and Purpose

The Bonds will be issued pursuant to the Arizona Constitution and laws of the State, including particularly Title 9, Chapter 5, Article 3, Arizona Revised Statutes, as amended, Resolution No. 1917 of March 30, 1991 (the "Bond Resolution"), and under the provisions of a resolution authorizing issuance of the Bonds adopted by the Mayor and Council of the City on April 24, 2014 (the "Supplemental Resolution").

The Bonds are being issued in order to provide funds (i) to refund certain maturities of the City's outstanding water and sewer revenue bonds (the "Bonds Being Refunded") and (ii) to pay the costs incurred in connection with the issuance of the Bonds. See "PLAN OF REFUNDING" herein.

The City has no remaining water and wastewater revenue bonds authorized but unissued. The City currently has $984,000 of storm water bonds remaining authorized but unissued from the authorization for the issuance of such bonds approved by voters at the May 20, 1997 special bond election. Summaries of the Bond Resolution and the Supplemental Resolution are included in Appendix C – "SUMMARIES OF THE AUTHORIZING RESOLUTIONS" of this Official Statement. Such summaries do not purport to be comprehensive or definitive. A copy of the Bond Resolution and the Supplemental Resolution may be inspected at the Office of the Management Services Director, 175 South Arizona Avenue, 3rd Floor , Chandler, Arizona 85225.

General Provisions

---

* Preliminary, subject to change.

The Bonds will be dated as of the date of initial delivery. Interest on the Bonds is payable semiannually commencing on January 1, 2015*, and on each July 1 and January 1 of each year thereafter (each an "Interest Payment Date") until maturity. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the inside front cover page of this Official Statement.

The Bonds are issuable only in fully registered form in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York ("DTC"), in the book-entry-only system described herein. See Appendix D – "BOOK-ENTRY-ONLY SYSTEM." Beneficial ownership interests in the Bonds may be purchased through direct and indirect participants of DTC in denominations of $5,000 of principal amount or integral multiples thereof. So long as DTC, or its nominee, Cede & Co., is registered owner of all of the Bonds, all payments on the Bonds will be made directly to DTC and all references herein to "Owners" or registered owners of the Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., and shall not mean the owners of beneficial interests in the Bonds. When notices are given, they shall be sent by the City or the Bond Registrar and Paying Agent (as defined herein) to DTC only.

Bond Registrar and Paying Agent

_____ will serve as the initial bond registrar and transfer agent (the "Bond Registrar and Paying Agent") for the Bonds. The City may change the Bond Registrar and Paying Agent without notice or consent of the registered owners of the Bonds.

Redemption Provisions*

The Bonds will not be subject to redemption prior to maturity.

Mutilated, Lost or Destroyed Bonds

So long as the book-entry-only system is in effect, the Bonds will not be registered in any name other than Cede & Co. or the name of a replacement registered depository. If the book-entry-only system described above is discontinued, and any Bond becomes mutilated, destroyed or lost, the City will cause to be executed and delivered a new Bond, of like type, date, maturity and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond, or in lieu of and in substitution for such Bond destroyed or lost, upon the registered owner paying the reasonable expenses and charges of the City in connection therewith and, in the case of a Bond destroyed or lost, filing with the Bond Registrar and Paying Agent by the registered owner evidence satisfactory to the Bond Registrar and Paying Agent that such Bond was destroyed or lost and furnishing the Bond Registrar and Paying Agent with a sufficient indemnity bond pursuant to Arizona Revised Statutes Section 47-8405.

Registration and Transfer

So long as the book-entry-only system is in effect, the Bonds will not be transferred. If the book-entry-only system described above is discontinued, the Bonds will be transferred only upon the bond register maintained by the Bond Registrar and Paying Agent and one or more new Bonds, registered in the name of the transferee, of the same principal amount, maturity and rate of interest as the surrendered Bonds will be authenticated, upon surrender to the Bond Registrar and Paying Agent of the Bond or Bonds to be transferred, together with an appropriate instrument of transfer executed by the transferor if the Bond Registrar and Paying Agent's requirements for transfer are met. The City has chosen the 15th day of the month preceding an Interest Payment Date as the Record Date for the Bonds. The Bond Registrar and Paying Agent may, but will not be required to, transfer or exchange any Bonds during the period from the Record Date to and including the next respective Interest Payment Date. The Bond Registrar and Paying Agent may, but will not be required to, transfer or exchange any Bonds which have been selected for redemption. If the Bond Registrar and Paying Agent transfers or exchanges Bonds within the periods referred to above, the interest payment on such Bonds will be made payable to and mailed to the owners shown on the bond register maintained by the Bond Registrar and Paying Agent as of the close of business on the respective Record Date.

* Preliminary, subject to change.

If the book-entry-only system is discontinued, the transferor will be responsible for all transfer fees, taxes, fees and any other costs relating to the transfer of ownership of individual Bonds.

Security For and Sources of Payment of the Bonds

General. The Bonds are payable as to both principal and interest solely from the revenues derived by the City from the operation of its water and sewer systems (collectively, the "System") after provision has been made for the payment from such revenues of the reasonable and necessary expenses of operation and maintenance of the System (the "Net Revenues"). The lien on the Net Revenues for payment of the Bonds is on a parity with the lien on such Net Revenues securing the City's Water and Sewer Revenue Bonds, Series 1994; Water and Sewer Revenue Bonds, Series 2001; Water and Sewer Revenue Refunding Bonds, Series 2003; Water and Sewer Revenue Bonds, Series 2005 and Water and Sewer Revenue Refunding Bonds, Series 2005 (collectively, the "Prior Bonds"), and any additional parity bonds issued (the "Additional Parity Bonds" and, collectively with the Prior Bonds, the "Parity Bonds"). The Bonds are also on a parity with the Bonds Being Refunded and certain Parity Bonds that have been previously refunded in the event of a deficiency in the income derived from the United States Treasury obligations held in irrevocable trust to provide for payment of such Bonds Being Refunded and such refunded Parity Bonds. See "THE SYSTEM – NET REVENUES" and Appendix C – "SUMMARIES OF THE AUTHORIZING RESOLUTIONS" for additional information concerning the financial history of the System and a description of the Bond Resolution and the Supplemental Resolution, including a description of certain covenants pertaining to the security for the Bonds.

The Bonds are not general obligations of the City and neither constitute an indebtedness of the City when computing its limit imposed by constitutional, statutory or charter provisions or a charge against the general credit or taxing power of the City nor a liability of the City for payment of the Bonds other than from the sources described herein.

Rate Covenant. The City has covenanted in the Bond Resolution to establish and maintain System rates, fees and other charges sufficient to pay reasonable and necessary expenses of operation and maintenance of the System (the "Operating Expenses") and to produce an aggregate amount of Net Revenues in each Fiscal Year equal to at least 120% of the then current Fiscal Year's principal and interest requirements and said rates, fees and other charges also shall 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 100% of the City's Policy Cost (as defined herein) repayment obligation due and owing in such Fiscal Year, if any. See Appendix C – "SUMMARIES OF THE AUTHORIZING RESOLUTIONS."

Reserve Fund. In accordance with the provisions of the Bond Resolution and the Supplemental Resolution, upon issuance of the Bonds the City shall have on deposit in the Reserve Fund municipal bond debt service reserve fund insurance policies (collectively, the "Reserve Policy") and, if necessary, cash, which in the aggregate are equal to the Reserve Requirement after issuance of the Bonds. The Reserve Requirement pertains to the aggregate reserve requirement for the Bonds, the Prior Bonds and, if applicable, Additional Parity Bonds, and is equal to the lesser of ten percent of the original principal amount, or Maximum Annual Debt Service (as defined in the Bond Resolution) of the Bonds, the Prior Bonds and, if applicable, Additional Parity Bonds. The Reserve Policy and any cash secures on a pro rata basis the Bonds, the Prior Bonds and, if applicable, Additional Parity Bonds.

If, on any Interest Payment Date, the amount of cash or investments on deposit in the Bond Fund, is insufficient to pay the total amount of principal and interest due and payable on such date, the amount of such insufficiency (the "Deficiency") shall be provided for by liquidation of any investments held in the Reserve Fund in an amount sufficient, when combined with any cash or investments on deposit in the Bond Fund, to fund the Deficiency. If the Deficiency is not cured by the foregoing, the Paying Agent shall deliver a request for the amount of the net Deficiency to the Reserve Fund Guarantor (as defined herein) (the "Drawdown"), if any. All money so transferred from the Reserve Fund to pay any Deficiency shall be replaced on a monthly basis in an amount equal to one-sixtieth (1/60) of the amount required to increase or restore the amount in the Reserve Fund to the Reserve Requirement therein, provided however, any draw on the Reserve Policy shall be paid in an amount equal to one-twelfth (1/12) of the amount drawn on the Reserve Policy from the first money in the Revenue Fund which is not required to be paid to the Operation and Maintenance Fund or the Bond Fund. See Appendix C – "SUMMARIES OF THE AUTHORIZING RESOLUTIONS."

Additional Parity Bonds. Under the provisions of the Bond Resolution, the City may issue Parity Bonds secured by the Net Revenues if (1) the Net Revenues for the Fiscal Year immediately preceding the issuance of Parity Bonds at least equaled 120% of Maximum Annual Debt Service immediately after issuance of such Parity Bonds as shown by a certificate signed by the Mayor and such Net Revenues shall also provide coverage after deduction of an amount equal to Maximum Annual Debt Service immediately after issuance of such Parity Bonds of at least 100% of the City's obligations with respect to repayment of Policy Costs, if any, then due and owing. For the purposes of such computation additional amounts may be added to the Net Revenues (i) if Parity Bond proceeds will be expended to acquire existing water and sewer properties, there may be added to the Net Revenues the net revenues of such properties during the preceding Fiscal Year and (ii) if subsequent to the first day of such preceding Fiscal Year, the City shall have increased its System rates, fees and other charges, there may be added to the Net Revenues of such preceding Fiscal Year the additional Net Revenues which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, in each case, such additional Net Revenues are to be estimated by an engineer having a wide and favorable repute in respect to such matters; (2) payments required to be made to the various funds are current; (3) the proceeds of the Parity Bonds are used for System purposes; (4) the Reserve Fund is funded in a manner authorized by the Bond Resolution in an amount equal to the Reserve Requirement; and (5) upon consent of any Reserve Fund Guarantor whose policy costs are past due. See Appendix C – "SUMMARIES OF THE AUTHORIZING RESOLUTIONS."

THE SYSTEM - NET REVENUES [TO UPDATE]

Set forth on the following pages of this Official Statement is certain information relative to the System and a statement of the combined annual revenues, expenses and Net Revenues of the System for the most recent five Fiscal Years. **Information set forth in this Official Statement represents a record of recent financial experience and is not to be construed as a projection or indicator of future performance.**

The System provides water production, treatment, storage and delivery services and sewer collection and treatment facilities to the citizens of the City. The City has operated the System on a financially self-supporting basis in the past and expects to do so in the future. The City has established water and sewer user fees sufficient to annually fund the direct operating and overhead expenses of the System, as well as to pay the annual debt service requirements allocated thereto. The City expects to continue to adjust user fees in the future to generate sufficient revenue to provide such funding.

Water Service

Water service is provided to City customers from both surface water and groundwater sources. Surface water is treated at the Chandler Surface Water Treatment Plant, which was put in operation in 1989. The plant currently has a capacity of 45 million gallons per day ("mgd"). The City uses __ groundwater production wells to supplement the surface water supply. The capacity of the wells is about __ mgd. For calendar year ____, the water system of the City had average daily flows of ___ mgd. Peak flows of the water system of the City occurred _____ at ____ mgd.

A total of ____ miles of transmission and distribution mains is used to deliver water to _____ water service connections. The City uses __ booster stations to maintain water system pressure. The City also maintains __ million gallons water storage capacity.

Sewer Service

The wastewater treatment requirements for the City are met by the Lone Butte, Ocotillo and Airport water reclamation and wastewater treatment facilities, which have a total treatment capacity of __ mgd. The Lone Butte Wastewater Treatment Plant, with an effective capacity of __ mgd, treats wastewater from both the City and the Gila River Indian Community (the "GRIC"). A GRIC-owned treatment facility adjacent to the Lone Butte facility further treats a portion of the reclaimed water from the Lone Butte facility for use on GRIC-owned golf courses. Reclaimed water from the Lone Butte facility is currently being used on the nearby GRIC-owned Lone Butte Ranch. The Ocotillo Water Reclamation Facility has a treatment capacity of __ mgd. The reclaimed water from this facility is used for golf courses, turf, recharge and industrial purposes. The Airport Water Reclamation Facility has a current capacity of __ mgd. Reclaimed water from this facility is used for water features, golf courses, turf irrigation and recharge The Reverse Osmosis Facility provides the City with a renewable resource by treating __ mgd of

wastewater produced by the Intel computer chip manufacturing FABs 12 and 22. This wastewater is purified before being directly injected into the acquifer.

Wastewater is collected through 889 miles of sewer mains and a system of nine wastewater pumping stations, providing service to 79,766 connections. The average amount of wastewater treated over the past year is 35 mgd. For calendar year 2013, the wastewater system of the City had average daily flows of 25 mgd. Peak flows of the water system of the City occurred in August at 28 mgd.

Schedule of Current System Fees and Charges

Sections 50-9; 50-11 and 50-12 of the City Code concern establishment of water and sewer rates, fees and charges, and currently read as follows:

Section 50-9. Water Meter Installation Fee

50-9.1 Properties inside City limits to be connected to the municipal water system or reclaimed water distribution system shall pay a fee for which the City will install a service line and meter in accordance with the following schedule plus all applicable costs incurred by the City for concrete and asphalt repair and replacement in the public right-of-way required for installation:

Meter Size	Inside City	Outside City
3/4 inch	$1,819.00	$2,547.00
1 inch	1,847.00	2,586.00
1-1/2 inch	1,942.00	2,719.00
2 inch	2,044.00	2,862.00

Installation of the above size meters outside the City limits shall be 1.4 times the fee for installation inside the City limits.

50-9.2 Properties to be connected to the municipal water system or reclaimed water distribution system where the service line (from the water main to the property line) and meter box is installed by the subdivider or developer shall be charged a fee for the meter installation in accordance with the following schedule:

Meter Size	Inside City	Outside City
3/4 inch	$419.00	$587.00
1 inch	447.00	626.00
1-1/2 inch	542.00	759.00
2 inch	644.00	902.00

Installation of the above size meters outside the City limits shall be 1.4 times the fee for installation inside the City limits.

An additional charge of ninety-seven dollars ($97.00) per meter inside the City limits and one hundred thirty-five dollars and eighty cents ($135.80) per meter outside the City limits shall be made for installations requiring more than two (2) service calls. The charge shall be levied for each return trip necessary to complete the meter installation and shall be shown on the utility billing statement.

50-9.3 All water meters larger than two (2) inches shall have the service line and meter box installed by the subdivider or developer using specifications approved by the City. The subdivider or developer will be responsible to pay the charges associated with the water meter and installation,

50-9.4 All water meters shall remain the property of the City and the City shall be responsible for maintenance of meters.

Section 50-11. Water Rates

(a) The following rates shall apply to all individually metered water services except residential:

Meter Size	Monthly Base Charge Inside City	Monthly Base Charge Outside City
5/8 inch	$8.87	$12.42
3/4 inch	10.11	14.16
1 inch	12.91	18.08
1-1/2 inch	20.33	28.47
2 inch	28.61	40.06
3 inch	60.30	84.42
4 inch	85.09	119.13
6 inch	161.57	226.20
8 inch	244.79	342.71
10 inch	417.08	583.92
12 inch	589.39	825.15

(b) In addition to the monthly base charge, all water metered shall be charged at the following rates by class per one thousand (1,000) gallons, plus the appicable proportionate part of any taxes or governmental impositions, which are assessed on water sales:

[Remainder of Page Intentionally Left Blank]

	Winter Rate - Single Family[1]		Summer Rate – Single Family[2]	
	Inside City	Outside City	Inside City	Outside City
First 10,000 gallons	$1.60	$2.24	$1.60	$2.24
Next 10,000 gallons	1.98	2.78	2.15	3.01
Next 40,000 gallons	2.48	3.48	2.69	3.77
Over 60,000 gallons	3.09	4.33	3.36	4.71

	Winter Rate - Multi-Family[1]		Summer Rate – Multi-Family[2]	
	Inside City	Outside City	Inside City	Outside City
First 10,000 gallons	$0.87	$1.22	$0.87	$1.22
Next 10,000 gallons	1.07	1.50	1.07	1.50
Next 20,000 gallons	1.35	1.89	1.61	2.26
Over 40,000 gallons	1.69	2.37	2.81	3.94

	Winter Rate - Industrial[1]		Summer Rate – Industrial[2]	
	Inside City	Outside City	Inside City	Outside City
All Usage	$1.85	$2.59	$2.37	$3.32

	Winter Rate - Landscape[1]		Summer Rate – Landscape[2]	
	Inside City	Outside City	Inside City	Outside City
All Usage	$1.81	$2.54	$2.88	$4.04

	Winter Rate - All Other Non-Residential[1]		Summer Rate – All Other Non-Residential[2]	
	Inside City	Outside City	Inside City	Outside City
All Usage	$1.72	$2.41	$2.37	$3.32

---

[1] Winter rates will be effective with all billings on and after October 1.

[2] Summer Rates will be effective with all billings on and after May 1.

The following rates listed above plus the applicable proportionate part of any taxes or any governmental impositions which are assessed on water sales shall apply.

50-11.1 The following rates per one thousand (1,000) gallons shall apply to all individually metered reclaimed water services:

	Winter Rate[1]		Summer Rate[2]	
	Inside City	Outside City	Inside City	Outside City
Reclaimed Water	$0.481	$0.674	$0.522	$0.731
Special Request Recovered Water	1.678	2.35	1.826	2.557

[1] Winter rates will be effective with all billings on and after October 1.

[2] Summer Rates will be effective with all billings on and after May 1.

Section 50-12. Sewer Service Rates

(a) The following sewer service rates shall apply to all dwelling and commercial units where the sewer main adjoins the property and the water account is active. In the event the active water account is for the sole purpose of providing fire flow, lawn, landscaping or other irrigation and sprinkling or other use approved by the City engineer not requiring a sewer connection, the following service rates shall not apply. The effective date shall commence with all billings after October 1, 1997.

Type of Service	Water Metered	Inside City	Outside City
Single Family dwelling unit	Not applicable	$24.17	$38.68
Multi-family dwelling unit	Not applicable	7.40	11.84
Commercial	Monthy Base Charge	6.37	10.20
	Per 1,000 gallons	2.90	4.64
Commercial Processing and Manufacturing	Monthly Base Charge		
	Per1,000 gallons	2.90	4.64
Medical Institutions	Monthly Base Charge	6.37	10.20
	Per 1,000 gallons	2.90	4.64
Educational Institutions	Monthly Base Charge	6.37	10.20
	Per 1,000 gallons	2.90	4.64
Large Volume Industrial	Monthly Base charge	6.37	10.20
	Per1,000 gallons	2.90	4.64

(b) In the event of the installation of a separate sewer meter for approved commercial and industrial users, the following sewer service rates shall apply. The effective date shall commence with all billings after October 1, 1997.

Type of Service	Water Metered	Inside City	Outside City
Approved Commercial-Industrial	Monthly Base Charge	$6.37	$10.20
	Per 1,000 gallons	2.90	4.64

(c) In the event a sewer main adjoins property which is not served by municipal water and the owner/occupant desires to be served by sewer service, the sewer rates set forth in (a) shall apply to all single family and multi-family users. Sewer rates set forth in (a) shall apply to all other customers with the water provider supplying water billing information to the City. In the event the water provider is the owner/occupant or the water provider information is not available to the City for billing purposes under (a), then sewer rates set forth in (b) shall apply and installation costs of the sewer meter shall be borne by the customer.

Schedule of Water and Sewer System Rate Increases (a)

Date	Water System Rate Increases	Sewer System Rate Increases
October 1, 2013	0%	12.05%
April 1, 2011	8.09	11.10
October 1, 2009 (a)	13.68	32.38
October 1, 2007 (b)	-7.82	24.61

(a) In 2009, water usage tiers were adjusted resulting in a high average of 13.68% and reclaimed water increases incorporated into the sewer system.
(b) In 2007, water usage tiers were adjusted resulting in an overall decrease of 7.82%, along with reclaimed water increases resulting in a 24.61% increase to the overall sewer system rate.

Source: City Management Services Department.

Schedule of Water System Customers
(Fiscal Years 2008/09 through 2012/13)

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Industrial Customers	Other Customers	Total Customers
2012/13	73,551	4,406	991	50	226	79,224
2011/12	72,867	4,387	988	49	206	78,497
2010/11	72,195	4,369	986	49	196	77,795
2009/10	71,446	4,325	990	47	212	77,020
2008/09	71,170	4,253	978	46	270	76,717

Source: City Management Services Department.

Schedule of the 10 Largest Water System Customers

Water System Customer	2012/13 Water System Fees/Charges
Intel Corporation	$5,196,406.19
Freescale Semiconductor Inc.	1,422,710.03
Air Products	239,974.69
Townsquare Apartments	138,845.66
TWC-Chandler	115,245.86
Digital 2121	93,673.52
HOA Provinces Master Community	86,574.01
Chandler Regional Hospital	81,558.88
Countrywide Mortgage	63,177.26
Procor II Associates LLC	47,125.51
Total	$7,485,291.61
Total as a Percent of Total Water System Fees/Charges	15.55%

Source: City Management Services Department.

Schedule of Sewer System Customers
(Fiscal Years 2008/09 through 2012/13)

Fiscal Year	Residential Customers	Commercial Customers	Multi-Unit Customers	Industrial Customers	Other Customers	Total Customers
2012/13	72,067	2,358	811	39	252	75,527
2011/12	71,508	2,312	811	38	239	74,908
2010/11	70,736	2,268	817	38	233	74,092
2009/10	70,084	2,215	815	35	222	73,371
2008/09	69,631	2,068	830	33	185	72,747

(a) Reflects new billing system which provides breakouts of the number of sewer meters and/or water accounts that also utilize the sewer system.

Source: City Management Services Department.

Schedule of the 10 Largest Sewer System Customers

Sewer System Customer	2012/13 Sewer System Fees/Charges
Intel Corporation	$6,956,645.60
Freescale Semiconductor LLC	1,603,691.90
Air Products	280,261.09
Chandler Regional Hospital	107,992.76
TWC-Chandler	75,903.94
Digital 2121	60,710.20
Townsquare Apartments	56,952.00
Microchip Technologies	53,186.28
Countrywide Mortgage	51,001.30
Procor II Associates LLC	34,842.52
Total	$9,281,187.59
Total as a Percent of Total Sewer System Fees/Charges	26.92%

Source: City Management Services Department.

[Remainder of page Intentionally Left Blank)

Combined Schedule of Water and Sewer System Revenues, Expenses, Net Revenues and Debt Service Coverage (Fiscal Years 2008/09 Through 2012/13)

	Audited				
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
SYSTEM REVENUES:					
Service Fees (a)	$ 65,630,440	$ 70,682,953	$ 75,318,983	$ 85,472,156	$ 85,948,682
Miscellaneous	73,329	504,883	15,182	156,409	248,678
Interest Income	2,208,221	597,812	424,140	331,472	1,003,777
Total System Revenues	$ 67,911,990	$ 71,785,648	$ 75,758,305	$ 85,960,037	$ 87,201,137
SYSTEM EXPENDITURES:					
General and Administrative	$ 7,277,822	$ 7,277,827	$ 6,550,100	$ 6,550,100	$ 6,604,360
Personal Services	11,928,811	12,107,684	11,877,271	11,332,268	12,639,743
Contractual Services	12,847,302	9,827,026	9,473,650	10,752,583	11,803,879
Commodities	16,693,817	17,746,559	14,692,684	14,469,249	14,721,259
Total System Expenses	$ 48,747,752	$ 46,959,096	$ 42,593,705	$ 43,104,200	$ 45,769,241
NET INCOME AVAILABLE FOR DEBT SERVICE (NET REVENUES)	$ 19,164,238	$ 24,826,552	$ 33,164,600	$ 42,855,837	$ 41,431,896
WATER AND SEWER REVENUE BOND (SENIOR OBLIGATIONS) DEBT SERVICE REQUIREMENTS (b)(c)	$ 12,531,278	$ 12,460,153	$ 10,432,478	$ 10,445,975	$ 10,445,140
APPROXIMATE DEBT SERVICE COVERAGE FOR SENIOR OBLIGATIONS	1.53x	1.99x	3.18x	4.1x	3.97x

(a) Does not include system development fees which are not included with Net Revenues pledged to the payment of the Bonds.

(b) The City currently uses water and sewer enterprise revenues to pay the debt service requirements of general obligation bonds outstanding in the aggregate principal amount of $150,851,000. See "General Obligation Bonds Outstanding" on page B-2.

(c) The City currently uses water and wastewater enterprise revenues to pay the debt service requirements of Excise Tax Revenue Obligations in the aggregate principal amount of $104,380,000. See "Excise Tax Revenue Obligations Outstanding" on page B4.

Source: Comprehensive Annual Financial Reports for each of the respective Fiscal Years and the City Management Services Department.

PLAN OF REFUNDING*

The proceeds from the sale of the Bonds remaining after payment of the cost of issuance will be placed in an irrevocable depository trust (the "Depository Trust") with U.S. Bank National Association (the "Depository Trustee") pursuant to the terms of an agreement (the "Depository Trust Agreement") between the City and the Depository Trustee, to be applied to the payment of the principal of, redemption premium and interest on certain of the City's outstanding bonds described herein (the "Bonds Being Refunded"). See "Bonds Being Refunded" below. Such funds will be used to acquire noncallable obligations issued by the United States of America (the "Government Obligations"), the principal of and interest on which, when due, are calculated to be sufficient to provide for payment of the principal, redemption premium, and interest due on the Bonds Being Refunded. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

Bonds Being Refunded*

The following table sets forth the issue series, stated maturity dates, interest rates, principal amounts, redemption dates and redemption premiums of the Bonds Being Refunded:

Issue Series	Maturity Date (July 1)	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date (July 1)	Redemption Price
2001	2018	4.500%	$ 1,045,000	$ 1,045,000	2014	100.0
2003 Ref	2016	5.000	7,515,000	7,515,000	2014	100.0
2005	2018	4.125	2,225,000	2,225,000	2015	100.0
	2019	4.125	2,500,000	2,500,000	2015	100.0
	2020	4.125	2,500,000	2,500,000	2015	100.0
			$ 15,785,000	$ 15,785,000		

* Preliminary, subject to change.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of certified public accountants (the "Verification Agent"), will deliver to the City, on or before the initial date of delivery of the Bonds, its verification report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Financial Advisor on behalf of the City. Included in the scope of its engagement will be a verification of the mathematical accuracy of the (a) mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations to pay, when due or called for redemption, the principal of interest on and related call premium requirements of the Bonds Being Refunded and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The examination performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Financial Advisor on behalf of the City. The Verification Agent's report will state that the Verification Agent has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds:	
Principal Amount of the Bonds	$ 14,800,000.00*
Net Premium (a)	
City Cash Contribution	_____
Total Sources	$_____
Estimated Uses of Funds:	
Deposit to Trust Account	$
Costs of Issuance (b)	_____
Total Uses	$_____

(a) Net Premium consists of the premium on the Bonds, less original issue discount with respect to the Bonds.

(b) Includes Underwriters' compensation and other issuance costs.

* Preliminary, subject to change.

WATER AND SEWER REVENUE ESTIMATED BOND DEBT SERVICE REQUIREMENTS AND ESTIMATED DEBT SERVICE COVERAGE (a)*

The table below sets forth (i) the estimated annual debt service requirements of the outstanding water and sewer revenue bonds of the City, net of the Bonds Being Refunded, (ii) the estimated debt service requirements of the Bonds, (iii) the estimated annual water and sewer revenue bond debt service requirements following issuance of the Bonds and (iv) the projected annual debt service coverage provided by the Net Revenues.

Fiscal Year Ended June 30	Fiscal Year 2012/13 Net Revenues	Existing Water and Sewer Revenue Bonded Debt Service (b)	Plus: Bonds to be Issued Principal	Plus: Bonds to be Issued Interest	Annual Water and Sewer Debt Service Requirements	Projected Water and Sewer Revenue Debt Service Coverage Ratio Provided by Net Revenues (c)
2013	$ 40,179,441					
2014		$ 5,939,093			$ 5,939,093	6.77x
2015		7,566,750		$ 783,167	8,349,917	
2016		2,445,250	$ 6,665,000	740,000 (d)	9,850,250	4.08x
2017		7,848,750	-	406,750	8,255,500	
2018		-	3,205,000	406,750	3,611,750	
2019		-	2,455,000	246,500	2,701,500	
2020		-	2,475,000	123,750	2,598,750	
		$ 23,799,843	$ 14,800,000	$ 2,706,917	$ 35,367,667	

(a) Prepared by the Financial Advisor.

(b) Net of Bonds being Refunded.

(c) Interest is estimated at 5.00%.

(d) Debt Service Coverage is computed using the Net Revenues amount calculated by the City of Chandler Management Services Department of $40,179,441 for Fiscal Year 2012/13. See "THE SYSTEM – NET REVENUES" herein. According to the debt service schedule set forth above, after issuance of the Bonds, maximum annual debt service for the City's outstanding water and sewer revenue bonds will occur in Fiscal Year 2015/16* in the amount of $9,850,250*. The City has covenanted in the Bond Resolution to maintain rates, fees and charges of the System such that Net Revenues for each Fiscal Year equal 120% of the total then current debt service requirements of Parity Bonds. See Appendix C – "SUMMARIES OF THE AUTHORIZING RESOLUTIONS."

(e) The first interest payment on the Bonds will be due January 1, 2015*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until the stated maturity, or prior redemption, of the Bonds.

* Preliminary, subject to change.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies ("S&P"), and have assigned the ratings of "___", "___" and "___," respectively, on the Bonds. Such ratings reflect only the reviews of Fitch, Moody's and S&P. An explanation of the significance of the Fitch rating may be obtained at One State Street Plaza, New York, New York 10040. An explanation of the significance of a rating assigned by Moody's may be obtained at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. An explanation of the significance of a rating assigned by S&P may be obtained at 55 Water Street, New York, New York 10041. Such ratings may be revised downward or withdrawn entirely by Fitch, Moody's, or S&P, if, in their respective judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations. The City has covenanted in its continuing disclosure certificate (see "CONTINUING DISCLOSURE" herein) that it will file notice of any formal change in any such rating relating to the Bonds.

TAX EXEMPTION

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City as described below, interest income on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State income taxes. The opinion of Bond Counsel is dated as of the date of delivery of the Bonds. A form of such opinion is included herein in Appendix E – "FORM OF APPROVING LEGAL OPINION."

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Bonds from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of its investment earnings with respect to the Bonds. The City has covenanted to comply with the provisions of the Code relating to such matters. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Bonds being included as gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The Bonds do not provide for an adjustment in the interest rate in the event of taxability and the event of taxability does not cause an acceleration of principal of the Bonds. The opinion of Bond Counsel assumes continuing compliance with such covenants.

The Code also imposes an "alternative minimum tax" ("AMT") upon certain corporations and individuals. The AMT is equal to the excess (if any) or a taxpayer's "tentative minimum tax" for a taxable year over its regular income tax liability for the taxable year. The tentative minimum tax is based upon taxpayer's "alternative minimum taxable income" ("AMTI"). A taxpayer's AMTI is its taxable income with certain adjustments. Interest income on the Bonds is not an item of tax preference to be included in the AMTI of individuals or corporations.

Notwithstanding the preceding sentence, included in the adjustments of AMTI for corporations is an adjustment increasing any such corporation's AMTI by 75% of the excess (if any) of such corporation's "adjusted current earnings" over the corporation's AMTI for the taxable year (determined without regard to such adjustment for excess current earnings and the alternative tax net operating loss deduction). A corporation's "adjusted current earnings" includes all tax-exempt interest, including the interest on the Bonds.

Although Bond Counsel will render an opinion that, as of the delivery of the Bonds, interest income on the Bonds, is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds, may otherwise affect a Bondholder's federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers purchasing the Bonds, including without limitation, corporations subject to either the environmental tax or the branch profits tax, financial institutions, certain insurance companies, certain subchapter "S" corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax-exempt obligations should consult their tax consultants as to the applicability of such tax consequences to the respective Bondholder. The nature and extent of these other tax consequences will depend upon the holder's particular tax status and the holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Bonds are not "private activity bonds," within the meaning of Section 141 of the Code.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, then the purchaser, unless certain exceptions apply, will be treated as having purchased an obligation with market discount subject to the market discount rules of the Code. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such obligation. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

From time to time, there are legislative proposals in Congress which, if enacted could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

ORIGINAL ISSUE DISCOUNT

The initial offering prices of the Bonds maturing on July 1, 20__ through and including July 1, 20__ (the "Original Discount Obligations") are less than stated principal amounts thereof. Thus, the Original Discount Obligations will be considered to be issued with original issue discount. The difference between the initial public offering price, including any pre-issuance accrued interest, of an Original Discount Obligation based upon the amounts shown herein (the "Issue Price"), and the amount payable at maturity of the Original Discount Obligation will be treated as "original issue discount." With respect to a taxpayer who purchases an Original Discount Obligation in the initial public offering at the Issue Price and who holds the Original Discount Obligation to maturity, the full amount of original issue discount will constitute interest income which is not includable in the gross income of the owner of the Original Discount Obligation for Federal income tax purposes or Arizona income tax purposes and that owner will not, under present Federal income tax law or present Arizona income tax law, realize taxable gain upon payment of the Original Discount Obligation upon maturity.

The original issue discount on each of the Original Discount Obligations is treated for Federal income tax purposes and Arizona income tax purposes as accruing daily over the term of such Original Discount Obligations on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates).

The amount of original issue discount accruing each period will be added to the owner's tax basis for an Original Discount Obligation. The owner's tax basis in an Original Discount Obligation will be decreased by the payment of any amounts (such as interest payments) to the owner under the terms of the Original Discount Obligation. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of an Original Discount Obligation. An owner of an Original Discount Obligation who disposes of the Original Discount Obligation prior to maturity should consult his or her tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Original Discount Obligation prior to maturity.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of an Original Discount Obligation. Owners who do not purchase an Original Discount Obligation in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Original Discount Obligation.

A portion of the original issue discount that accrues in each year to an owner of an Original Discount Obligation may result in certain collateral Federal income tax consequences.

The owners of Original Discount Obligations in states other than Arizona should consult their own tax advisors with respect to the state and local tax consequences. In the case of income tax laws of states other than Arizona, it is possible that under the applicable provisions governing the determination of state or local income taxes, accrued interest on the Original Discount Obligations may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

BOND PREMIUM

The difference between the principal amount of the Bonds maturing on July 1, 20__, through and including July 1, 20__ (the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning the Premium Bonds.

UNDERWRITING

The Bonds will be purchased by the Underwriters at an aggregate purchase price of $_____, pursuant to a bond purchase agreement (the "Bond Purchase Agreement") entered into by and between the City and the Underwriters. If the Bonds are sold to produce the yields on the inside front cover hereof, the Underwriters' compensation will be $_____. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Bonds so offered if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriters.

LITIGATION

To the knowledge of the appropriate representatives of the City, no litigation or administrative action or proceeding is pending or threatened restraining or enjoining, or seeking to restrain or enjoin, the execution or delivery of the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be executed, sold or delivered, or the validity of the sale of the Bonds.

There are several claims pending against the City of Chandler. The City retains the first two million dollars of each loss, and has excess insurance coverage for the next thirty million dollars. The City is adequately funded for its retention. The largest lawsuit currently filed against the City alleges that employees of the City caused serious injuries to the other party. The party injured filed a lawsuit against the City and had alleged in his notice of claim damages in the amount of three million, seven hundred fifty thousand dollars ($3,750,000). The City denies the allegations and is vigorously defending this lawsuit.

LEGAL MATTERS

The City has retained Gust Rosenfeld P.L.C. as Bond Counsel, and in such capacity the firm will render an opinion concerning the legality of the Bonds under Arizona law and on the exemption of the interest income of such Bonds from federal and State income taxes. The legal opinion will be provided to the Underwriters at the time of delivery. All legal fees paid to Bond Counsel are contingent upon the sale of the Bonds and are expected to be paid from the proceeds of the Bonds.

Bond Counsel has assisted the City only in the preparation of the information set forth on the cover, under the headings "THE BONDS," "PLAN OF REFUNDING," "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT," "BOND PREMIUM," "POLITICAL DONATIONS" (solely with respect to information relating to Bond Counsel), "CONTINUING SECONDARY MARKET DISCLOSURE" (other than statements regarding compliance with the existing continuing disclosure reporting requirements of the City) and APPENDICES C, E AND G of this Official Statement. Except for the foregoing, Bond Counsel has not been engaged to confirm or verify, and expresses and will express no opinion as to the accuracy, completeness or fairness of any statements in this Official Statement or in

any financial documents, statements or materials, or other reports, offering or disclosure documents or other information pertaining to the City or the Bonds that may be prepared or made available by the City or others.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

Certain legal matters will be passed upon for the Underwriters by Squire, Sanders & Dempsey, L.L.P., Phoenix, Arizona, Counsel to the Underwriters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ADDITIONAL INFORMATION

The Financial Advisor has been engaged by the City for the purpose of advising the City as to certain debt service structuring matters specific to the Bonds, and on certain matters relative to the overall debt financing program of the City. The Financial Advisor has assisted in the assemblage and preparation of this Official Statement at the direction and on behalf of the City. No person is entitled to rely on the Financial Advisor's participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained herein.

CUSIP numbers will be placed on the Bonds, but neither failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters thereof to accept delivery of and pay for the Bonds in accordance with the terms of the sale. No CUSIP number shall be deemed to be a part of any Bond or of the contract evidenced thereby.

The information in this Official Statement has been provided by the City, the County Assessor's, Treasurer's and Finance offices, the Arizona Department of Revenue and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. All estimates and assumptions contained herein are believed to be reliable, but no representations are made that such estimates and assumptions are correct or will be realized. Any information or expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the City. This Official Statement may be supplemented from time to time by the provision of supplemental or additional documents.

The City deems this Official Statement to be final as of its date except for the omission of offering prices, delivery dates, terms to be specified in the proposal of the Purchaser, ratings and other terms depending on such matters. The Purchaser must provide such information as may be necessary to complete the final Official Statement within twenty-four hours after the award of the Bonds. The City will provide the Underwriters with one hundred (100) copies of the final Official Statement without cost. Additional copies of the final Official Statement may be obtained from the City at Underwriters' expense.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the Management Services Director of the City, the description and statements contained in this Official Statement are, at the time of issuance of the Bonds, true, correct and complete in all material respects and do not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended, the foregoing confirmation will also encompass such supplements or amendments.

POLITICAL DONATIONS

Neither the Bond Counsel, the Financial Advisor, the Underwriters nor the Counsel to the Underwriters, or their respective employees are known to have made political contributions to any person seeking a seat on the City Council at the last election of the City.

CONTINUING SECONDARY MARKET DISCLOSURE

The City has covenanted for the benefit of certain owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 of each year commencing February 1, 2006 (the "Annual Reports"), and to provide notice of the occurrence of certain enumerated events, if material (the "Notices of Material Events"). The Annual Reports will be filed by the City with the Internet-based electronic filing system operated by the Municipal Advisory Council of Texas under the name "DisclosureUSA" (the "Central Post Office"). In the event the Central Post Office is no longer acceptable for purposes of complying with the Rule (as defined below), then the City will file the Annual Reports with each NRMSIR and with any state information depository established by the State (at present no such state information depository has been designated). The Notices of Material Events will be filed by the City with the Central Post Office or, in the event the Central Post Office is no longer acceptable for purposes of complying with the Rule, then with each NRMSIR and with any state information depository established by the State (at present no such state information depository has been designated). The specific nature of the information to be contained in the Annual Reports and the Notices of Material Events is set forth in Appendix G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached hereto. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. A failure by the City to comply with any of such covenants could adversely affect the Bonds and specifically their market price and marketability. *Also, pursuant to State law, the ability of the City to comply with such covenants is subject to annual appropriation funds sufficient to provide for the cost of compliance with such covenants.* Should the City not comply with such covenants due to a failure to appropriate for such purpose, the City has covenanted to provide notice of such fact to the Central Post Office or, in the event the Central Post Office is no longer acceptable for purposes of complying with the Rule, then with each NRMSIR and with any state information depository established by the State (at present no such state information depository has been designated). Absence of continuing disclosure due to non-appropriation could adversely affect the Bonds and specifically their market price and marketability. The City has been and is in material compliance with its existing continuing disclosure reporting requirements.

CITY ACCOUNTING POLICIES

The accounting policies for the City conform to generally accepted accounting principles as applicable to governmental units. For a more detailed summary of significant accounting policies see Appendix F – "CITY OF CHANDLER, ARIZONA – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013."

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2013, and for its Fiscal Year then ended, which is included as Appendix F of this Official Statement, have been audited by Heinfeld, Meech & Co., P.C. These are the most recent audited financial statements available to the City. These financial statements may not represent the current financial conditions of the City. The City did not request the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its opinion on the financial statements.

CITY OF CHANDLER, ARIZONA

By: _____
Jay Tibshraeny, Mayor

CITY OF CHANDLER, ARIZONA

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The City is located in the southeastern portion of Maricopa County (the "County"). The City encompasses approximately 70 square miles and is one of several major cities comprising the greater Phoenix, Arizona metropolitan area, which is Arizona's economic, political and population center.

The City was founded in 1912 and incorporated in 1920. The following table sets forth a record of the population statistics of the City since 1980, along with the population statistics for the County and the State.

POPULATION STATISTICS

Year	City of Chandler	Maricopa County	State of Arizona
2013 Estimate	246,197	3,944,859	6,581,054
2012 Estimate	239,538	3,884,705	6,498,569
2010 Census	236,123	3,817,117	6,392,017
2005 Special Census	233,681	3,700,516	6,044,985
2000 Census	176,581	3,072,149	5,130,632
1990 Census	90,533	2,122,101	3,665,305

Source: U.S. Census Bureau; Arizona Department of Administration

The following table contains historic information in regard to the geographic incorporated size of the City as set forth in square miles.

SQUARE MILE STATISTICS
City of Chandler, Arizona

Year	Square Miles
2013	64.84
2012	64.71
2011	64.60
2010	64.40
2009	64.40

Source: The City Management Services Department and Transportation and Development Department.

Municipal Government and Organization

The City adopted the City Charter in 1965 which provides for a Council-Manager form of government. The seven-member Council is elected at-large on a staggered basis and consists of the mayor and six councilmembers. The current Mayor was elected for a two-year term while councilmembers serve a four-year term. Starting with the fall 2014 election, the Mayor's term will be four years.

The City Council appoints the City Manager who has full responsibility for carrying out council policies and administering City operations. The City Manager is responsible for appointment of department heads. The City employees are hired under procedures as specified in the City Charter. The government and operations of the City are provided by a staff of approximately 1,595.

Economy

The major economic sectors contributing to the economic base of the City include government, manufacturing, financial services, commercial activities (including construction and commerce), high technology and tourism. The City is home to a wide variety of high technology industries, including over 173 manufacturers with a total of more than 40,000 employees. On February 18, 2011, Intel, the largest employer in the City, announced a new $5 billion semiconductor factory in Chandler. The project started construction in mid-2011 and brought many construction jobs and associated employment to the City. At least 1,000 permanent jobs are anticipated when the facility is fully operational. The facility is phasing in production over the next several years.

The following table sets forth unemployment averages for the City, the County, the State and the United States.

UNEMPLOYMENT AVERAGES

Calendar Year	City of Chandler	Maricopa County	State of Arizona	United States
2013	6.0% (a)	7.1% (a)	8.5% (a)	7.8% (a)
2012	5.9	7.1	8.3	8.1
2011	7.0	8.4	9.4	8.3
2010	7.0	9.6	10.0	9.6
2009	6.9	8.9	9.7	9.9

(a) Data through June 2013.

Source: Arizona Department of Economic Security, Bureau of Information and Research Analysis, Labor Force Statistical Unit and the U.S. Department of Labor, Bureau of Labor Statistics.

Below is the list of the industrial and business parks operating within the City.

INDUSTRIAL AND BUSINESS PARKS
City of Chandler, Arizona

Advanced Medical Complex
Airpark Professional Village
Aquila at Ocotillo
Arizona Corporate Park North
Arizona Corporate Park South
AZ202
Bogle Business Park
CC&F Industrial Center
Carmel Professional Plaza
Center Pointe Industrial Park
Chandler Airpark Area
Chandler Airport Business Center
Chandler Center
Chandler Commerce Center
Chandler Corporate Center
Chandler Echelon
Chandler Freeway Business Park
Chandler Freeway Crossing
Chandler Gateway Medical Center
Chandler Airport Center
Chandler Gateway Office Park
Chandler Hamilton Plaza
Chandler Office Center
Chandler Office Park
Chandler Square I, II & III
Chandler Technology Center
Continuum
Dividend Center
Dobson Business Park
Dobson Professional Plaza
Eastpoint Business Park
Fairview Corporate Park
First Chandler Business Park
Focus Corporate Center
Fountains at Ocotillo
Frye Road Industrial Park
Gila Springs Industrial Park
Kyrene Crossing
Kyrene Industrial Park
McClintock Professional Building
Paloma Kyrene Business Park
The Park at Santan
Park Place
Parkside Professional Plaza
Presidio
Price Road Industrial Park
Price Warner Medical Office
Promenade Commons
Regency Office Park
Rockefeller Chandler Crossroads
Ryan Chandler Freeways Business Park
Ryan Commerce Center
San Tan Corporate Center I & II
San Tan Crossing Professional Plaza
San Tan Technology Park
Southgate Park Ten Business Center
Southpark Business Center
Stellar Industrial Airpark
Warner Commerce Park
Westech Corporate Center
Williams Field Road Business Park

Source: The City's Economic Development Division.

Electronics plants located in the City include: Microchip Technologies, producer of electronic circuitry; Intel Corporation, manufacturer of microcomputer components; Freescale Semiconductor Inc.; manufacturer of semiconductor equipment; and Marvell, manufacturer of hand held micro computer components, among many others.

Employment and Employers

A partial list of major manufacturing employers located within the City is set forth in the following table.

MAJOR MANUFACTURING EMPLOYERS
City of Chandler, Arizona

Employer	Description	Employees
Intel	Microprocessors	11,900
Microchip Technology	Microprocessors	1,626
Freescale Semiconductor	Semiconductors/Satellite Systems	2,200
Orbital Sciences	Aerospace Launch Systems	1,650
Avnet	Computer Group	1,000
Tri-City Mechanical	Air Conditioning Contractors and Service	500
Marvell	Electronics & Semiconductor Products	450
Rogers Corporation	Microwave Substrates	380
Rogers Circuit Materials Units	Flexible Circuit Materials	370
Amkor	Electronics & Semiconductor Products	350
Mitel	PABX Systems	330
Indoff Incl	Materials Handling Equipment-Wholesale	300
Gold Canyon Candles	Candle Manufacturing	300
Crane STC Microwave Systems	Microwave Subsystems	285
South Bay Circuits	Circuit Boards	280
Pacific Scientific Energetic Mtls.	Fire Suppression Components	270
Triangle Truss Inc.	Wooden Floor Tresses	250
Goodrich Turbo Resources	Aerospace Components	228
Craftco (including Headquarters)	Asphalt Paving Compound	125

Source: The City's Economic Development Division.

The City also serves as the location of a significant number of non-manufacturing employers. The following is a partial list of major non-manufacturing employers in the City.

MAJOR NON-MANUFACTURING EMPLOYERS
City of Chandler, Arizona

Employer	Description	Approximate Number of Employees
Bank of America	Mortgage Processing Center	3,800
Chandler Unified School District	Public Education	3,000
Wells Fargo Ocotillo Corporate Campus	Regional Corporate Headquarters	2,600
Verizon	Regional Corporate Headquarters	2,400
Ebay/PayPal	E-Commerce Business	2,000
Chandler Regional Medical Center	Hospital	2,100
City of Chandler	Government	1,595
QBE	Mortgage Insurance	1,100
Basha's	Corporate HQ/Food Distribution	1,100
Toyota Financial Services	Financial Services Center	650
Pearson Education	Textbook and Software Development	550
GM Financial Services	2nd Tier Financial Services	375
Erickson Construction	General Construction	300
Cardinal Health	Medical	240
CDW Corporation	Technology Customer Sales Center	200
Hensley	Distribution	200
First Credit Union	Financial Services	77

Source: The City's Economic Development Division.

Agriculture

Agricultural production still is a contributor to the diversified economic base of the City. Principal products include livestock, alfalfa, small grains, citrus and vegetables. As the residential, commercial and industrial development of the City has occurred, the contribution of agricultural production to the economy of the City has decreased.

Commerce

The retail shoppers of the City are served by a central business district located in the downtown area. This downtown business district is a retail/office center. Several regional shopping complexes, Chandler Pavilions, Casa Paloma, Chandler Festival, Chandler Gateway, East Valley Mall, Paseo Del Oro Shopping Center, North Park Plaza Shopping Center, Fulton Ranch Towne Center and Crossroads Towne Center, and a number of neighborhood shopping centers are dispersed throughout the City. A 1.3 million square foot super-regional shopping mall, known as Chandler Fashion Center, opened for business in 2001. This mall is home to four anchor department stores, including Nordstrom, Sears, Dillard's and Macy's, a 20-screen Harkins theater complex, an outdoor urban village and more than 150 specialty retail shops. The following table sets forth a record of the sales tax collections of the City for the most recent five fiscal years.

SALES TAX COLLECTIONS
City of Chandler, Arizona

Fiscal Year	Sales Tax Collections
2012/13	$99,263,090
2011/12	95,151,159
2010/11	83,971,941
2009/10	80,107,904
2008/09	83,123,301

Source: City of Chandler, Management Services Department.

Tourism

Due to the proximity to various recreational and scenic attractions, including the Superstition Mountains east of the City, tourism contributes to the economy of the City.

Transportation

Industry, business and residents benefit from the transportation network available in and near the City. Rail, bus, highway and air facilities are developed throughout the area.

The City is served by the Union Pacific Railroad which traverses the City at two points. Greyhound-Trailways Bus Lines serves the City for long distance transportation while the Phoenix Transit System provides local public transportation to a limited portion of the City.

The City is served by a network of streets and highways. The Superstition Freeway ("U.S. Highway 60") parallels the northern border of the City. U.S. Highway 60 connects to cities in northern and eastern Arizona. The Superstition Freeway also connects to Interstate Highway 10 which connects the cities of Tucson and Phoenix. State Highways 87 and 93 bisect the City. The completion of the Price Freeway (a north-south portion of Loop 101) and the San Tan Freeway (an east-west portion of Loop 202) facilitate traffic flow to the City by connecting together the 101, 202 and I-10 freeways.

Residents of the area have ready access to Chandler Municipal Airport, Stellar Airpark, Phoenix-Mesa Gateway Airport and Sky Harbor International Airport. The Chandler Municipal Airport is owned and operated by the City. The Chandler Municipal Airport is located approximately three miles southeast of the central business district of the City and is designed to relieve private aircraft activity at Sky Harbor International Airport. The Chandler Municipal Airport has approximately 430 based aircraft and two parallel runways, 4,850 feet and 4,401 feet, respectively. The Chandler Municipal Airport offers various services including a full-service maintenance facility. The Stellar Airpark is a private airport that is open to public use and is located west of the central business district of the City. The Stellar Airpark has a 4,000 foot runway and provides various services. The Phoenix-Mesa Gateway Airport is owned and operated by the Williams Gateway Airport Authority that includes the City of Mesa, City of Phoenix, Town of Gilbert, Town of Queen Creek, and the Gila River Indian Community. The Phoenix-Mesa Gateway Airport is part of the former Williams Air Force Base. At the time of World War II, the Williams Air Force Base was the U.S. Air Force's foremost pilot training facility, graduating more student pilots and instructors than any other base in the country and supplying 25 percent of the U.S. Air Force's pilots annually. It has three expansive runways (10,401 feet; 10,201 feet; and 9,301 feet), a newly remodeled passenger terminal, and convenient parking. Phoenix-Mesa Gateway Airport is positioned to be a dynamic reliever airport to Phoenix's Sky Harbor International Airport. Phoenix Sky Harbor International Airport is located 15 miles to the northwest of the City.

Education

Arizona State University (the "University"), located in the bordering City of Tempe, Arizona, is one of the major universities in the Southwest. The University's Fall 2013 total enrollment was approximately 76,000 students. The University's Center of Excellence of the College of Engineering and Applied Sciences is nationally recognized for its high-quality research and is designed to meet the growing needs of the industry. The University has located a satellite site in downtown Chandler. The Center for Technology & Innovation focuses on high-tech engineering with approximately 1,000 students at full capacity. Adjacent to Phoenix-Mesa Gateway Airport, the Polytechnic Campus serves approximately 9,700 students. The campus includes five higher education partners – Arizona State University Polytechnic campus, Chandler-Gilbert Community College, Embry-Riddle Aeronautical University, Mesa Community College and UND Aerospace. The University's Polytechnic campus added new academic buildings that more than doubled the instructional lab and classroom space, and faculty offices; and a 500-seat auditorium in June 2008. Located in the City is the Chandler-Gilbert Community College, which opened in mid-1985. The college offers a complete educational program and serves more than 19,000 students annually. In April 1999, Western International University ("WIU") located an off-site campus in the City. WIU offers associates, masters and undergraduate degree programs and advanced certificate programs. Classes also are held at Intel. The University of Phoenix opened a new satellite location in the City in January 2001 and offers 5-week courses. The Chandler Unified School District provides primary and secondary education to residents in the City area through 29 elementary schools, seven junior high schools, seven high schools and one alternative learning center and one early college. A number of private and charter schools are also located in the City.

CITY OF CHANDLER, ARIZONA - FINANCIAL DATA

2013/14 Fiscal Year – Assessed and Estimated Net Full Cash Values (a)

Primary Assessed Valuation	**$2,157,002,870 (b)**
Secondary Assessed Valuation	**2,175,376,677 (b)**
Estimated Net Full Cash Value	**18,955,691,992 (c)**

2014/15 Fiscal Year –Assessed Values (a)

Primary Assessed Valuation	**$2,277,718,171 (d)**
Secondary Assessed Valuation	**2,381,590,083 (d)**

(a) Arizona legislation divides property taxes into two categories, primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. These limitations do not apply with respect to secondary property taxes.

(b) Valuations for the 2013/2014 Fiscal Year, provided by the Maricopa County Assessor. The Primary Assessed Valuation for fiscal year 2013/14 is $2,157,002,870 which represents a 3.9% decline from fiscal year 2012/13. The Secondary Assessed Valuation for fiscal year 2013/14 is $2,175,376,677 which represents a 3.5% decline from fiscal year 2012/13.

(c) Estimated net full cash value is the total estimated market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.

(d) Valuations for 2014/15 Fiscal Year provided by the Maricopa County Assessor. The Primary Assessed Valuation for fiscal year 2014-15 is $2,277,718,171 which represents a 5.6% increase from Fiscal Year 2013/14. The Secondary Assessed Valuation for Fiscal Year 2014/15 is $2,381,590,083 which represents a 9.5% increase from fiscal year 2013/14.

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue.

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds Outstanding (a)

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
2003	$ 16,265,000	7-1-10/16	$ 8,600,000
2005	24,800,000	7-1-06/15	5,650,000
2006	30,905,000	7-1-07/17	16,725,000
2007	111,045,000	7-1-08/26	87,000,000
2007	22,960,000	7-1-09/20	20,030,000
2009	252,000,000	7-1-10/28	230,870,000
2011A	9,925,000	7-1-15/20	9,925,000
2011B	10,360,000	7-1-12/15,17-18	5,850,000
Total General Obligation Bonds Outstanding			$ 384,650,000
Less: Airport Revenue Supported General Obligation Bonds (b)			(121,000)
Less: Water and Wastewater Funds Supported General Obligation Bonds (c)			(150,851,000)
Net General Obligation Bonds Outstanding and to be Outstanding excluding Water and Wastewater Funds Supported General Obligation Bonds and Airport Revenue Supported General Obligation Bonds (b)(c)			$ 233,678,000

(a) Excludes the debt service requirements for the City's refunded and defeased bonds currently outstanding which are secured by obligations issued by the United States Government being held in their respective irrevocable trust accounts.

(b) The City intends to pay the debt service requirements of the following general obligation bonds with funds provided by the City's airport revenues: $121,000 aggregate principal amount of the City's General Obligation Bonds, Series 2009 (the "Airport Revenue Supported General Obligation Bonds"). In the event that revenues available for payment of such annual debt service requirements from the respective enterprise funds proves to be insufficient, or the City elects not to pay debt service requirements on such general obligation bonds from the City's airport revenue, the debt service requirements of such bonds will become payable from the annual levy of an ad valorem tax upon all of the taxable property located within the City.

(c) The City intends to pay the debt service requirements of the following general obligation bonds with funds provided by the Water and Wastewater Funds of the City: $4,965,000 aggregate principal amount of the City's General Obligation Refunding Bonds, Series 2003, $32,900,000 aggregate principal amount of the City's General Obligation Bonds, Series 2007 and $112,986,000 aggregate principal amount of the Series 2009 GO Bonds (collectively, the Water and Wastewater Funds Supported General Obligation Bonds"). In the event that revenues available for payment of such annual debt service requirements from the respective enterprise funds proves to be insufficient, or the City elects not to pay debt service requirements on such general obligation bonds from the Water and Wastewater Funds, the debt service requirements of such bonds will become payable from the annual levy of an ad valorem tax upon all of the taxable property located within the City.

* Preliminary, subject to change.

Water and Wastewater Revenue Bonds to be Outstanding (a)

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
1994	$ 5,150,000	7-1-14	$ 2,150,000
2001	12,500,000	7-1-01/18	1,045,000
2003	17,830,000	7-1-04/16	11,585,000
2005	10,000,000	7-1-12/20	9,750,000
2005	15,485,000	7-1-09/17	11,950,000
Total Water and Wastewater Revenue Bonds Outstanding			$ 36,480,000
Plus: The Bonds			14,800,000 *
Less: the Bonds Being Refunded			(15,785,000) *
Plus: Water and Wastewater Funds Supported General Obligation Bonds (b)			150,851,000
Plus: Water and Wastewater Funds Supported Excise Revenue Tax Obligations (c)			148,380,000
Total Water and Wastewater Revenue Bonds Outstanding and to be Outstanding			$ 335,711,000 *

(a) Excludes the debt service requirements for the City's refunded and defeased bonds currently outstanding which are secured by obligations issued by the United States Government being held in their respective irrevocable trust accounts.

(b) The City intends to pay the debt service requirements of the Water and Wastewater Funds Supported General Obligation Bonds with funds provided by the Water and Wastewater Funds of the City. In the event that revenues available for payment of such annual debt service requirements from the respective enterprise funds proves to be insufficient, or the City elects not to pay debt service requirements on such general obligation bonds from the Water and Wastewater Funds, the debt service requirements of such bonds will become payable from the annual levy of an ad valorem tax upon all of the taxable property located within the City.

(c) The City intends to pay the debt service requirements of the following obligations with funds provided by the Water and Wastewater Funds of the City: $30,240,000 aggregate principal amount of the City's Excise Tax Revenue Obligations, Series 2009, $13,640,000 aggregate principal amount of the City's Excise Tax Revenue Obligations, Series 2011 and the Obligations (together, the "Water and Wastewater Funds Supported Obligations").

Street and Highway User Revenue Bonds Outstanding (a)

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
1996B	1,250,000	7-1-06/15	50,000
2003	5,000,000	7-1-16/19	5,000,000
2004	10,920,000	7-1-06/18	6,860,000
2010	10,450,000	7-1-11/19	6,305,000
Total Street and Highway User Revenue Bonds Outstanding			$ 18,215,000

(a) Excludes the debt service requirements for the City's refunded and defeased bonds currently outstanding which are secured by obligations issued by the United States Government being held in their respective irrevocable trust accounts.

Excise Tax Revenue Obligations Outstanding

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
2009	$ 34,040,000	7-1-10/28	$ 30,240,000
2011	15,000,000	7-1-12/28	$ 13,640,000
2013	104,500,000	7-1-15/33	$ 104,500,000
Total Excise Tax Revenue Obligations Outstanding			$ 148,380,000
Less: Water and Wastewater Funds Supported Excise Tax Revenue Obligations (a)			(148,380,000)
Total Net Excise Tax Revenue Supported Obligations Outstanding and to be Outstanding			$0

(a) The City intends to pay the debt service requirements of the Water and Wastewater Funds Supported Excise Tax Revenue Obligations with funds provided by the Water and Wastewater Funds of the City.

Direct General Obligation Bonded Debt, Legal Limitation and Available General Obligation Bonding Capacity (a)

Arizona law provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed six percent of the secondary assessed valuation of the taxable property in that city. In addition to the six percent limitation for general municipal purpose bonds, cities may issue general obligation bonds up to an additional twenty percent of the secondary assessed valuation for supplying such city with water, artificial light or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities, public safety, law enforcement, fire and emergency services facilities and streets and transportation facilities.

General Municipal Purpose Bonds		Water, Light, Sewer, Open Space, Public Saftey, Law Enforcement, Fire and Emergency Services, Park, Street, and Transportation Bonds	
Total 6% General Obligation Bonding Capacity	$ 130,522,601	Total 20% General Obligation Bonding Capacity	$ 435,075,335
Less: 6% General Obligation Bonds Outstanding	(10,198,000) (a)	Less: 20% General Obligation Bonds Outstanding	(374,452,000) (a)
Net 6% General Obligation Bonding Capacity	$ 120,324,601	Net 20% General Obligation Bonding Capacity	$ 60,623,335

(a) Reflects prior economic defeasance of certain bonds.

Direct and Overlapping General Obligation Bonded Debt to be Outstanding

Overlapping Jurisdiction	Overlapping General Obligation Bonded Debt	Proportion Applicable to City of Chandler (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	4.045%	None
Maricopa County (c)	None	6.750%	None
Maricopa County Community College District (d)	$ 766,085,000	6.750%	$ 51,708,805
Chandler Unified School District No. 80	194,110,000	71.078%	137,969,927
Tempe Union High School District No. 213	80,225,000	16.205%	13,000,461
Kyrene Elementary School District No. 28 (e)	116,020,000	21.973%	25,493,284
Mesa Unified School District No. 4	226,400,000	4.962%	11,232,863
Gilbert Unified School District No. 41 (f)	135,405,000	1.987%	2,690,620
East Valley Institute of Technology District No. 401	None	13.517%	None
City of Chandler (g)(h)	384,650,000	100.000%	384,650,000
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			$ 626,745,961

(a) Proportion applicable to the City is computed on the ratio of secondary assessed valuation as calculated for fiscal year 2013/14 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

(b) Includes total general obligation bonds outstanding and to be outstanding. Does not include authorized but unissued general obligation bonds of such other jurisdictions as follows or which may be authorized in the future:

Overlapping Jurisdiction	General Obligation Bonds Authorized but Unissued
State of Arizona	None
Maricopa County	None
Maricopa County Community College District [(a)]	$ 3,000
Chandler Unified School District No. 80	21,940,000
Tempe Union High School District No. 213	None
Kyrene Elementary School District No. 28	113,975,000
Mesa Unified School District No. 4 [(b)]	184,000,000
Gilbert Unified School District No. 41	12,000,000
East Valley Institute of Technology District No. 401	None
City of Chandler	245,345,000

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction

work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages have been fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per $100 of secondary assessed valuation, of which ten cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

Does not include the obligations of the Maricopa County Flood Control District to contribute $70 to $80 million to the CAP. The Maricopa County Flood Control District's sole source of revenue to pay the contribution will be ad valorem taxes on real property and improvements.

(c) Does not include Maricopa County certificates of participation. Does not include Maricopa County Public Finance Corporation lease revenue bonds outstanding. Does not include Maricopa County Stadium District revenue bonds outstanding.

(d) Does not include Maricopa County Community College District revenue bonds outstanding.

(e) Does not include Kyrene Elementary School District No. 28 certificates of participation outstanding.

(f) Does not include Gilbert Unified School District No. 41 certificates of participation outstanding.

(g) This total does not include City revenue bonds and excise tax revenue obligations currently outstanding as follows:

Water and Wastewater Revenue Bonds	$36,480,000
Street and Highway User Revenue Bonds	18,215,000
Excise Tax Revenue Obligations	148,380,000[1]

[1] Includes the Obligations.

Includes Water and Wastewater Funds Supported General Obligation Bonds. In the event that the net revenues would prove to be insufficient or the City elects not to pay debt service requirements on the Water and Wastewater Funds Supported General Obligation Bonds from revenues from these enterprises, this debt would become payable from ad valorem taxes.

Does not include $5,350,000 City improvement district bonds outstanding.....

Direct and Overlapping General Obligation Bonded Debt Ratios

	Per Capita Bonded Debt Population @ 241,214 (a)	As % of City's 2013/14 Secondary Assessed Valuation	As % of City's 2013/14 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt ($384,650,000)	$1,594.64	17.68 %	1.56 %
Direct and Overlapping General Obligation Bonded Debt Outstanding ($626,745,961)	$2,598.30	28.81 %	2.54 %

(a) U.S. Census Bureau 2012.

Expenditure Limitation; One-Year and Multi-Year Overrides

Since fiscal year 1982-83, all cities in Arizona have been subject to an annual expenditure limitation imposed by the Arizona Constitution. This limitation is based upon the City's actual 1979-80 expenditures adjusted annually for subsequent growth in population and inflation. The Constitution exempts certain expenditures from the limitation. The principal exemptions for the City are payments for debt service on bonds and other long-term obligations, as well as expenditures of federal funds and certain state-shared revenues.

The Constitution provides four processes, all requiring voter approval, for cities to modify the expenditure limitation:

1. A four-year home rule option.
2. A permanent adjustment to the 1979-80 base.
3. A one-time override for the following fiscal year.
4. An accumulation for pay-as-you-go capital expenditures.

City voters have approved four-year home rule options on a regular basis since the implementation of the expenditure limitation. To the extent that the home rule option is not approved by the voters, the City would be subject to the expenditure limitations prescribed by the Constitution. Statutory changes in the election schedule prevented the City from seeking voter approval for the four-year renewal of the home rule option until November 2010, to take effect beginning in fiscal year 2011-12. Therefore, on May 18, 2010, the City's voters approved a one-year override to exceed the expenditure limit by the City for Fiscal Year 2010-2011. On November 2, 2010, the City's voters approved a four-year home rule option to exceed the expenditure limitation by the City beginning in Fiscal Year 2011-12. This four-year home rule option will be in effect through fiscal year 2014-15.

City Retirement Systems

All full-time employees of the City, the Mayor and City Council participate in one of the three pension plans administered by the State described below. See Note 11 in Appendix D for further discussion of the retirement plans of the City.

Arizona State Retirement System

All full-time City employees (except public safety personnel and elected officials) participate in the Arizona State Retirement System (the "System"), a multiple-employer cost sharing defined benefit pension plan. The System was established in 1953 and became effective in 1971. The System provides for retirement, disability, health insurance premium benefits and death and survivor benefits. The System is administered in accordance with A.R.S. Title 38, Chapter 5.

The actuarially determined contribution rates for the fiscal year 2013/14 were 11.54% (11.3% retirement and 0.24% long-term disability) for both employees and employers. The City's contribution to the System for the fiscal year 2012/13 was $7,404,820, equal to the required contribution.

Effective July 1, 2014, the City's annual contribution rates are 11.60% (11483% retirement and 0.12% long-term disability) for fiscal year 2013/14 for both employees and employers.

The System has reported increases in its unfunded liabilities as compared to both the smoothed value of plan assets and the market value of plan assets. The most recent annual reports for the System may be accessed at: https://www.azasrs.gov/web/FinancialReports.do. The effect of the increase in the System's unfunded liabilities on the City, or on the City's and its employees' future annual contributions to the System, cannot be determined at this time.

Arizona Public Safety Personnel Retirement System (Full-Time Police and Firefighter Employees)

All full-time sworn police officers and firefighters are eligible to participate in the Public Safety Personnel Retirement System (the "PSPRS") in separate agent multiple-employer defined benefit retirement plans. The PSPRS is jointly administered by the fund manager (a five-member board appointed by the Governor and the State Legislature) and 167 local boards. The PSPRS provides for retirement, health insurance premium benefits and death and survivor benefits. The PSPRS is administered in accordance with A.R.S. Title 38, Chapter 5, Article 4.

The actuarially determined contribution rates for the fiscal year ended June 30, 2014 were 23.55% of annual covered payroll for police and 20.45% of annual covered payroll for firefighters. The City's contribution to the PSPRS for the fiscal year ended June 30, 2014 was $5,208,722 for police and $2,944,651for firefighters, equal to the required contributions.

Effective July 1, 2014, the City's annual contribution rates are 24.73% for police and 21.45% for firefighters for fiscal year 2013/14 for employer and 10.3% for both groups of employees.

The PSPRS has reported increases in its unfunded liabilities as compared to both the smoothed value of plan assets and the market value of plan assets. The most recent annual reports for the PSPRS may be accessed at: http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm. The effect of the increase in the PSPRS's unfunded liabilities on the City, or on the City's and its employees' future annual contributions to the PSPRS, cannot be determined at this time.

Elected Officials' Retirement Plan (Mayor and City Council)

The Mayor and Council of the City participate in the Elected Officials' Retirement Plan (the "EORP"), a multiple-employer cost sharing defined benefit pension plan. The administrator for the EORP is also the fund manager of the PSPRS. The EORP provides for retirement, health insurance premium benefits and death and survivor benefits.

Effective January 1, 2014, the contribution rate is 23.5%. The City's contribution to the EORP for the fiscal year ended June 30, 2013 was $60,215, equal to the required contribution.

Rates effective July 1, 2014 have not been finalized due to changes to the Elected Officials' Retirement Plan.

The EORP has reported increases in its unfunded liabilities as compared to both the smoothed value of plan assets and the market value of plan assets. The most recent annual reports for the EORP may be accessed at:

http://www.psprs.com/sys_eorp/AnnualReports/cato_annual_rpts_EORP.htm. The effect of the increase in the EORP's unfunded liabilities on the City, or on the City's and its employees' future annual contributions to the EORP, cannot be determined at this time.

Healthcare Benefits for Retired Employees

Beginning with the fiscal year that commenced on July 1, 2007, the City implemented Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), which required reporting the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees and, to the extent such costs are not pre-funded, requires reporting of such costs as a financial statement liability.

The City's employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the City. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the City. It is expected that substantially all City employees that reach normal or early retirement age while working for the City will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the City by paying 100% of the applicable premium. Although the retirees pay 100% of their premium, the retirees' participation in the City's health care program affects the City's health care costs for its employees and results in an implicit rate subsidy.

The City commissioned and received an actuarial valuation of the City's other post-employment benefit (OPEB) costs associated with the health care programs available to retirees through the City in order to meet the requirements of GASB 45. The City provides other post-employment benefits to its retirees that consist of an implicit subsidy for health care and a retirement health savings (RHS) plan for reimbursement of eligible medical expenses. The City offers the RHS plan to employees and contributes toward a savings plan for each employee that they are eligible to use for medical expense reimbursement at separation from service. The City makes no contribution to the retirees' premiums other than allowing them to participate through the City's pooled benefits. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a implicit subsidy to retirees. This implicit subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. Because the City does not contribute anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year.

The City's net OPEB obligation as of June 30, 2013 is $12,018,809 and is reflected on the Balance Sheet in the City's Financial Statements. This is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined which represents a level of funding that is paid on an ongoing basis, and projected to cover normal cost each year to amortize the unfunded actuarial liability over a period not to exceed thirty years. The actuarial valuation shows the City's total unfunded accrued liability as of June 30, 2013 at $52,300,279 based on the unit credit actuarial cost method. This method projects each individual's benefits included in an actuarial valuation and allocates them by a consistent formula to valuation years and is shown as a note disclosure in the City's Financial Statements.

PROPERTY TAXES

Notwithstanding the following discussion of property taxes, the obligation of the City to make the Payments with respect to the Obligations does not constitute an obligation to pledge any form of ad valorem taxes. See "SECURITY AND SOURCES OF PAYMENT".

Tax Years

The Arizona tax year has been defined as the calendar year notwithstanding the fact that tax procedures, as explained below, begin prior to January 1 of the tax year and continue through May of the succeeding calendar year when payment of the second installment of property taxes becomes past due. The definition of the tax year is a function of the tax lien attached to the real property as of January 1 of the tax year in question. Property taxes are levied on a calendar year although the City operates on a fiscal year basis.

Ad Valorem Taxes

The State currently has two different valuation bases for levying ad valorem property taxes. They are "limited property" and "full cash" values. However, recent legislation will revise the secondary property tax from current "full cash value" to a limited value starting in 2015. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuations of centrally assessed properties such as gas, water and electric utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value." "Market value" means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally include the market approach, the cost approach and the income approach. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the county assessor's valuations by providing evidence of a lower value, which may be based upon another valuation approach.

Residential property owners 65 years of age and older may obtain a property valuation "freeze" against valuation increases (the "Property Valuation Protection Option") if the owner's total income from all sources does not exceed 400% (500% for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will translate to the secondary assessed value of the affected property as hereinafter described.

County assessors, upon meeting certain conditions, may value residential, agricultural and vacant land at the same as full cash valuation for up to three years. The Assessor of the County currently values existing properties on a two year cycle.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations.

ASSESSMENT RATIOS

The appropriate property classification ratio is applied to the full cash value to determine the assessed valuation for such parcel. The current assessment ratios for each class of property are set forth in the following table.

PROPERTY TAX ASSESSMENT RATIOS

Property Classification (a)	2009	2010	2011	2012	2013
Mining, Utility, Commercial and Industrial (b)(c)	22%	21%	20%	20%	19.5%
Agriculture and Vacant Land (b)(c)	16	16	16	16	16
Owner-Occupied Residential	10	10	10	10	10
Leased or Rented Residential	10	10	10	10	10
Railroad, Private Car Company and Airline Flight Property (d)	18	17	15	15	15

(a) Several additional classes of property exist, but seldom amount to a significant portion of an entity's total valuation.

(b) For tax year 2013, full cash values up to $133,868 on personal property used for commercial, industrial and agricultural purposes are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at the applicable rate.

(c) Pursuant to recently enacted legislation, the assessment ratio for commercial and industrial property will be reduced to 19.5% for tax year 2013 and further reduced one-half of one percent for each year to 18% for 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter. From time to time, there are legislative proposals in the State, including proposals to reduce the assessment ratio for certain property, which, if enacted, could alter or amend the matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would adversely affect the market value of the obligations (including the Bonds).

(d) The percentage is calculated annually based on the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash value of such properties.

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue.

Primary Taxes

Taxes levied against the assessed limited property value (after application of the assessment ratio) are referred to as primary taxes, which are used for the maintenance and operation of counties, cities/towns, school districts, community college districts and the State. Limited property value cannot exceed the full cash value and is derived statutorily using one of the following two procedures:

(1) The limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is established at the previous year's limited property value increased by the greater of either 10% of last year's limited property value or 25% of the difference between last year's limited property value and the current year's full cash value.

(2) The limited property value for property that was omitted from the tax roll in the prior year, that underwent a change in use or modification through construction, destruction or demolition or that has been split, subdivided or consolidated, is established at a level or percentage of the limited property value to full cash value of existing properties of the same use or legal classification.

The aggregate of the primary taxes levied by a county, city, town and community college district is constitutionally limited to a maximum increase of two percent (2%) over the prior year's levy limit plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation).

Secondary Taxes

Taxes levied against the assessed full cash value (after application of the assessment ratio) are referred to as secondary taxes, which are used for debt retirement (i.e., debt service on bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts. Currently there is no limitation on the annual increase in full cash value of any property, and annual levies for voter-approved bond indebtedness and special district assessments are unlimited. However recent legislation will impose a 5% limit on annual increases to property valuations for secondary taxes.

Tax Procedures

On or before the third Monday in August each year the Board of Supervisors of the County approves the tax roll setting forth the valuation by taxing district of all property in the County subject to taxation. Pursuant to legislation in 1996 that changed certain aspects of the assessment system, the Board of Supervisors of the County is required to adopt final tax rates by December 31. The Assessor of the County is required to complete the assessment roll by December 20th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owned by each property owner. Any decrease in the value of the assessment roll established in December from the value used on the third Monday in August could reduce the aggregate amount of taxes collected and needed by each jurisdiction.

Delinquent Tax Procedures

The property taxes due the City are billed, along with State and other taxes, in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (However, delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a Treasurer's Deed to the certificate holder as prescribed by law.

It should be noted that in the event of a taxpayer filing for or being forced into bankruptcy pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pending bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability

to collect ad valorem taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the City, the County, the Financial Advisor, or their respective agents or consultants have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the tax rate of the City charged to non-bankrupt taxpayers during such subsequent tax years.

Real and Secured Property Taxes Levied and Collected (a) (to Update)

Fiscal Year	Tax Rate	Tax Levy	Collected to June 30 of Initial Fiscal Year		Cumulative Collection to October 15, 2013	
			Amount	% of Levy	Amount	% of Levy
2013/14	1.2714	$ 27,824,136	(b)	(b)	$ 3,028,497	10.88 %
2012/13	1.2714	28,985,132	$ 28,600,694	98.67%	28,700,345	99.02
2011/12	1.2714	31,736,420	30,911,649	97.40	31,290,810	98.60
2010/11	1.1814	35,787,170	34,575,806	96.62	34,977,637	97.74
2009/10	1.1814	40,152,969	38,745,712	96.50	39,494,192	98.36
2008/09	1.1814	38,645,019	37,554,147	97.18	38,403,793	99.38

(a) Taxes are certified and collected by the Maricopa County Treasurer. Taxes in support of debt service are levied by the Maricopa County Board of Supervisors as required by the Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County General Fund.

(b) In the process of collection.

Source: County Department of Finance.

ASSESSED VALUATIONS AND TAX RATES

Arizona property taxes are divided into two systems: primary and secondary. Secondary property taxes are those taxes imposed for payment of bonded indebtedness, for exceeding a budget, expenditure or tax limitations pursuant to voter approval and for operating and maintaining certain special districts. Primary property taxes are all ad valorem taxes other than secondary property taxes.

Under the primary system, the full cash value of locally-assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property only are limited to 1% of the full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation. The 2% limitation does not apply to primary taxes levied for local school districts.

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on general obligation bonds and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. Under the secondary system there is no limitation on annual increases in full cash.

Direct and Overlapping Assessed Valuations and Total Tax Rates
Per $100 Assessed Valuation

Overlapping Jurisdiction	2013/14 Secondary Assessed Valuation	2013/14 Primary Assessed Valuation	2013/14 Total Tax Rates Per $100 Assessed Valuation
State of Arizona	$ -	$ -	$ 0.5123 (a)
Maricopa County	32,229,006,810	31,996,204,979	1.2807
Maricopa County Community College District	32,229,006,810	31,996,204,979	1.5340
Maricopa County Library District	32,229,006,810	N/A	0.0438
Maricopa County Flood Control District	28,622,833,869	N/A	0.1392
Maricopa County Fire District	32,229,006,810	N/A	0.0121
Maricopa County Hospital District	32,229,006,810	N/A	0.1939
Central Arizona Water Conservation District	32,229,006,810	N/A	0.1400
East Valley Institute of Technology District No. 401 (b)	14,429,505,175	N/A	0.0500
Chandler Unified School District No. 80	2,005,024,947	1,987,573,504	6.4602
Tempe Union High School District No. 213	2,844,001,721	2,825,007,510	2.6563
Kyrene Elementary School District No. 28	1,638,141,471	1,631,207,910	4.2837
Mesa Unified School District No. 4	2,430,590,986	2,413,648,488	7.4422
Gilbert Unified School District No. 41	1,452,378,410	1,444,373,529	7.1312
City of Chandler	2,175,376,677	2,157,002,870	1.2714

(a) Includes the State Equalization Assistance Property tax. This rate has been set at $0.5123 for fiscal years 2013/14 and is adjusted annually pursuant to Arizona Revised Statues, Section 41-1276.
(b) Includes secondary assessed valuation for the East Valley Institute of Technology District No. 401 within Pinal County.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Foundation, *Maricopa 2013 Levy*, Maricopa County, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Direct and Overlapping Tax Rates Per $100 Assessed Valuation

Inside the City, East Valley Institute of Technology and:

Inside Gilbert Unified School District No. 41	$ 12.3586
Inside Mesa Unified School District No. 4	$ 12.6696
Inside Tempe Union High School District No. 213 and Kyrene Elementary School District No. 28	$ 12.1674
Inside Chandler Unified School District No. 80	$ 11.6876

(c)

Source: *Maricopa 2013 Levy,* Maricopa County.

Secondary Assessed Valuation by Property Classification

Set forth below is a breakdown of the secondary assessed valuation of the City by property classification.

	2009/10 Secondary Assessed Valuation	2010/11 Secondary Assessed Valuation	2011/12 Secondary Assessed Valuation	2012/13 Secondary Assessed Valuation	2013/14 Secondary Assessed Valuation	2013/14 Annual Percent Change
Mining, Utility, Commercial and Industrial	$ 1,205,488,578	$ 1,193,021,131	$ 883,096,623	$ 786,423,233	$ 711,755,414	-9.49%
Agriculture and Vacant Land	188,645,271	157,254,185	106,064,124	88,266,812	69,631,063	-21.11%
Owner-Occupied Residential	1,700,032,500	1,370,248,748	1,172,234,257	1,053,618,418	950,951,406	-9.74%
Leased or Rented Residential	298,018,725	279,202,958	233,796,110	207,161,750	279,862,096	35.09%
Railroad, Private Car Company and Airline Flight Property	3,150,912	2,995,308	2,562,757	2,126,795	2,143,818	0.80%
Historical Property	112,760,854	108,289,516	70,620,951	117,312,742	160,779,486	37.05%
Commercial Historic Property	326,682	334,456	251,795	269,551	253,394	-5.99%
	$ 3,508,423,522	$ 3,111,346,302	$2,468,626,617	$2,255,179,301	$2,175,376,677	-3.54%

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue and *Maricopa 2013 Levy,* Maricopa County.

Secondary Assessed Valuation of Major Taxpayers

Taxpayer (a)	Description	2013/14 Secondary Assessed Valuation	As % of City's Total 2013/14 Secondary Assessed Valuation
Intel Corporation	Manufacturing Plant	$ 29,973,030	1.38 %
TWC Chandler LLC	Enclosed Mall	26,178,765	1.20
Bank of America NA	Mortgage Brokerage	12,902,646	0.59
Covance Laboratories Inc.	Research and Development	10,403,628	0.48
Wells Fargo Bank NA	Financial Services	9,964,196	0.46
Iridium Satellite	Manufacturing Plant	9,126,435	0.42
Chandler Festival LLC	Open Shopping Center	7,867,604	0.36
Digital 2121 LLC	Office Building	7,171,119	0.33
Qwest Corp.	Telecommunications	7,066,799	0.32
Freescale Semiconductor	Manufacturing Plant	6,978,918	0.32
Total		**$ 127,633,140**	**5.87%**
Total City Net Secondary Assessed Valuation		**$ 2,175,376,677**	

Source: County Treasurer's Office and *Maricopa 2013 Levy,* Maricopa County. Neither the City nor the Financial Advisor have made an independent determination of the financial position of any of the major taxpayers listed above.

Some of the Major Taxpayers, including Intel Corporation, Motorola Inc., Freescale Semiconductor Inc, Qwest Corporation, and Wells Fargo Bank are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copies are available at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005. Neither the City nor the Financial Advisor or their respective agents or consultants has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

SPECIAL NOTE: The assessed valuation of property owned by the Salt River Project Agricultural Improvement and Power District ("SRP") is not included in the assessed valuation of the City in the prior table or in any other valuation information set forth in this Official Statement. Because of SRP's quasi-governmental nature, property owned by SRP is exempt from property taxation.

However, SRP may elect each year to make voluntary contributions in lieu of property taxes with respect to certain of its electrical facilities (the "SRP Electric Plant"). If SRP elects to make the in lieu contribution for the year, the full cash value of the SRP Electric Plant and the in lieu contribution amount is determined in the same manner as the full cash value and property taxes owed is determined for similar non-governmental public utility property, with certain special deductions.

If after electing to make the in lieu contribution, SRP then failed to make the in lieu contribution when due, the Treasurer of the County and the City have no recourse against the property of SRP and the City.

Since 1964, when the in lieu contribution was originally authorized in State statute, SRP has never failed to make that election. The fiscal year 2013/14 preliminary in lieu assessed valuation of SRP within the City is $41,612,797 which represents approximately 1.92% of the combined secondary assessed value in the City. SRP's total estimated contribution in lieu of property tax payments (primary & secondary) was approximately $511,688 for fiscal year 2012/13.

Comparative Secondary Assessed Valuation Histories

Fiscal Year	City of Chandler	Maricopa County	State of Arizona
2013/14	$ 2,175,376,677	$ 32,229,006,810	$ 52,594,377,492
2012/13	2,255,179,301	34,400,455,716	56,271,814,583
2011/12	2,468,626,617	38,760,296,714	61,700,292,915
2010/11	3,111,346,302	49,662,543,618	75,664,423,588
2009/10	3,508,423,522	55,202,105,457	86,525,272,506

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and *Maricopa 2013 Levy,* Maricopa County.

Estimated Net Full Cash Value (a)

Fiscal Year	City's Estimated Full Cash Value
2013/14	$ 18,955,691,992
2012/13	18,800,428,297
2011/12	19,943,235,487
2010/11	24,651,460,281
2009/10	28,185,853,864

(a) The estimated net full cash value of the City approximates the total estimated market value of all taxable property located within the City, less the estimated exempt property within the City as calculated by the Arizona Department of Revenue, Division of Property and Special Taxes.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and *Maricopa 2013 Levy,* Maricopa County.

SUMMARIES OF CITY OF CHANDLER WATER AND SEWER MASTER RESOLUTION NO. 1917 AND THE SUPPLEMENTAL RESOLUTION AUTHORIZING THE SERIES 2014 REVENUE REFUNDING BONDS

SUMMARY OF CITY OF CHANDLER
WATER AND SEWER REVENUE REFUNDING BOND RESOLUTION 4750
(the "Master Resolution")

SUMMARY OF
CITY OF CHANDLER
RESOLUTION NO. ____
AUTHORIZING THE ISSUANCE OF THE
WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2014
(the "Supplemental Resolution")

BOOK-ENTRY-ONLY SYSTEM

The description set forth below of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, premium, if any, and interest on, the Bonds to Direct Participants, Indirect Participants and Beneficial Owners (each as hereinafter defined), and other information concerning DTC and the book-entry-only system of registration and transfer of beneficial ownership interests in the Bonds is based solely on information furnished by DTC to the City for inclusion in this Official Statement. None of the City, the Bond Registrar and Paying Agent, the Financial Advisor, the underwriters or their respective agents or counsel makes any representations as to the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity thereof, each in the aggregate principal amount of such maturity and the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the City or the Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Direct Participant or Indirect Participant, to the Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's or Indirect Participant's interest in the Bonds, on DTC's records, to the Registrar. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Registrar's DTC account.

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Registrar and/or to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds will be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NONE OF THE CITY, THE BOND REGISTRAR AND PAYING AGENT, THE FINANCIAL ADVISOR, THE UNDERWRITERS OR THEIR RESPECTIVE COUNSEL OR AGENTS HAS ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE BONDS, (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (III) THE TIMELY OR ULTIMATE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR OF INTEREST ON THE BONDS; (IV) THE TRANSMITTAL BY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (V) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER; OR (VI) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

APPENDIX F

CITY OF CHANDLER, ARIZONA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The following audited Financial Statements are for the fiscal year ended June 30, 2013. These are the most recent audited financial statements available to the City. These financial statements may not represent the current financial conditions of the City. The City did not request the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its opinion on the financial statements.

$14,800,000
CITY OF CHANDLER, ARIZONA
WATER AND SEWER REVENUE
REFUNDING BONDS, SERIES 2014

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP Base No. 158879)

This Continuing Disclosure Certificate (the "*Disclosure Certificate*") is undertaken by the City of Chandler, Arizona (the "*City*") in connection with the issuance of Water & Sewer Revenue Refunding Bonds, Series 2014 (the "*Bonds*"). In consideration of the initial sale and delivery of the Bonds, the City covenants as follows:

Section 1. **Purpose of the Disclosure Certificate**. This Disclosure Certificate is for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (as hereinafter defined).

Section 2. **Definitions**. Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

"*Annual Report*" shall mean the annual report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Bond Counsel*" shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the City.

"*Bondholder*" shall mean any registered owner or beneficial owner of the Bonds.

"*Dissemination Agent*" shall mean the City or any person designated in writing by the City as the Dissemination Agent.

"*EMMA*" shall mean the Electronic Municipal Market Access system and the EMMA Continuing Disclosure Service of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

"*Listed Events*" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"*Official Statement*" shall mean the final official statement dated _____, 2014 relating to the Bonds.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. **Provision of Annual Reports**.

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the "*Filing Date*"), commencing February 1, 2015, provide electronically to MSRB, in a format prescribed by MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Currently, filings are required to be made with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

(b) If the City is unable or for any reason fails to provide electronically to EMMA an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the City shall promptly send a notice to EMMA in substantially the form attached as *Exhibit A* not later than such Filing Date.

(c) If the City's audited financial statements are not submitted with the Annual Report and the City fails to provide to EMMA a copy of its audited financial statements within 30 days of receipt thereof by the City, then the City shall promptly send a notice to EMMA in substantially the form attached as *Exhibit B*.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date(s) for providing the Annual Report and audited financial statements the proper address of EMMA; and

(ii) if the Dissemination Agent is other than the City, file a report or reports with the City certifying that the Annual Report and audited financial statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided and listing where it was provided.

Section 4. **Content of Annual Reports**.

(a) The Annual Report may be submitted as a single document or as separate documents comprising an electronic package, and may incorporate by reference other information as provided in this Section, including the audited financial statements of the City; provided, however, that if the audited financial statements of the City are not available at the time of the filing of the Annual Report, the City shall file unaudited financial statements of the City with the Annual Report and, when the audited financial statements of the City are available, the same shall be submitted to EMMA within 30 days of receipt by the City.

(b) The City's Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Sections 3 and 4(a) hereof, annual audited financial statements for the City (CAFR).

(B) Annually updated financial information and operating data of the type contained in the following subsections of the Official Statement:

Schedule of Water and Sewer System Customers:
In Appendix B, the data set forth on the tables listed below:
Assessed and Estimated Full Cash Values;
Property Taxes - Property Tax Assessment Ratios;
Assessed Valuation by Property Classification;

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The audited annual financial statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the City's audited annual financial statements is contained in Note 1 of the audited financial statement included within the Official Statement.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

This Section 5 shall govern the giving of notices by the City of the occurrence of any of the following events with respect to the Bonds, and the City shall in a timely manner, not in excess of ten business days after the occurrence of the event, provide notice of the following events with EMMA:

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

Note to Paragraph (12) above: For the purposes of the event identified in paragraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. **Termination of Reporting Obligation**. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Such termination shall not terminate the obligation of the City to give notice of such defeasance or prior redemption.

Section 7. **Dissemination Agent**. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. **Amendment**. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of the City, or the type of business conducted;

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined by Bond Counsel.

Notice of any amendment to the accounting principles shall be sent within 30 days to EMMA.

Section 9. **Filing with EMMA**. The City shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with EMMA.

Section 10. **Additional Information**. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. **Default**. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any Bondholder may seek specific performance by court order to cause the City to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Bonds or the resolution authorizing the Bonds.

Section 12. **Compliance by the City**. The City hereby covenants to comply with the terms of this Disclosure Certificate. The City expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination

Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter, Bond Counsel or the City's financial advisor.

Section 13. **Subject to Appropriation**. Pursuant to Arizona law, the City's undertaking to provide information under this Disclosure Certificate is subject to appropriation, solely from its Water and Sewer Revenues or such funds as the City chooses, to cover the costs of preparing and sending the Annual Report and notices of material events to EMMA. Should funds that would enable the City to provide the information required to be disclosed hereunder not be appropriated, then notice of such fact will be made in a timely manner to EMMA in the form of *Exhibit C* attached hereto.

Section 14. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Bondholders, and shall create no rights in any other person or entity.

Section 15. **Governing Law**. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Date: _____, 2014

CITY OF CHANDLER, ARIZONA

By_____
Its Management Services Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Chandler, Arizona
Name of Bond Issue: $_____ Water & Sewer Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 158877

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Disclosure Certificate dated _____, 2014. The City anticipates that the Annual Report will be filed by _____.

Dated:

City of Chandler, Arizona

By_____
Its _____

EXHIBIT B

NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS

Name of Issuer: City of Chandler, Arizona
Name of Bond Issue: $_____ Water & Sewer Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 158877

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated _____, 2014, with respect to the above-named Bonds. The City anticipates that the audited financial statements for the fiscal year ended June 30, ____ will be filed by _____.

Dated:

City of Chandler, Arizona

By_____
Its _____

EXHIBIT C

NOTICE OF FAILURE TO APPROPRIATE FUNDS

Name of Issuer: City of Chandler, Arizona
Name of Bond Issue: $_____ Water & Sewer Revenue Refunding Bonds, Series 2014
Dated Date of Bonds: _____, 2014 CUSIP 158877

NOTICE IS HEREBY GIVEN that the City failed to appropriate funds necessary to perform the undertaking required by the Disclosure Certificate dated _____, 2014.

Dated: _____

City of Chandler, Arizona

By_____
Its _____