

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: Fitch: “Applied For”
 Moody’s: “Applied For”
 S&P: “Applied For”
 See “RATINGS” herein

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain restrictions, conditions and requirements by the City as described under “TAX EXEMPTION” herein, interest income on the portion of each Payment and Prepayment, if any, made by the City under the Agreement and denominated as and comprising interest income pursuant to the Agreement and received by the Owners of the Obligations will be excluded from gross income for federal income tax purposes and will be exempt from Arizona income taxes. Interest income on the Agreement is not an item of preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to alternative minimum tax. See “TAX EXEMPTION”, “ORIGINAL ISSUE DISCOUNT” and “ORIGINAL ISSUE PREMIUM” herein.

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2015

Dated: Date of Initial Delivery

Due: July 1, as shown below

The Excise Tax Revenue Obligations, Series 2015 (the “Obligations”) will be executed and delivered to (i) pay costs associated with various capital improvements to the City of Chandler, Arizona (the “City”) water and wastewater system (the “System”) and (ii) to pay costs of execution and delivery of the Obligations.

Interest on the Obligations will accrue from the date of initial delivery thereof and be payable semiannually on each January 1 and July 1, commencing July 1, 2016* (each an “Interest Payment Date”). The Obligations will be dated the date of initial delivery and will be issuable as fully registered securities without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial interests in the Obligations will be available to purchasers in amounts of \$5,000 of principal due on a single maturity date and any integral multiple thereof only under the book-entry-only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Obligations. See “THE OBLIGATIONS – Book-Entry-Only-System” herein.

The Obligations will be subject to redemption prior to their stated maturities as described herein.

The Obligations will be payable from payments (“Payments”) or prepayments, if any, (the “Prepayments”) to be made by the City pursuant to an Agreement, dated as of December 1, 2015*, between the City and _____, as Trustee (the “Trustee”). The Payments and Prepayments, if any, to be made by the City will be secured by a pledge of the City’s Excise Taxes (as defined herein). Such pledge is and will be on a parity with the City’s pledge of such Excise Taxes made in connection with the Existing Parity Obligations and any Additional Parity Obligations executed and delivered on a parity (together, the “Parity Obligations”). See “SECURITY AND SOURCES OF PAYMENT” herein.

THE OBLIGATIONS WILL BE SPECIAL REVENUE OBLIGATIONS OF THE CITY AND WILL BE PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF AND THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE OBLIGATIONS.

See Maturity Schedule on Inside Front Cover

Proposals may be submitted solely as an electronic bid using the facilities of PARITY® until 9:00 a.m., Mountain Standard Time (Arizona Time) on October 29, 2013. All proposals should be submitted in accordance with the Notice Inviting Bids for the Purchase of Obligations (the “Notice”). Please refer to the Notice beginning on page (i) herein for additional information concerning bidding parameters and requirements for the purchase of the Obligations.

The Obligations are offered when, as and if executed and delivered by the Trustee and received by the Underwriters, subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, as to validity and tax exemption. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about December 9, 2015*.

This cover page contains certain information for quick reference only. It is not a summary of this issue of which the Obligations 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 Obligations.

* Preliminary, subject to change.

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2015

Maturity Date (July 1)	Principal Amount*	Interest Rate	Yield	CUSIP No. 158855 (a)
2016	\$1,320,000	%	%	
2017	2,330,000			
2018	2,400,000			
2019	2,500,000			
2020	2,600,000			
2021	2,730,000			
2022	2,865,000			
2023	3,005,000			
2024	3,155,000			
2025	3,315,000			
2026	3,480,000			
2027	3,655,000			
2028	3,835,000			
2029	4,030,000			
2030	4,230,000			
2031	4,440,000			
2032	4,665,000			
2033	4,900,000			
2034	5,145,000			
2035	5,400,000			

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* Preliminary, subject to change.

CITY OF CHANDLER, ARIZONA

CITY COUNCIL

Jay Tibshraeny, *Mayor*
Kevin Hartke, *Vice Mayor*
Nora Ellen, *Councilmember*
Rick Heumann, *Councilmember*
Rene Lopez, *Councilmember*
Terry Roe, *Councilmember*
Jack Sellers, *Councilmember*

CITY ADMINISTRATIVE OFFICERS

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

SPECIAL COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

FINANCIAL ADVISOR

Piper Jaffray & Co.[®]
Phoenix, Arizona

TRUSTEE, BOND REGISTRAR AND PAYING AGENT

TBD

REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, does not constitute an offering of any security other than the City of Chandler, Arizona (the "City") Excise Tax Revenue Obligations, Series 2015 (the "Obligations"), 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 Obligations by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth in this Official Statement has been provided by the City, Maricopa County, 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 Piper Jaffray & Co. (the "Financial Advisor"). The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the 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 thereof.

The issuance and sale of the Obligations 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 Obligations. The Obligations 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 Obligations or the accuracy or adequacy of this Official Statement or approved the Obligations for sale.

The City has undertaken to provide continuing disclosure with respect to the Obligations as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" and APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

The City, the Financial Advisor, the Underwriter, counsel to the Underwriter and Special Counsel (as defined herein) are not actuaries, nor have any of them performed any actuarial or other analysis of the City's unfunded liabilities under the Arizona State Retirement System, the Arizona Public Safety Personnel Retirement System or the Elected Officials Retirement Plan.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of, or incorporated into, this Official Statement, except as expressly noted herein.

The information in Appendix F – "Book-Entry-Only System" has been furnished by The Depository Trust Company, and no representation has been made by the City, the Financial Advisor or the Underwriter, or any of their counsel or agents, as to the accuracy or completeness of such information.

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\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2015

NOTICE INVITING BIDS FOR THE PURCHASE OF OBLIGATIONS

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 9:00 a.m., Mountain Standard Time (“MST”) (Arizona Time), on _____, 2015 by the City of Chandler, Arizona (the “City”), for the purchase of all, but not less than all, of \$70,000,000* aggregate principal amount of Excise Tax Revenue Obligations, Series 2015 (the “Obligations”). A bid may be submitted only through the facilities of PARITY® (“PARITY”). Submission of bids is further discussed below. Through PARITY, the City’s Management Services Director will electronically receive the bids at such time and will award the contract for the purchase of obligations 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 www.ipreo.com, prior to 10:00 a.m. MST on the business day prior to _____, 2015.

The Obligations will be dated the date of initial delivery, and will bear interest from their date to the maturity of each of the Obligations. Interest on the Obligations is payable semiannually on January 1 and July 1 commencing July 1, 2016. The Obligations will mature on July 1 in the years 2016 through 2035, inclusive, in the principal amounts as follows:

Maturity Date (July 1)	Principal Amount*	Maturity Date (July 1)	Principal Amount*
2016	\$1,320,000	2026	\$3,480,000
2017	2,330,000	2027	3,655,000
2018	2,400,000	2028	3,835,000
2019	2,500,000	2029	4,030,000
2020	2,600,000	2030	4,230,000
2021	2,730,000	2031	4,440,000
2022	2,865,000	2032	4,665,000
2023	3,005,000	2033	4,900,000
2024	3,155,000	2034	5,145,000
2025	3,315,000	2035	5,400,000

OPTIONAL REDEMPTION: The Obligations maturing on or before July 1, 2025*, are not subject to call for redemption prior to their stated maturity dates. Obligations maturing on or after July 1, 2026* are subject to call for redemption prior to their stated maturity dates, at the option of the City, in whole or in part on any date on or after July 1, 2025*, by the payment of a redemption price equal to the principal amount of each Obligation called for redemption plus accrued and unpaid interest to the date fixed for redemption, but without premium.

NOTICE OF REDEMPTION: Please see the Redemption Provisions section of the Preliminary Official Statement.

PURPOSE: The Obligations are being issued to improve the City's water and wastewater systems, specifically to enhance performance and efficiency, and to pay the costs of issuance of the Obligations.

* Preliminary, subject to change.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of 9:00 a.m., MST (Arizona Time) on _____, 2015. The time maintained by PARITY shall constitute the official time.

ADJUSTMENT OF OBLIGATIONS AFTER OPENING OF BIDS: The aggregate principal amount of the Obligations is preliminary and subject to change but in no event will exceed an aggregate principal amount of \$70,000,000*. The City reserves the right to reduce the principal amount of Obligations for which proposals are being solicited by an amount up to \$7,000,000.00. The bid price paid by the winning bidder will be adjusted to reflect any change in the aggregate principal amount of the Obligations. Such adjusted bid will reflect changes in the dollar amount of the underwriting discount and original issue discount/premium, but will not change the underwriting discount percentage based on the bid price in the winning bid and the initial reoffering prices. The interest rates specified by the winning bidder for each maturity will not change. The winning bidder may not withdraw its bid as a result of any changes made within these limits. A representative of the City will notify the winning bidder of the final principal maturity amounts and the resulting adjusted purchase price no later than 10:00 a.m., MST, on the date of award of the Obligations.

ELECTRONIC BIDDING PROCEDURES: Bids may be submitted only through the facilities of PARITY in accordance with this Notice Inviting Bids for the Purchase of Obligations (the "Notice"). 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 Obligations.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the Obligations on the terms provided in this Notice and shall be binding upon the entity making the bid. The City and Piper Jaffray & Co., the City's financial advisor (the "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 shall conflict with information provided by PARITY, as the online system provider, this Notice 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 the provisions of this Notice.

AWARD AND DELIVERY: Unless all bids are rejected, the Obligations 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 Obligations and the price bid, including any premium or discount but excluding accrued interest. Delivery of the Obligations will be made to the purchaser upon payment in Federal or immediately available funds at the offices of Gust Rosenfeld P.L.C. ("*Special 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.

INTEREST RATES: Bids for the purchase of the Obligations must state the rate or rates of interest to be paid and no bid at a price less than the par value of the Obligations, together with all accrued interest thereon at the date of delivery of the Obligations, will be considered. All Obligations of the same maturity must bear the same rate of interest. The highest rate bid shall not exceed the lowest rate by more than two percent (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.

* Preliminary, subject to change.

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 Obligation.

FORM OF BID; GOOD FAITH DEPOSIT: The prescribed form of bid for the Obligations will be available on the PARITY system and all bids must be submitted on that form. The winning Bidder shall deliver a deposit in the amount of 2.00% of the aggregate par amount of the Obligations or \$_____ (the "Deposit"), in the form of either of the following: (i) a certified or cashier's check payable to the City, or (ii) a wire transfer to the City within 24 hours of the award. Such bidder shall be solely responsible for the timely delivery of their Deposit whether by check or wire transfer. Neither the City nor the Financial Advisor have 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 South Arizona Avenue, 3rd Floor, Chandler, Arizona 85225.

The Deposit sent via **wire** transfer should be sent to the City according to the wire instructions provided to the winning bidder upon the award.

Contemporaneously with such wire transfer, the winning 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, and (iv) federal reference number.

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 to the winning bidder. In the event the winning bidder fails to comply with the accepted bid, said amount will be retained by the City.

BOOK-ENTRY-ONLY SYSTEM: The Obligations 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 Obligations for a book-entry-only system (the "*Book-Entry-Only System*"). Under the Book-Entry-Only System, beneficial ownership interests in the Obligations will be available in book-entry form only through direct or indirect DTC participants.

Ownership interests in the Obligations may be purchased in denominations of \$5,000 of principal due on a specific maturity date or integral multiples thereof.

Transfers of beneficial ownership interest in the Obligations 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 Obligations, 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 Obligations at any time by giving notice to the Bond Registrar 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 Obligations 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 Obligations will be registered in the names of the Beneficial Owners and executed and delivered. Upon registration of Obligations in the Beneficial Owner's name, the Beneficial Owners will become the owners of the Obligations (the "*Owners of the Obligations*") for all purposes, including the receipt of principal and interest payments and notices with respect to the Obligations. See "APPENDIX F-Book-Entry-Only System" in the Official Statement.

* Preliminary, subject to change.

REGISTRATION AND TRANSFER: _____ will be providing the services of bond registrar and paying agent with respect to the Obligations (the "*Bond Registrar*"). If the Book-Entry-Only System is discontinued, the Bond Registrar will administer registration and transfer of the Obligations and the Obligations will be transferable only upon the bond register to be maintained by the Bond Registrar upon surrender to the Bond Registrar. The Bond Registrar may be changed without notice to any owner or beneficial owner of the Obligations.

PAYMENT OF OBLIGATIONS: 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 Obligations shall be payable by check mailed on or prior to the interest payment date to the Owners of the Obligations at the addresses of such owners as they appear on the books of the Bond Registrar on the record date (as described hereafter). Principal of, and premium, if any, on the Obligations shall be paid when due upon surrender of such Obligations at the designated corporate trust office of the Bond Registrar (unless the Owner of the Obligations 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 Obligations outstanding or on any Obligations 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 Obligations. Payment of principal and interest as to the Obligations held by a securities repository shall be by wire transfer.

RECORD DATE: So long as the Obligations 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 Bond Registrar shall pay interest to the Owners of record on the record date notwithstanding that transfers of ownership may occur on any Obligation between the record date and the next interest payment date.

SECURITY: Principal of and interest on the Obligations are payable solely from excise taxes of the City, meaning all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose ("*Excise Taxes*"). Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement. The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes thereunder and will not be pledged to the payment of the amounts due pursuant to the Agreement and the Trust Agreement. The City's pledge of its Excise Taxes is on a parity with the City's \$34,040,000 aggregate principal amount of Excise Tax Revenue Obligations, Series 2009, currently outstanding in the aggregate principal amount of \$21,255,000, and the City's \$15,000,000 aggregate principal amount of Excise Tax Revenue Obligations, Series 2011, currently outstanding in the aggregate principal amount of \$12,175,000, and the City's \$104,500,000 aggregate principal amount of Excise Tax Revenue Obligations, Series 2013, currently outstanding in the aggregate principal amount of \$104,000,000.

CUSIP NUMBERS: CUSIP numbers will be placed on the Obligations, but neither failure to print such numbers on any Obligation 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 Obligations in accordance with the terms of the sale. No CUSIP number will be deemed to be part of any Obligation 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 OBLIGATION FORMS: The City shall bear the cost of printing of the Obligations and will furnish fully executed Obligations, registered in the name of the CEDE & Co., to DTC 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 Obligations, any person who was significantly involved in initiating,

negotiating, securing, drafting or creating the contract for the purchase of the Obligations 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 Obligations, 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 Obligations on behalf of the City.

LEGAL OPINION: The Obligations are sold with the understanding that the City will furnish the purchaser with the approving opinion of Gust Rosenfeld, P.L.C., serving as Special Counsel. A form of such opinion can be found in the Preliminary Official Statement. Said attorneys have been retained by the City as Special Counsel and in such capacity are to render their opinion only upon the legality of the Obligations under Arizona law and on the exemption of the interest income on such Obligations from federal and State of Arizona income taxes (see "*Tax-Exempt Status*" below). Fees of Special Counsel for services rendered in connection with such approving opinion are expected to be paid from Obligation proceeds. Except to the extent necessary to issue its approving opinion as to validity of the Obligations, Special 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 Obligations 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 Obligations, the bidder agrees to the representation of the City by Special Counsel.

TAX-EXEMPT STATUS: In the opinion of Special Counsel under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City, interest income on the portion of each Payment and Prepayment, if any, made by the City under the Agreement and denominated as and comprising interest income pursuant to the Agreement and received by the Owners of the Obligations will be excluded from gross income for federal income tax purposes and will be exempt from Arizona income taxes.

Should changes in the law cause Special Counsel's opinion to change prior to delivery of the Obligations to the purchaser, the purchaser will not be obligated to pay for the Obligations or accept delivery thereof, and the winning bidder's Deposit will be returned.

INFORMATION FROM PURCHASER: The winning bidder will be required to furnish to the City, at or before the closing, a certificate in a form acceptable to Special Counsel, stating that the winning bidder did offer all of the Obligations to the public in a bona fide public offering and it reasonably expected that a substantial amount of the Obligations of that maturity (i.e. at least ten percent (10%) of each maturity of the Obligations) would be sold by it, as of the sale date, at the initial offering prices set forth in the certificate, together with such additional representations as Special Counsel may require to verify that it is reasonable to rely on the purchaser's certification about the reasonably expected initial public offering price, including that the issue price of the Obligations set forth in the certificate did not exceed their fair market value as of the sale date. The "public" does not include bond houses, brokers or similar persons acting in the capacity of underwriters and wholesalers. The initial offering prices to be certified shall be furnished to the City within 24 hours after the award of the Obligations.

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 Obligations to be final as of its date as required by Section 240.15(c)(2)(12), General Rules and Regulations, Securities Exchange Commission Act of 1934, as amended (the "Rule"), 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 Obligations, 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 Obligations, the City will provide the winning bidder with 100 copies of the final Official Statement 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 Obligations 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 Obligations, 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 Obligations 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 enumerated events with respect to the Obligations, 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 Official Statement. The City is currently in compliance with all of its existing continuing disclosure 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 Obligations. The City will also deliver an arbitrage certificate covering its reasonable expectations concerning the Obligations.

ADDITIONAL INFORMATION: Copies of the Official Bid Form and Notice Inviting Bids for the Purchase of Obligations 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

OFFICIAL STATEMENT

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2015

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and the appendices hereto, provides certain information concerning the Excise Tax Revenue Obligations, Series 2015 (the “Obligations”), to be executed and delivered in the aggregate principal amount of \$70,000,000*. The Obligations are payable solely from payments (the “Payments”) or prepayments, if any, (the “Prepayments”) to be made by the City of Chandler, Arizona, (the “City”) pursuant to an Agreement, dated as of December 1, 2015* (the “Agreement”), between the City and _____ (the “Trustee”). The Obligations are being executed and delivered for the purpose of providing funds (i) to pay costs associated with certain capital improvements to the City’s Water and Wastewater System (the “Project”) and (ii) to pay the costs and expenses relating to the issuance of the Obligations. The Obligations will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2015* (the “Trust Agreement”), between the City and the Trustee. All of the Trustee’s interest under the Agreement, including, without limitation, the right to receive and collect the Payments and Prepayments, if any, and the amounts payable under the Trust Agreement and the right to enforce the payment of Payments and Prepayments, if any, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX C – “SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS” herein.

Pursuant to the Agreement, the City will pay the Trustee the Payments for the acquisition of the Project, which will be equal to the principal and interest payable with respect to the Obligations. The Payments and Prepayments, if any, to be made by the City under the Agreement are payable from, and secured by a lien on and pledge of Excise Taxes (hereinafter defined). The pledge of Excise Taxes under the Agreement is on a parity with the City’s pledge of Excise Taxes for the payments pertaining to the Existing Parity Obligations and any Additional Parity Obligations (each as defined herein). See “SECURITY AND SOURCES OF PAYMENT” herein.

A brief description of the security for the Obligations and of the City are included in this Official Statement together with a summary of select provisions of the Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of which are available for inspection at the designated corporate trust office of the Trustee.

THE OBLIGATIONS

General Provisions

The Trustee is authorized to prepare, execute and deliver the Obligations in the aggregate principal amount of \$70,000,000* evidencing proportionate ownership interest in the Payments and Prepayments, if any, in accordance with Resolution No. 4904 adopted by the Mayor and Council of the City on October 22, 2015 (the “Resolution”).

Proceeds from the Obligations will be used to provide funds for (i) capital improvements to the City’s water and wastewater system (the “System”) and (ii) to pay the costs associated with the issuance of the Obligations.

The Obligations are available only in fully registered certificated form. The Obligations will bear interest, at the rates and will mature on the dates and in the amounts, all as set forth on the inside cover page hereof.

* Preliminary, subject to change.

The Obligations initially will be registered in the name of Cede & Co., as registered Owner and nominee of The Depository Trust Company (“DTC”), New York, New York. So long as DTC, or its nominee, Cede & Co., is registered Owner of all of the Obligations, all payments on the Obligations will be made directly to DTC in immediately available funds, by wire transfer on or before the date due.

So long as Cede & Co. is the registered Owner of the Obligations, as nominee for DTC, references herein to “Owners” or registered owners of the Obligations (other than under the caption “TAX EXEMPTION”) shall mean Cede & Co., as aforesaid, and shall not mean the actual purchasers of beneficial interest in the Obligations (the “Beneficial Owners”). When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City or the Trustee to DTC only, as registered Owner. See APPENDIX F – “Book Entry-Only System”.

The Obligations initially will be dated their date of initial delivery. Interest on the Obligations will be payable on each January 1 and July 1 (each such date is referred to herein as an “Interest Payment Date”), commencing July 1, 2016*, and will accrue from their dated date.

Redemption Provisions

Optional Redemption: The Obligations maturing on or before July 1, 2025* are not subject to call for redemption prior to maturity. The Obligations maturing on or after July 1, 2026* are subject to call for redemption prior to their stated maturity dates, at the option of the City, as directed by a certificate of the City Representative received by the Trustee at least ten (10) business days prior to the notice of redemption provisions described herein, in whole or in part, on any date on or after July 1, 2025* at the redemption price of the principal amount being refunded, plus accrued and unpaid interest, if any, to the date fixed for redemption, but without premium.

Notice of Redemption: So long as the Book-Entry-Only System is in effect, the Trustee shall give notice to DTC by the method required by DTC. If the Book-Entry-Only System is discontinued, the Trustee shall cause notice of any redemption of Obligations to be mailed to the Owners of all Obligations to be redeemed to the address listed in the Trustee’s register no more than sixty (60) and no less than thirty (30) days prior to the date fixed for redemption. The Trustee shall also provide notice of any redemption to the Municipal Securities Rulemaking Board (the “MSRB”), currently through the MSRB’s Electronic Municipal Market Access system by the method required by the MSRB.

Partial Redemption: If fewer than all of the Obligations of a single maturity are to be redeemed, the selection of Obligations to be redeemed, or portions thereof in amounts equal to \$5,000 or any integral multiple thereof, shall be made by DTC according to its procedures or, if the Book-Entry-Only System is no longer in effect, then by lot by the Trustee in any manner the Trustee may determine. DTC’s current practice is to determine by lot the amount of each Direct Participant’s (as defined in APPENDIX F – “Book-Entry-Only System”) proportionate share that is to be redeemed.

Effect of Redemption: On the date designated for redemption, the Obligations or portions thereof to be redeemed will be due and payable at the redemption price for such Obligations or portions thereof, and, if monies for payment of the redemption price are held by the Trustee on the redemption date, then from and after the redemption date those Obligations and portions thereof called for redemption shall cease to bear interest, and no longer be entitled to any benefit or security under the Trust Agreement, the owners of such Obligations or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof, and such Obligations or portions thereof will be deemed paid and no longer outstanding.

Registration, Transfer and Exchange

The Obligations will be registered on the books of the Trustee located at the Trustee’s designated corporate trust office. So long as the Book-Entry-Only System is in effect the Obligations will be registered in the name of Cede & Co. (See “APPENDIX F – Book-Entry-Only System”).

SECURITY AND SOURCES OF PAYMENT

General

The Obligations are special revenue obligations of the City, payable solely from Payments and Prepayments, if any, to be paid by the City to the Trustee pursuant to the Agreement. The Trustee will hold its right, title and interest in the Agreement, the Payments, Prepayments, if any, and amounts payable under the Trust Agreement in trust for the benefit of the Owners of the Obligations pursuant to the Trust Agreement. The Obligations, the Agreement, Trust Agreement and the obligation to make the payments do not represent or constitute a general obligation of the City, the State of Arizona or any of its political subdivisions.

Under the terms of the Trust Agreement, the Obligations are payable by the Trustee from the Payments and Prepayments, if any, received by the Trustee from the City under the Agreement, amounts from time to time deposited in the funds created under the Trust Agreement, and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States in order to continue the exclusion of the interest payable on the Obligations from gross income for federal income tax purposes). See "APPENDIX C – SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS."

The Payments are secured by a pledge of the City's Excise Taxes (as defined below) on a parity with the City's pledge of Excise Taxes for the payments pertaining to the Existing Parity Obligations and any Additional Parity Obligations executed and delivered on a parity (together, the "Parity Obligations"). Currently, the City's existing parity obligations are the \$137,430,000 in aggregate principal amount of the City's Excise Tax Revenue Obligations, Series 2009, currently outstanding in the aggregate principal amount of \$21,255,000, the City's Excise Tax Revenue Obligations, Series 2011, currently outstanding in the aggregate principal amount of \$12,175,000, and the City's Excise Tax Revenue Obligations, Series 2013, currently outstanding in the aggregate principal amount of \$104,000,000 (the "Existing Parity Obligations"). The major categories of revenues which comprise the Excise Taxes are discussed more fully below. See "EXCISE TAXES."

The Payments to be paid by the City to the Trustee pursuant to the Agreement may be paid, at the option of the City, from the Water and Wastewater Funds (as defined herein) or from any other lawful source. Such revenues are **not** pledged to the Payments and, if commenced, such use of such revenues may be discontinued at any time by the City.

Payment of the Obligations is not secured by the Project, and the Owners of the Obligations have no claim or lien on the Project or any part thereof.

Covenant to Maintain Debt Service Coverage

The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed in each Fiscal Year so that the amount of Excise Taxes, all within and for the next preceding Fiscal Year of the City, shall be equal to at least three (3) times the Annual Debt Service Requirement (as defined in the Trust Agreement) payable hereunder, and under any Outstanding Parity Obligations, for the current Obligation Year (as defined in the Trust Agreement). The City further covenants and agrees that if such receipts for any such Fiscal Year shall not equal at least three (3) times such Annual Debt Service Requirement for such Obligation Year, or if at any time it appears that the current Fiscal Year's receipts will not be sufficient to meet the current Obligation Year's actual Annual Debt Service Requirement, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) the current Fiscal Year's receipts will be sufficient to meet the current Obligation Year's Annual Debt Service Requirement and (ii) the then current Fiscal Year's receipts will be equal to at least three (3) times the next succeeding Obligation Year's Annual Debt Service Requirement. See "CITY OF CHANDLER OUTSTANDING PARITY BONDS, PROJECTED REVENUES, ESTIMATED DEBT SERVICE AND PROJECTED COVERAGE" herein.

Additional Parity Obligations

In the Agreement, the City covenants and agrees that, so long as any of the Obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for or any other amounts remain unpaid or unprovided for thereunder, it will not further encumber the Excise Taxes on a basis equal to the pledge thereunder unless the Excise Taxes received by the City in the immediately preceding fiscal year shall have amounted to at least three (3) times the highest combined Debt Service (as defined herein) for the current year or any succeeding fiscal year for all outstanding Parity Obligations. Subject to the foregoing and the other terms and conditions of the Agreement, the City shall have the right to issue Additional Parity Obligations payable from and secured by the Excise Taxes on parity with the Obligations.

“Debt Service” means with respect to any Parity Obligations, as of any date of calculation and with respect to any fiscal year, the sum of (1) the interest falling due during such fiscal year (except to the extent that such interest is payable from proceeds of the Parity Obligations or other amounts set aside for such purposes at the time such Parity Obligations are incurred), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similarly denoted principal payment obligation) payments or deposit required with respect to such Parity Obligations during such period; such sum to be computed on the assumption that no portion of such Parity Obligations shall cease to be outstanding during such fiscal year except by reason of the application of such scheduled payments. If interest on Parity Obligations is payable pursuant to a variable interest rate formula, the interest rate on such Parity Obligations for fiscal years when the actual interest rate on such Parity Obligations cannot yet be determined shall be assumed to be equal to the higher of: (a) the average annual interest rate on such Parity Obligations over the last five fiscal years or since the date of issuance of such Parity Obligations if less than five years, or (b) if the terms of such Parity Obligations provide for conversion of the interest rate payable on such obligations to a fixed interest rate for the remainder of their term to maturity, an interest rate per annum determined in accordance with the provisions of such obligations as if the interest rate payable thereon were being converted to a fixed interest rate for the remainder of their term to maturity.

Reserve Fund; Funding Conditional

The Trust Agreement establishes a reserve fund (the “Reserve Fund”), to secure payment of the Obligations, but provides that no deposits need to be made into the Reserve Fund for the Obligations if the Excise Taxes pledged and received by or on behalf of the City in the immediately preceding fiscal year are at least two (2) times the highest combined Debt Service requirement on all outstanding Parity Obligations for the current or any future fiscal year. In the event that the Excise Taxes collected for the immediately preceding fiscal year are less than two (2) times the highest combined Debt Service on all outstanding Parity Obligations for the current or any future fiscal year, the City, in addition to the other Payments provided under the Agreement, is required to deposit into the Reserve Fund, on the first day of each month commencing the first month after the Excise Taxes actually received in such fiscal year are below the required amount, one-thirty-sixth ($1/36^{\text{th}}$) of such highest combined annual Debt Service in any fiscal year on the outstanding Parity Obligations (the “Reserve Fund Requirement”), except for any Additional Parity Obligations for which a separate reserve fund is established or for which no reserve fund is required, until the amount in the Reserve Fund equals the Reserve Fund Requirement.

In lieu of, or in combination with, funding, the City may deliver a Reserve Fund Guaranty (hereinafter defined herein). Reserve Fund Guaranty means a letter of credit, surety bond, or similar arrangement representing the irrevocable obligation of a Reserve Fund Guarantor to pay the amount stated in the Reserve Fund Guaranty. The Reserve Fund Guarantor shall be rated AA or higher by the rating agencies rating the Obligations.

Junior Lien Obligations

Under the Trust Agreement, the City may make pledge of and permit liens on the Excise Taxes which are subordinate to the pledge and lien securing the Obligations.

EXCISE TAXES

The Excise Taxes pledged to payment of the Payments due under the Agreement to be applied to Debt Service on the Obligations and any Additional Parity Obligations include all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state-revenue sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose (“Excise Taxes”). Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purpose of the Agreement and Trust Agreement. [Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for the purposes of the Agreement and the Trust Agreement. The City may impose taxes for restricted purposes, the revenues from which will not be Excise Taxes thereunder and will not be pledged to the payment of the amounts due pursuant to the Agreement and Trust Agreement. Notwithstanding the pledge herein, the City intends to pay the Payments and Prepayments, if any, from the revenues available in the City’s Water and Wastewater Funds.

From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocate state-shared sales taxes and state-shared income taxes. The possibility of changes in this respect are more likely to be adverse to the City when the State is experiencing financial difficulties. The City cannot determine whether any such measures will become law or how they might affect the revenues which comprise state-shared revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which would repeal or modify state sales taxes, state income taxes (the major source of funds for state revenue sharing) and vehicle license taxes. The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election. See “State-Shared Sales Taxes” and “State-Shared Income Taxes.”

Recent Legislative Changes Regarding Municipal Excise Taxes. The City, like most larger Arizona municipalities, currently administers the collection and enforcement of its own transaction privilege (sales) taxes, including the Excise Taxes. Chapter 255, Laws of Arizona 2013 (commonly referred to by its original bill number, HB2111), made changes to the collection process for such taxes, as well as modifying certain categories of business activity, as described below.

Beginning January 1, 2016, the Arizona Department of Revenue (“ADOR”) will become the single point of administration for licensing, filing and payment of all State, county and municipal transaction privilege taxes. The law requires ADOR to establish and administer a single online portal so that taxpayers can pay all State, county or municipal transaction privilege taxes online.

The law allows ADOR, subject to statutory guidelines, to disclose confidential information related to transaction privilege taxes collected by the department from any jurisdiction to any county, city or town tax official if it relates to a taxpayer who is subject to an ADOR audit. The law stipulates that taxpayers are subject to a single audit, eliminating possible subsequent or joint audits by cities and towns. The law also stipulates a variety of requirements for the audit, most of which generally require ADOR’s active involvement.

In addition, effective January 1, 2015, HB2111 also exempts from the “prime” construction contracting classification certain service contractors and design phase and professional services and modifies provisions regarding sourcing of certain transactions involving tangible personal property by providing that the sale of a motor vehicle to a nonresident delivered and intended for use outside of Arizona is exempt from state and municipal transaction privilege taxes, and removing an exemption for personal tangible property shipped or delivered directly to a location outside of the United States that is to be used in that location.

While no specific assurance can be given, the City does not expect the changes due to HB2111 to have a significant impact on the administration, collection or enforcement of the City’s transaction privilege taxes, including taxes for the State and many political subdivisions in the State. It is anticipated that businesses in the City will continue to collect and remit the required transaction privilege taxes, even though payments will begin flowing through the State to the City. The City has established a \$15 million Budget Stabilization Reserve in the event that the transition delays tax receipts. The Arizona cities and towns affected by this legislation are working cooperatively with the ADOR to help achieve a smooth transition of tax administration. Additional information is

available at <https://azdor.gov/TPTSimplification.aspx>. The following table sets forth the City's Excise Tax collections for fiscal years 2010-11 through 2015-16 as provided by the City.

**City of Chandler
Excise Tax Collections
FY 2010-11 to FY 2015-16**

	2010-11 (a)	2011-12 (a)	2012-13 (a)	2013-14 (a)	2014-15 (b)	Projected 2015-16 (c)
City Transaction Privilege (Sales) and Use Tax (c)	\$ 86,523,295	\$ 97,485,387	\$ 102,200,517	\$ 103,880,802	\$ 108,657,130	\$ 104,178,750
State-Shared Sales Tax	17,695,102	18,450,722	19,327,102	20,604,292	21,597,535	22,506,700
State-Shared Income Tax	22,468,783	19,928,955	24,119,457	26,379,401	28,608,724	28,453,600
Franchise Fees	2,795,127	2,977,482	2,925,559	3,134,488	3,289,168	3,175,000
Licenses and Permits	3,653,993	7,146,427	5,064,455	5,670,478	5,310,252	4,658,000
Fines and Forfeitures	3,028,053	2,896,943	2,984,049	2,991,864	2,969,788	2,901,200
Totals	\$ 136,164,353	\$ 148,885,916	\$ 156,621,139	\$ 162,661,325	\$ 170,432,597	\$ 165,873,250

- (a) Amounts are actual collections provided by the City's Budget Division (cash basis).
- (b) Unaudited 2014-15 revenues.
- (c) Includes City Transaction Privilege Sales Tax, Privilege Audit Assessments, Privilege License Fees and Privilege Tax Interest.

Source: City of Chandler Management Services Department.

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City Transaction Privilege (Sales) and Use Taxes. The City’s transaction privilege (sales) tax is levied by the City upon persons based on their business activities within the City. The amount of taxes are calculated by applying the tax rate against the gross proceeds of sales or gross income (less allowable deductions) derived from the business activities shown in the table below. Transaction privilege (sales) taxes are collected by the City on a monthly basis.

**City of Chandler
Transaction Privilege (Sales) Tax Rates by Category**

<u>Taxable Activities</u>	<u>Chandler Tax Rate</u>
Advertising	1.50%
Amusements	1.50%
Construction Contracting (non MRRA)	1.50% of 65% of gross
Jet Fuel Sales (and Use)	\$0.02300/gallon
Job Printing	1.50%
Manufactured Housing	1.50%
Timber & Extraction	1.50%
Mining	0.10%
Publishing	1.50%
Hotel/Motel	1.50%
Transient Lodging	4.40% (1.50% + 2.9%)
Rentals – Real Property	
Residential	1.50%
Commercial	1.50%
Tangible Personal Property Rentals	1.50%
Car Rentals	1.50%
Restaurants/Bars	1.80%
Retail Sales	1.50%
Telecommunications	2.75%
Transportation for Hire	1.50%
Utilities	2.75%
Use Tax	1.50%

Source: The City.

State-Shared Sales Taxes. Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business activity as the City’s transaction privilege (sales) tax, with a few exceptions, the largest of which being food sales and residential rental which the State exempts from tax. As the table below indicates, the rate of taxation varies among the different types of business activities taxed, with the most common rate being 5% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution share” of revenues attributable to each category of taxable activity. The allocation to each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns. **In addressing State budgetary deficiencies, the Governor and members of the State legislature have occasionally proposed certain adjustments that would reduce the distribution of State-Shared Sales Taxes to cities and towns. The City cannot determine whether such measures will become law or how they might affect the City’s receipt of State-Shared Sales Taxes.**

STATE SALE TAX
Taxable Activities, Tax Rates and Distribution Share

Taxable Activities	State Transaction Privilege (Sales) Tax Rates	
	State Tax Rate	Distribution Share
Transporting	5.000%	20.000%
Utilities	5.000%	20.000%
Telecommunications	5.000%	20.000%
Pipeline	5.000%	20.000%
Private car line	5.000%	20.000%
Publication	5.000%	20.000%
Job printing	5.000%	20.000%
Prime contracting	5.000%	20.000%
Owner builder sales	5.000%	20.000%
Amusement	5.000%	40.000%
Restaurant	5.000%	40.000%
Personal property rental	5.000%	40.000%
Retail (excluding food sales)	5.000%	40.000%
Transient lodging	5.500%	50.000%
Mining - non-metal, oil/gas	3.125%	32.000%
Commercial lease	0.000%	53.330%
Severance - metalliferous mining	2.500%	80.000%
Use tax utilities	5.000%	20.000%
Jet fuel use tax	(a)	40.000%

(a) Does not include the \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchaser in each calendar year.

State-Shared Income Taxes. Under current State law, Arizona cities and towns are preempted by the State from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to typically receive 15% of State personal and corporate income tax collections. Distribution of such funds is made monthly based on the proportion of each city’s population to the total populations of all incorporated cities and towns in the State as determined by the latest census. **In addressing State budgetary deficiencies, the Governor and members of the State legislature have occasionally proposed certain adjustments that would reduce the distribution of State-Shared Income Taxes to cities and towns. The City cannot determine whether any such proposals will occur in the future and become law or how they might affect the City’s receipt of State-Shared Income Taxes.**

Franchise Fee Revenues. Cities and towns in the State have exclusive control over public rights of way dedicated to the municipality, and may grant franchise agreements to and impose franchise taxes on utilities using those rights of way. A franchise may be granted only with voter approval and the term of franchises is limited to 25 years. The City has granted franchises to and imposed franchise taxes on utility and cable television providers.

Other Excise Tax Revenues. The City also imposes and collects fees for licenses and permits to engage in certain activities within the City and for the right to utilize certain City property and imposes and collects fines and forfeitures for violations of State laws or City ordinances relating to traffic and other offenses.

SCHEDULE OF ESTIMATED DEBT SERVICE COVERAGE ON OBLIGATIONS AND PARITY OBLIGATIONS (a)*

Date (July 1)	Excise Tax Revenues (b)	Outstanding Parity Obligations Debt Service	Plus: The Obligations		Estimated Annual Debt Service Requirements	Projected Debt Service Coverage	Less: Water & Wastewater Revenue Supported Excise Tax Obligation Debt Service (e)	Net Debt Service Requirements
			Principal*	Interest (c)*				
2016	\$162,661,325	\$8,713,725		\$1,925,413 (d)	\$10,639,138	15.29x	\$10,639,138	\$0
2017		9,417,825	\$1,320,000	3,338,400	14,076,225		14,076,225	
2018		9,434,675	2,330,000	3,268,500	15,033,175		15,033,175	
2019		10,501,438	2,400,000	3,172,500	16,073,938		16,073,938	
2020		10,717,988	2,500,000	3,072,500	16,290,488		16,290,488	
2021		10,938,938	2,600,000	2,942,500	16,481,438		16,481,438	
2022		11,112,838	2,730,000	2,806,000	16,648,838		16,648,838	
2023		11,022,638	2,865,000	2,662,750	16,550,388		16,550,388	
2024		11,448,438	3,005,000	2,512,500	16,965,938		16,965,938	
2025		11,449,238	3,155,000	2,354,750	16,958,988		16,958,988	
2026		11,542,363	3,315,000	2,189,000	17,046,363		17,046,363	
2027		11,317,188	3,480,000	2,015,000	16,812,188		16,812,188	
2028		11,003,250	3,655,000	1,832,250	16,490,500		16,490,500	
2029		13,875,000	3,835,000	1,640,500	19,350,500		19,350,500	
2030		13,415,000	4,030,000	1,439,000	18,884,000		18,884,000	
2031		13,455,000	4,230,000	1,227,500	18,912,500	8.60x	18,912,500	
2032		12,975,000	4,440,000	1,005,500	18,420,500		18,420,500	
2033		12,495,000	4,665,000	772,250	17,932,250		17,932,250	
2034		-	4,900,000	527,250	5,427,250		5,427,250	
2035		-	5,145,000	270,000	5,415,000		5,415,000	
Total		<u>\$204,835,538</u>	<u>\$70,000,000</u>	<u>\$40,974,063</u>	<u>\$315,809,601</u>		<u>\$315,809,601</u>	<u>\$0</u>

- (a) Prepared by Piper Jaffray & Co. (the “Financial Advisor”). Columns may not add up due to rounding.
- (b) Excise Tax revenues shown represent collections for Fiscal Year 2013-14.
- (c) Interest is estimated at 5.00%.
- (d) The first interest payment on the Obligations will be due July 1, 2016*. Thereafter, the interest payments will be made semiannually on each Interest Payment Date until maturity or prior redemption.
- (e) The City intends to pay amounts representing debt service on the Obligations and the outstanding Parity Obligations from revenues available in the City’s water and wastewater enterprise funds (the “Water and Wastewater Funds”). In the event that these revenues prove insufficient to pay such amounts due for debt service on the Obligations, or if the City decides not to pay such amounts from the revenues of the Water and Wastewater Funds, amounts due for debt service on the Obligations will then be paid from Excise Taxes. See “Security and Sources of Payment” and “EXCISE TAXES” herein.

* Preliminary, subject to change.

TAX EXEMPTION

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona (“Special 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, the portion of each Payment and Prepayment, if any, made by the City under the Agreement and denominated as and comprising interest income pursuant to the Agreement and received by the Owners of the Obligations will be excluded from gross income for federal income tax purposes and will be exempt from State of Arizona income taxes. The opinion of Special Counsel will be dated as of the date of delivery of the Obligations. The form of such opinion is included as APPENDIX B attached hereto.

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 Agreement 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 Obligations. 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 Agreement being included as gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The Obligations 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 Obligations. The opinion of Special Counsel assumes continuing compliance with such restrictions, conditions and requirements.

The Code also imposes an “alternative minimum tax” upon certain corporations and individuals. A taxpayer’s “alternative minimum taxable income” (“AMTI”) is its taxable income with certain adjustments. Interest income on the Agreement is not an item of tax preference to be included in the AMTI of individuals or corporations.

Notwithstanding the preceding sentence, one of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess (if any) of the corporation’s “adjusted current earnings” over the corporation’s AMTI for the taxable year (determined without regard to such adjustment for excess book income and the alternative tax net operating loss deduction). A corporation’s “adjusted current earnings” includes all tax-exempt interest, including the portion of each Payment and Prepayment, if any, made by the City under the Agreement and denominated as and comprising interest income pursuant to the Agreement received by the owners of the Obligations for federal income purposes.

Although Special Counsel will render an opinion that, as of the delivery of the Obligations, interest income on the Agreement will be excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Agreement may otherwise affect the federal tax liability of a Beneficial Owner of the Obligations. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Obligations, including, without limitation, corporations subject to 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 Beneficial Owner. The nature and extent of these other tax consequences will depend upon the Beneficial Owner’s particular tax status and the Beneficial Owner’s other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

The Agreement and the Obligations will not be “private activity bonds” within the meaning of Section 141 of the Code.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or adversely affect the market value of the Obligations. It cannot be predicted whether or in what form any such proposal may be enacted and there can be no assurance that any such proposal would not apply to obligations (such as the Obligations) issued prior to enactment of such proposal.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Obligations maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Discount Obligations”), are less than the respective amounts payable at maturity. As a result, the Discount Obligations will be considered to be issued with original issue discount. The difference between the initial public offering price (the “Issue Price”) of the Discount Obligations, and the amount payable at maturity of the Discount Obligations will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Obligation in the initial public offering at the Issue Price and who holds the Discount Obligation to maturity, the full amount of original issue discount will constitute interest which is not includible in the gross income of the Beneficial Owner of the Discount Obligation for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Obligation at maturity.

The original issue discount on each of the Discount Obligations is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Obligation 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 accreting each period will be added to the Beneficial Owner's tax basis for the Discount Obligation. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Obligation. An initial Beneficial Owner of a Discount Obligation who disposes of the Discount Obligation prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accreted over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Obligation prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Obligations. Beneficial Owners who do not purchase the Discount Obligations in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Obligations.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Obligation may result in certain collateral federal income tax consequences as described in “TAX EXEMPTION” herein.

Beneficial Owners of Discount Obligations in states other than Arizona should consult their own tax advisors with respect to the state and local taxes.

ORIGINAL ISSUE PREMIUM

The initial public offering price of the Obligations maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Premium Obligations”) are greater than the amount payable on such Obligations at maturity. An amount equal to the difference between the initial public offering price of a Premium Obligation and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Obligations. The basis for federal income tax purposes of a Premium Obligation in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner's yield to maturity. Beneficial Owners of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Obligations.

LEGAL MATTERS

Certain legal matters relating to the authorization, sale and execution and delivery of the Obligations and with regard to the tax-exempt status of the interest on the Obligations are subject to the legal opinion of Special Counsel. (See "TAX EXEMPTION"). The signed legal opinion dated and premised on facts existing and law in effect as of the date of original execution and delivery of the Obligations, will be delivered to the Underwriter at the time of original execution and delivery of the Obligations.

The proposed form of the legal opinion is set forth as APPENDIX B. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Special Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Special Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Special Counsel will not have independently verified.

Such legal opinion expresses the professional judgment of Special Counsel 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 performance of parties to the transaction. The rendering of an opinion also does not guarantee the outcome of any legal dispute that may arise out of the transaction.

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 and/or lawsuits pending against the City of Chandler. The City self-insures for the first two million dollars (\$2,000,000.00) of each general liability loss, and has excess insurance coverage for the next fifty million dollars (\$50,000,000.00) with three separate insurance carriers. The City is adequately funded for its self-insured retention. The largest lawsuit currently filed against the City alleges that employees of the City caused serious bodily injury to the plaintiff. The plaintiff has alleged damages in the amount that is far less than the aggregate of the self-insured retention plus excess liability coverages. The City denies the allegations and is vigorously defending this lawsuit and all others.

CANCELLATION OF CONTRACTS

The provisions of Arizona Revised Statutes Section 38-511, as amended, provide that certain public bodies, including the City, may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the public body if any person significantly involved in the initiating, negotiating, securing, drafting or creating of the contract on behalf of the public body is, at any time while the contract or any extension thereof is in effect, an employee 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 thereof. The cancellation shall be effective when written notice from the governing body of the public body is received by all other parties to the contract unless the notice specifies a later time. The City is a party to several contracts which are material to the payment of the Obligations, including the Trust Agreement and the Agreement. Exercise of a remedy under A.R.S. Section 38-511, as amended, would adversely affect the repayment of the Obligations.

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2014 and for its fiscal year then ended, which are included as APPENDIX D of this Official Statement, have been audited by Heinfeld, Meech & Co., P.C., as stated in their opinion which appears in APPENDIX D. The City neither requested nor obtained the consent of Heinfeld,

Meech & Co., P.C., to include their report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering their opinion on the financial statements.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking, dated the date of delivery of the Obligations (the "Undertaking"), the form of which is included in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." Pursuant to the Undertaking, the City will agree for the benefit of the owners of the Obligations to provide certain financial information and operating data in each year and to provide notices of the occurrence of certain enumerated events. The Undertaking by the City will only apply so long as the Obligations remain outstanding. The Undertaking will be delivered in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"). A failure by the City to comply with the Undertaking 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 Obligations in the secondary market. The City has been and is now in material compliance with all of its prior undertakings for purposes of the Rule.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Financial Services, a division of The McGraw Hill Companies ("S&P"), and have assigned the ratings of "___", "___" and "___," respectively, on the Obligations. 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 Obligations.

POLITICAL DONATIONS

Neither the Special Counsel nor the Financial Advisor 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.

RELATIONSHIP AMONG PARTIES

Special Counsel has previously represented, [and is currently representing], the Underwriter with respect to other financings and has acted or is acting as bond counsel or special counsel with respect to other bonds or obligations underwritten by the Underwriter and may do so in the future. Counsel to the Underwriter has previously acted as bond counsel or special counsel with respect to other bonds or obligations [purchased/underwritten] by the Underwriter and may continue to do so in the future if requested.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

Documents delivered with respect to the Obligations will include a certificate to the effect that to the knowledge of the Management Services Director of the City after appropriate review, this Official Statement is true, correct and complete in all material respects and does not include any untrue statement of a material fact or omit to state any material fact necessary to make such statements and information herein, in light of the circumstances under which they were made, not misleading and that no event has occurred since date of this Official Statement that should be disclosed herein in order to make the statements and information herein not misleading in any material respect.

CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents. For further information, reference should be made to the complete documents, copies of which are available as described under "INTRODUCTORY STATEMENT."

To extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the City from official records and other sources and is believed to be reliable. Information other than that obtained from the official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. 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 or other information, will necessarily continue or be repeated in the future.

Neither this Official Statement or any statement that may have been or that may be made orally or in writing is to be construed as part of a contract or agreement between the City and the purchasers or holders of any Obligations.

The attached Appendices A through F are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been prepared on direction of the City and has been approved by and executed for and on behalf of the City by its authorized representative indicated below.

CITY OF CHANDLER, ARIZONA

By: _____
Jay Tibshraeny, Mayor

CITY OF CHANDLER, ARIZONA, GENERAL AND FINANCIAL INFORMATION

General

The City is located in the southeastern portion of Maricopa County, Arizona (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

<u>Year</u>	<u>City of Chandler</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2015 Estimate	247,552	4,008,651	6,667,241
2010 Census (Revised)	236,326	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
1980 Census	29,673	1,509,175	2,716,546

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

<u>Year</u>	<u>Square Miles</u>
2015	64.98
2014	64.90
2013	64.84
2012	64.71
2011	64.60

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 City Council is elected at-large on a staggered basis and consists of the Mayor and six councilmembers. The current Mayor and councilmembers serve four-year terms.

The City Council appoints the City Manager who has full responsibility for carrying out City 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

<u>Calendar Year</u>	<u>City of Chandler</u>	<u>Maricopa County</u>	<u>State of Arizona</u>	<u>United States</u>
2015 (a)	4.9%	5.7%	6.8%	5.2%
2014	5.1	5.9	6.9	5.4
2013	6.0	7.1	8.5	7.8
2012	5.9	7.1	8.3	8.1
2011	7.0	8.4	9.4	8.3

(a) Data through August 2015.

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	Chandler Office Center	Parkside Professional Plaza
Airpark Professional Village	Chandler Office Park	Presidio
Aquila at Ocotillo	Chandler Square I, II & III	Price Corporate Center
Arizona Corporate Park North	Chandler Technology Center	Price Road Industrial Park
Arizona Corporate Park South	Continuum	Price Warner Medical Office
AZ202	Dividend Center	Promenade Commons
Bogle Business Park	Dobson Business Park	Regency Office Park
CC&F Industrial Center	Dobson Professional Plaza	Rockefeller Chandler Crossroads
Carmel Professional Plaza	Eastpoint Business Park	Ryan Chandler Freeways Business Park
Center Pointe Industrial Park	Fairview Corporate Park	Ryan Commerce Center
Chandler Airpark Area	First Chandler Business Park	San Tan Corporate Center I & II
Chandler Airport Business Center	Focus Corporate Center	San Tan Crossing Professional Plaza
Chandler Center	Fountains at Ocotillo	San Tan Technology Park
Chandler Commerce Center	Frye Road Industrial Park	Southgate Park Ten Business Center
Chandler Corporate Center	Gila Springs Industrial Park	Southpark Business Center
Chandler Echelon	Kyrene 202	Stellar Industrial Airpark
Chandler Freeway Business Park	Kyrene Crossing	Warner Commerce Park
Chandler Freeway Crossing	Kyrene Industrial Park	Westech Corporate Center
Chandler Gateway Medical Center	McClintock Professional Building	Williams Field Road Business Park
Chandler Airport Center	Paloma Kyrene Business Park	10 Chandler
Chandler Gateway Office Park	The Park at Santan	
Chandler Hamilton Plaza	Allred Park Place	

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 and Freescale Semiconductor Inc.; manufacturer of semiconductor equipment.

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

<u>Employer (a)</u>	<u>Description</u>	<u>Employees</u>
Intel	Microprocessors	11,300
Orbital ATK	Aerospace Launch Systems	1,650
Microchip Technology	Microprocessors	1,625
Freescale Semiconductor	Semiconductors/Satellite Systems	1,400
Avnet	Computer Group	1,000
Rogers Corporation	Microwave Substrates	1,000
Rogers Circuit Materials Units	Flexible Circuit Materials	750
Tri-City Mechanical	Air Conditioning Contractors and Service	580
Advanced Integration Technologies	Integrated Engineering & Mfrg.	400
Gold Canyon Candles	Candle Manufacturing	300
Crane STC Microwave Systems	Microwave Subsystems	285
Pacific Scientific Energetic Mtls.	Fire Suppression Components	270
South Bay Circuits	Circuit Boards	260
Triangle Truss Inc.	Wooden Floor Trusses	250
Goodrich Turbo Resources	Aerospace Components	226
Marvell	Electronics & Semiconductor Products	135
Craftco (including Headquarters)	Asphalt Paving Compound	125
Amkor	Electronics & Semiconductor Products	100

Source: The City's Economic Development Division.

- (a) Some of the major manufacturing employers are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected 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. None of the City, the Underwriters or 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.

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**

<u>Employer (a)</u>	<u>Description</u>	<u>Approximate Number of Employees</u>
Bank of America	Mortgage Processing Center	3,800
Chandler Unified School District	Public Education	3,000
Wells Fargo Ocotillo Corporate Campus	Regional Corporate Headquarters	3,000
Verizon	Regional Corporate Headquarters	2,600
Chandler Regional Medical Center	Hospital	2,400
City of Chandler	Government	2,175
PayPal	E-Commerce Business	2,000
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	210
Hensley	Distribution	200
First Credit Union	Financial Services	77

Source: The City's Economic Development Division.

- (a) Some of the major non-manufacturing employers are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file the Filings with the Commission. 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. None of the City, the Underwriters or 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.

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, 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
2014/15 (a)	\$105,842,091
2013/14	101,220,600
2012/13	99,263,090
2011/12	95,151,159
2010/11	83,971,941

(a) Unaudited

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, the Gila River Indian Community and the City of Apache Junction. 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 2014 total enrollment exceeded 82,000 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 Center for Technology & Innovation will focus 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

2015/16 Fiscal Year – Assessed and Estimated Net Full Cash Values (a)

Net Limited Assessed Valuation	\$2,380,457,981
Net Full Cash Assessed Valuation	2,819,667,969
Estimated Net Full Cash Value	25,007,403,208 (b)

- (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) 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.

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

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds Outstanding and to be Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2003	\$ 16,265,000	7-1-10/16	\$ 1,050,000
2006	30,905,000	7-1-07/17	11,675,000
2007	111,045,000	7-1-08/26	25,800,000
2007REF	22,960,000	7-1-09/20	15,735,000
2009	252,000,000	7-1-10/28	56,430,000
2011A	9,925,000	7-1-15/20	9,425,000
2011B	10,360,000	7-1-12/15,17-18	1,630,000
2014REF	214,540,000	7-1-15/26,28	<u>211,125,000</u>
Total General Obligation Bonds Outstanding			\$ 332,870,000
Less: Airport Revenue Supported General Obligation Bonds (b)			(76,000)
Less: Water and Wastewater Funds Supported General Obligation Bonds (c)			<u>(127,706,000)</u>
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)			<u>\$ 205,088,000</u>

- (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: \$76,000 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: \$10,700,000 aggregate principal amount of the City's General Obligation Bonds, Series 2007, \$32,100,000 aggregate principal amount of the City's General Obligation Bonds, Series 2009, and \$84,906,000 aggregate principal amount of the City's General Obligation Bonds, Refunding Series 2014 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 Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2005	\$ 10,000,000	7-1-12/20	\$ 1,975,000
2005	15,485,000	7-1-09/17	7,475,000
2014REF	15,400,000	7-1-16/18-20	<u>15,400,000</u>
Total Water and Wastewater Revenue Bonds Outstanding			\$ 24,850,000
Plus: Water and Wastewater Funds Supported General Obligation Bonds (b)			127,706,000
Plus: Water and Wastewater Funds Supported Excise Revenue Tax Obligations (c)			<u>207,430,000</u> *
Total Water and Wastewater Revenue Bonds Outstanding and to be Outstanding			<u><u>\$ 359,986,000</u></u> *

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- (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: \$21,255,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2009, \$12,175,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2011, \$104,000,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2013 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
2003	\$ 5,000,000	7-1-16/19	\$ 2,000,000
2010	10,450,000	7-1-11/19	2,620,000
2014	8,660,000	7-1-15/19	<u>5,435,000</u>
Total Street and Highway User Revenue Bonds Outstanding			<u>\$ 10,055,000</u>

(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 and to be Outstanding

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
2009	\$ 34,040,000	7-1-10/28	\$ 21,255,000
2011	15,000,000	7-1-12/28	12,175,000
2013	104,500,000	7-1-15/33	<u>104,000,000</u>
Total Excise Tax Revenue Obligations Outstanding			\$ 137,430,000
Plus: The Obligations			70,000,000 *
Less: Water and Wastewater Funds Supported Excise Tax Revenue Obligations (a)			<u>(207,430,000) *</u>
Total Net Excise Tax Revenue Supported Obligations Outstanding and to be Outstanding			<u>\$0 *</u>

(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.

* Preliminary, subject to change.

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

By statute, the Arizona Constitutional limit for general obligation bonded indebtedness of a city for general municipal purposes may not exceed six percent (6%) of Limited Property Assessed Value in that city. In addition to the six percent (6%) limitation for general purpose bonds, cities may issue general obligation bonds up to an additional twenty percent (20%) of Limited Property Assessed Value 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, for the acquisition and development of public safety, law enforcement, fire and emergency facilities and streets and transportation facilities.

<u>General Municipal Purpose Bonds</u>		<u>Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire and Emergency Services, Park, Street, and Transportation Bonds</u>	
Total 6% General Obligation Bonding Capacity	\$ 169,184,686	Total 20% General Obligation Bonding Capacity	\$ 563,948,954
Less: 6% General Obligation Bonds Outstanding	<u>(9,427,250) (a)</u>	Less: 20% General Obligation Bonds Outstanding	<u>(323,442,750)</u>
Net 6% General Obligation Bonding Capacity	<u>\$ 159,757,436</u>	Net 20% General Obligation Bonding Capacity	<u>\$ 240,506,204</u>

Direct and Overlapping General Obligation Bonded Debt to be Outstanding

<u>Overlapping Jurisdiction</u>	<u>Overlapping General Obligation Bonded Debt</u>	<u>Proportion Applicable to City of Chandler</u>	
		<u>Approximate Percent</u>	<u>Net Debt Amount</u>
State of Arizona	None	5.094%	None
Maricopa County	None	6.856%	None
Maricopa County Community College District	\$ 654,190,000	6.856%	\$ 44,854,024
Chandler Unified School District No. 80	176,680,000	71.872%	126,982,672
Kyrene Elementary School District No. 28	176,750,000	21.065%	37,231,625
Mesa Unified School District No. 4	249,810,000	5.235%	13,077,315
Gilbert Unified School District No. 41	101,545,000	1.826%	1,854,459
East Valley Institute of Technology District No. 401	None	13.517%	None
City of Chandler (a) (b)	332,870,000	100.000%	<u>332,870,000</u>
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			<u>\$ 556,870,095</u>

- (a) Proportion applicable to the City is computed on the ratio of Limited Property Value as calculated for fiscal year 2015/16 for the overlapping jurisdiction to the amount of such valuation which lies within the City.
- (b) Includes total general obligation bonds outstanding. Does not include authorized but unissued general obligation bonds of such other jurisdictions as follows or which may be authorized in the future:

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonds Authorized but Unissued</u>
State of Arizona	None
Maricopa County	None
Maricopa County Community College District	\$ 3,000
Maricopa County Special Health Care District	829,000,000
Chandler Unified School District No. 80	None
Tempe Union High School District No. 213	None
Kyrene Elementary School District No. 28	33,975,000
Mesa Unified School District No. 4	99,000,000
Gilbert Unified School District No. 41	None
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 limited 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	\$24,850,000
Street and Highway User Revenue Bonds	10,055,000
Excise Tax Revenue Obligations	207,430,000 ^{(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 \$4,440,000 City improvement district bonds outstanding.

* Preliminary, subject to change.

Direct and Overlapping General Obligation Bonded Debt Ratios

	Per Capita Bonded Debt Population @ 249,423 (a)	As % of City's 2015/16 Full Cash Assessed Valuation	As % of City's 2015/16 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt (\$332,870,000)	\$1,334.56	11.80 %	1.33 %
Direct and Overlapping General Obligation Bonded Debt Outstanding (\$564,137,902)	\$2,261.77	20.01 %	2.26 %

(a) Arizona Department of Administration-Employment and Population Statistics as of July 31, 2014.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Foundation, *Maricopa 2015 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 Techonlogy and:

Inside Gilbert Unified School District No. 41	<u>\$ 11.7647</u>
Inside Mesa Unified School District No. 4	<u>\$ 12.6726</u>
Inside Tempe Union High School District No. 213 and Kyrene Elementary School District No. 28	<u>\$ 12.1890</u>
Inside Chandler Unified School District No. 80	<u>\$ 11.9193</u>

Source: *Maricopa 2015 Levy*, Maricopa County.

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. On August 26, 2014, the City's voters approved a four-year home rule option to exceed the expenditure limitation by the City beginning in Fiscal Year 2015-16. This four-year home rule option will be in effect through fiscal year 2018-19.

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 2014/15 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 2014/15 was \$8,096,134, equal to the required contribution.

Effective July 1, 2015, the City's annual contribution rates are 11.47% (11.35% retirement and 0.12% long-term disability) for fiscal year 2015/16 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, 2015 were 23.55% of annual covered payroll for police and 20.54% of annual covered payroll for firefighters. The City's contribution to the PSPRS for the fiscal year ended June 30, 2015 was \$6,690,908 for police and \$2,805,708 for firefighters, equal to the required contributions.

Effective July 1, 2015, the City's annual contribution rates are 31.58% for police and 26.84% for firefighters for fiscal year 2015/16 for employer and 11.65% 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.

The actuarially determined contribution rates for the fiscal year ended June 30, 2015 was 39.62%. The City's contribution to the EORP for the fiscal year ended June 30, 2015 was \$60,215, equal to the required contribution.

Effective July 1, 2015, the City's annual contribution rate is 23.50% for fiscal year 2015/16 for employer and 13% for employees.

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 an 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, 2012 is \$8,799,334 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, 2012 at \$33,009,726 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".

Implementation of Constitutional and Statutory Changes

Beginning in fiscal year 2015-16 and for each fiscal year thereafter, a voter-approved constitutional amendment and related enabling legislation have limited the growth in taxable value of most real property and improvements, including mobile homes, used for all ad valorem property tax purposes, including both primary ad valorem taxes, which are levied for the maintenance and operation of counties, cities, towns, school districts and community college districts as described below, and secondary ad valorem taxes, which are levied for debt retirement (e.g., debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts as described below. The related enabling legislation also changed the calculation of statutory debt limits for most local governmental entities, except school districts.

Prior to fiscal year 2015-16, the value of real property and improvements, including mobile homes, used for primary ad valorem taxes was limited property value described below ("Primary Property Tax Value") and for secondary ad valorem taxes was full cash value described below ("Secondary Property Tax Value"). The Primary Property Tax Value for property increased by the greater of either 10% of the prior year's Primary Property Tax Value or 25% of the difference between the prior year's Primary Property Tax Value and the current year's full cash value. There was no limit on the growth of full cash value.

Beginning in fiscal year 2015-16 and for each fiscal year thereafter, both primary ad valorem taxes and secondary ad valorem taxes will be levied upon a limited property value ("Limited Property Value"), which for property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is equal, with certain limited exceptions, to the lesser of (a) the full cash value of the property ("Full Cash Value") or (b) an amount five percent greater than the Limited Property Value of such property determined for the prior year.

Because fiscal year 2015-16 is the first year for implementation of the constitutional amendment and use of Limited Property Values, there is currently no comparative data from prior fiscal years to present in this Official Statement. Accordingly, prior-year information is presented using the then-applicable but now replaced valuation rules, including Primary Property Tax Values and Secondary Property Tax Values.

The State Legislature, from time to time, may change the manner in which taxes are levied, including changing the assessment ratios and property classifications. However, removing or amending limits on the growth rate of Limited Property Value for locally assessed property would require further amendment to the State Constitution.

AD VALOREM TAXES

For tax purposes in Arizona, real property is either valued by the Assessor of the County or the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and is generally large mine and utility entities.

Locally Assessed Property. Locally assessed property has two different values, “Limited Property Value” and “Full Cash Value.” Limited Property Value is used as the basis for taxation. Full Cash Value is used as the ceiling for determining Limited Property Value and for determining constitutional debt limits for all local governmental entities and statutory debt limits for school districts. Under the State Constitution, beginning in fiscal year 2015-16 for locally assessed property, Limited Property Value of real property and improvements, including mobile homes, used for all ad valorem tax purposes is, with certain limited exceptions, the lesser of (a) Full Cash Value of the property or (b) an amount five percent greater than Limited Property Value of the property determined for the prior year. Limited Property Value of locally assessed property is also used for determining statutory debt limits for most local governmental entities other than school districts.

Centrally Valued Property. For centrally valued property and personal property (except mobile homes), Full Cash Value of the property continues as the basis for taxation for such property and for determining constitutional and statutory debt limits for most local governmental entities. There is no limit on the growth of Full Cash Value.

Primary Taxes

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are primary taxes. These taxes are levied against Limited Property Value multiplied by the appropriate property classification assessment ratio (“Limited Property Assessed Value”). Before fiscal year 2015-16, these taxes were levied against Primary Property Tax Value multiplied by the appropriate property classification assessment ratio (“Primary Property Tax Assessed Value”). The State does not currently levy ad valorem taxes but the State currently requires each county to levy a “State equalization assistance property tax” to provide equalization assistance to school districts in the County, which is used to offset the cost of State equalization to those school districts.

The primary taxes levied by a county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable 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). Each taxing entity’s maximum allowable property tax levy limit was rebased to the amount of actual 2005 primary property taxes levied (plus amounts levied against property not subject to taxation in the prior year). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school districts’ taxes. To offset the effects of reduced school district property taxes, the State compensates the school districts by providing additional state aid or, in some counties, county taxpayers are required to make payments to offset the effects of reduced property taxes.

Secondary Taxes

Taxes levied for debt retirement (e.g., debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts are secondary taxes. These taxes are also levied against Limited Property Assessed Value. Before fiscal year 2015-16, these taxes were levied against Secondary Property Tax Value multiplied by the appropriate property classification assessment ratio (“Secondary Property Tax Assessed Value”). There is no limitation on annual levies for voter-approved bond indebtedness and special district assessments are unlimited.

TAX PROCEDURES

Tax Year

The Arizona tax year is the equivalent to the City's fiscal year, although tax procedures begin prior to January 1 of the prior fiscal year and continue through May of such fiscal year, when payment of the second installment of property taxes for the tax year becomes delinquent.

Determination of Full Cash Value

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

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

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

ASSESSMENT RATIOS

All property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) that is multiplied by the taxable value of the property -- Limited Property Value or Full Cash Value, as applicable -- to obtain the assessed valuation. The current assessment ratios for each class of property are set forth in the following table.

PROPERTY TAX ASSESSMENT RATIOS

Property Classification (a)	Assessment as Percentage of Full Cash Value				
	2011	2012	2013	2014	2015
Mining, Utility, Commercial and Industrial (b)	20.0%	20.0%	19.5%	19.0%	18.5%
Agriculture and Vacant Land (b)	16.0%	16.0%	16.0%	16.0%	16.0%
Owner Occupied Residential	10.0%	10.0%	10.0%	10.0%	10.0%
Leased or Rented Residential	10.0%	10.0%	10.0%	10.0%	10.0%
Railroad, Private car Company and Airline Flight Property (c)	15.0%	15.0%	15.0%	16.0%	15.0%

-
- (a) Additional property classifications exist, but seldom amount to a significant portion of a municipal body's total valuation.
 - (b) For tax year 2015, full cash values up to \$146,973 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at the applicable rate. The assessment ratio for mining, utilities, commercial and industrial property will be reduced to 18% for tax year 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter.
 - (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

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

On or before the third Monday in August of each year the Board of Supervisors of the County prepares the tax roll that sets forth the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer. With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the fiscal year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or future legislative sessions. The City cannot determine whether any such measures will become law or how they might affect property tax collections for the City.

Delinquent Tax Procedures

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

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

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

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

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

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

PROPERTY TAXES

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.

Limited Property Value 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

<u>Overlapping Jurisdiction</u>	<u>2015/16 Limited Property Valuation</u>	<u>2015/16 Total Tax Rates Per \$100 Assessed Valuation</u>
State of Arizona	\$ -	\$ 0.5054 (a)
Maricopa County	34,623,670,323	1.3609
Maricopa County Community College District	34,623,670,323	1.4940
Maricopa County Library District	N/A	0.0556
Maricopa County Flood Control District	N/A	0.1592
Maricopa County Fire District	N/A	0.0116
Maricopa County Hospital District	N/A	0.3021
Central Arizona Water Conservation District	N/A	0.1400
East Valley Institute of Technology District No. 401 (b)	N/A	0.0500
Chandler Unified School District No. 80	2,261,486,516	6.6113
Tempe Union High School District No. 213	3,033,283,201	2.8747
Kyrene Elementary School District No. 28	1,782,453,770	4.0063
Mesa Unified School District No. 4	2,585,940,158	7.3646
Gilbert Unified School District No. 41	1,583,134,273	6.4567
City of Chandler	2,380,457,981	1.1792

(a) Includes the State Equalization Assistance Property tax. This rate has been set at \$0.5054 for fiscal years 2015/16 and is adjusted annually pursuant to Arizona Revised Statutes, Section 41-1276.

(b) Includes Limited Property Value for the East Valley Institute of Technology District No. 401 within Pinal County.

Property Value by Property Classification

Set forth below is a breakdown of the Net Full Cash Assessed Property Value of the City by property classification.

	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
	Full Cash	Annual				
	Assessed	Assessed	Assessed	Assessed	Assessed	Percent
	Valuation	Valuation	Valuation	Valuation	Valuation	Change
Mining, Utility, Commercial and Industrial	\$ 883,096,623	\$ 786,423,233	\$ 711,755,414	\$ 708,750,488	\$ 784,201,124	10.65%
Agriculture and Vacant Land	106,064,124	88,266,812	69,631,063	68,493,825	80,816,673	17.99%
Owner-Occupied Residential	1,172,234,257	1,053,618,418	950,951,406	1,072,861,945	1,316,995,223	22.76%
Leased or Rented Residential	233,796,110	207,161,750	279,862,096	368,427,295	474,177,840	28.70%
Railroad, Private Car Company and Airline Flight Property	2,562,757	2,126,795	2,143,818	2,037,360	1,910,025	-6.25%
Historical Property	70,620,951	117,312,742	160,779,486	160,702,435	161,203,221	0.31%
Commercial Historic Property	251,795	269,551	253,394	316,735	440,664	39.13%
	<u>\$2,468,626,617</u>	<u>\$2,255,179,301</u>	<u>\$2,175,376,677</u>	<u>\$2,381,590,083</u>	<u>\$2,819,744,770</u>	18.40%

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and *Maricopa 2015 Levy*, Maricopa County.

Net Assessed Property Values of Major Taxpayers

Taxpayer (a)	Description	As % of	
		2015/16 Net Assessed Limited Property Valuation	City's Total 2015/16 Net Assessed Limited Property Valuation
Intel Corporation	Manufacturing Plant	\$ 259,097,942	10.88%
TWC Chandler LLC	Enclosed Mall	23,295,970	0.98%
Freescale Semiconductor	Manufacturing Plant	16,730,600	0.70%
Bank of America NA	Mortgage Brokerage	16,686,025	0.70%
Iridium Satellite	Manufacturing Plant	13,251,032	0.56%
Covance Laboratories Inc.	Research and Development	10,395,351	0.44%
Wells Fargo Bank NA	Financial Services	10,075,506	0.42%
CAZ 1 LLC		9,339,419	0.39%
Digital 2121 LLC	Office Building	7,851,915	0.33%
Chandler Festival LLC	Open Shopping Center	7,186,008	0.30%
Total		\$ 373,909,768	15.71%
Total City Net Assessed Limited Property Valuation		\$ 2,380,457,981	

Source: County Treasurer's Office and *Maricopa 2015 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 \$40,797,710 which represents approximately 1.875% of the combined limited assessed property 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.

Property Values

The tables below list the various property values for the City for fiscal year 2015-16 and for fiscal years 2011-12 to 2014-15. **All values herein are net of the estimated value of property exempt from taxation.** For more information on constitutional and statutory changes in the taxable values of property beginning in fiscal year 2015-16 and thereafter, see "Implementation of Constitutional and Statutory Changes" above.

Property Values for Fiscal Year 2015-16

<u>Fiscal Year</u>	<u>Limited Property Assessed Value</u>	<u>Full Cash Value</u>
2015-16	\$2,380,457,981	\$25,007,403,208

Property Values for Fiscal Years 2011-12 through 2014-15

<u>Fiscal Year</u>	<u>Primary Property Tax Assessed Value</u>	<u>Secondary Property Tax Assessed Value</u>	<u>Full Cash Value</u>
2014-15	\$2,277,718,171	\$2,381,590,083	\$21,004,441,911
2013-14	2,157,002,870	2,175,376,677	18,955,691,992
2012-13	2,246,527,350	2,255,179,301	18,800,428,297
2011-12	2,459,494,796	2,468,626,617	19,943,235,487

Source: *Abstract by Tax Authority*, Maricopa County Assessor's Office.

Limited Property Assessed Value and Secondary Property Tax Assessed Value Comparisons and Trends

The Tables below are shown to indicate (a) for fiscal year 2015-16, the Limited Property Assessed Values of the City, the County and the State of Arizona, utilizing new constitutional and statutory property valuation requirements, and (b) for fiscal years 2011-12 through 2014-15, changes in the then-applicable but now-replaced Secondary Property Tax Assessed Values of the City, the County, and the State of Arizona, each on a comparative basis.

Comparative Limited Property Assessed Value Histories

Fiscal Year	City of Chandler	Maricopa County	State of Arizona (a)
2015/16	\$ 2,380,457,981	\$ 34,623,670,323	N/A

(a) State of Arizona Limited Property Assessed Value for fiscal year 2015-16 is not currently available.

Comparative Secondary Property Assessed Value Histories

Fiscal Year	City of Chandler	Maricopa County	State of Arizona
2014/15	\$ 2,381,590,083	\$ 35,079,646,593	\$ 55,352,051,074
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

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and *Abstract and Assessment Roll*, State of Arizona Department of Revenue.

FORM OF OPINION OF SPECIAL COUNSEL

_____, 2015

_____, as Trustee

Ladies and Gentlemen:

We have examined the proceedings relating to the execution and delivery by _____ (the "Trustee") of \$70,000,000* aggregate principal amount of City of Chandler, Arizona, Excise Tax Revenue Obligations, Series 2015 (the "Obligations") dated _____, 2015*, pursuant to a Trust Agreement dated as of _____ 1, 2015* (the "Trust Agreement"), between the Trustee and the City of Chandler, Arizona (the "City"). Each of the Obligations evidence a proportionate, undivided interest in an Agreement dated as of _____ 1, 2015* (the "Agreement"), between the Trustee and the City, including certain payments (the "Payments") and all other amounts due and payable by the City under the Agreement over the period from the date hereof to July 1, 2035*. In accordance with the Trust Agreement and the Agreement the Trustee has contracted to facilitate the financing of certain improvements to the water and wastewater systems of the City (the "Project"). The Payments under the Agreement are secured by certain excise tax revenues pledged by the City pursuant to the Agreement and the Trust Agreement. We have also examined a form of the Obligations.

Based upon such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Obligations, the Trust Agreement and the Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.

2. The Payments and obligations of the City under the Agreement and the Obligations are payable from and are secured by a pledge of and lien on the Excise Taxes (as defined in the Agreement), as provided in the Agreement and the Trust Agreement. The Agreement and the Trust Agreement create the first lien on the Excise Taxes they purport to create. The rights of the owners of the Obligations to payment from the Payments secured by the Excise Taxes shall be on a parity with the rights to payment from such Excise Taxes of the holders of the Existing Parity Obligations and any Additional Parity Obligations (both as defined in the Trust Agreement). Additional obligations may be issued in the future on a parity with the Obligations with respect to the lien on Excise Taxes.

* Preliminary, subject to change.

3. Under existing laws, regulations, rulings and judicial decisions, the portion of each Payment made by the City under the Agreement and denominated as and comprising interest pursuant to the Agreement and received by the owners of the Obligations is excluded from gross income for the purpose of calculating federal income taxes and is exempt from State of Arizona income taxes. Interest income on the Agreement is not an item of tax 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. Neither the Agreement nor the Obligations are private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). We express no opinion regarding other federal tax consequences arising with respect to either the Agreement or the Obligations.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Agreement from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of the investment earnings with respect to the Agreement. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Agreement received by the owners of the Obligations being included as gross income for federal income tax purposes from the date of issuance of the Obligations. The City has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the interest income on the Agreement received by the owners of the Obligations. For purposes of this opinion, we have assumed continuing compliance by the City with such restrictions, conditions and requirements.

As to questions of fact material to our opinion, we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certificates, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Obligations to be and remain excluded from gross income for federal income tax purposes.

GUST ROSENFELD P.L.C.

Timothy A. Stratton
Special Counsel

SUMMARIES OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Agreement and the Trust Agreement that are not described elsewhere in this Official Statement. These summaries do not purport to be comprehensive and reference should be made to the Agreement and the Trust Agreement for a full and complete statement of their provisions. All capitalized terms not defined in this Official Statement shall have the meaning set forth in the Trust Agreement and Agreement.

DEFINITIONS

For the purpose of the following summaries of the Agreement and the Trust Agreement, these words and phrases have the following meanings:

“**Acquisition Fund**” means the City of Chandler Water and Wastewater Project Acquisition Fund (2015) established pursuant to the Trust Agreement and held by the Trustee.

“**Additional Parity Obligations**” mean any obligations executed and delivered on a parity with respect to Excise Taxes pursuant to the provisions thereof.

“**Agreement**” means the Agreement, dated as of _____ 1, 2015, by and between the City and the Trustee.

“**Available Revenues**” means, for any Fiscal Year, Excise Taxes actually received in such Fiscal Year.

“**Business Day**” means a day of the year other than (a) a Saturday or a Sunday, (b) a day on which banks located in the State of Arizona or New York or any other state in which is located the Designated Office of the Trustee or of the Paying Agent, are required or authorized by law or other governmental action to be closed and (c) a day on which the New York Stock Exchange or the Depository is closed.

“**Certificate of Completion**” means the notice of completion, filed with the Trustee by the City Representative, stating that the Project, or any phase thereof, has been substantially completed.

“**City Representative**” means the City’s Management Services Director or any other person authorized by the City Manager or the City Council of the City to act on behalf of the City with respect to the Trust Agreement.

“**Completion Date**” means the date on which the final Certificate of Completion is filed with the Trustee by the City Representative.

“**Construction Contract**” means, collectively, any contracts between the City, as agent of the Trustee, and a Contractor, for the acquisition, construction or installation of any portion of the Project.

“**Contractor**” means any contractor under a Construction Contract and any successor or assigns permitted.

“**Debt Service**” means with respect to any Parity Obligations, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due during such Fiscal Year (except to the extent that such interest is payable from proceeds of the Parity Obligations or other amounts set aside for such purpose at the time such Parity Obligations are incurred), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similarly denoted principal payment obligation) payments or deposits required with respect to such Parity Obligations during such period; such sum to be computed on the assumption that no portion of such Parity Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments. If interest on Parity Obligations is payable pursuant to a variable interest rate formula, the interest rate on such Parity Obligations for Fiscal Years when the actual interest rate on such Parity Obligations cannot yet be determined shall be assumed to be equal to the higher of:

(a) the average annual interest rate on such Parity Obligations over the last five Fiscal Years or since the date of execution and delivery of such Parity Obligations if less than five years, or

(b) if the terms of such Parity Obligations provide for conversion of the interest rate payable on such obligations to a fixed interest rate for the remainder of their term to maturity, an interest rate per annum determined in accordance with the provisions of such obligations as if the interest rate payable thereon were being converted to a fixed interest rate for the remainder of their term to maturity.

“**Default**” means any event that with the lapse of time or the giving of notice, or both, would be an Event of Default.

“**Defeasance Obligations**” means noncallable Permitted Investments defined in clauses (a), (b), (c) and (d) of such definition, provided, however, that such advance refunded municipal obligations (pursuant to clause (c)) must be rated in the highest rating category by two or more Rating Agencies or, if rated by fewer than two Rating Agencies, then must have been pre-refunded with cash, or obligations defined in clauses (a), (b) or (c) or pre-refunded municipals rated in the highest rating category by each Rating Agency providing a rating on the Obligations.

“**Delivery Costs**” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the execution, sale and delivery of the Agreement, the Trust Agreement and the Obligations, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

“**Delivery Costs Fund**” means the City of Chandler Water and Wastewater Project Delivery Costs Fund (2015) established pursuant to the Trust Agreement and held by the Trustee.

“**Designated Office**” of the Trustee, the Paying Agent or the Registrar, as applicable, means the office designated as such by the Trustee, the Paying Agent or the Registrar, as applicable, in writing to the City, the Trustee, the Paying Agent and the Registrar.

“**Event of Default**” means an event of default under the Agreement.

“**Excise Taxes**” means all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose. Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement. The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes and will not be pledged to the payment of the amounts due pursuant to the Agreement and the Trust Agreement.

“**Existing Parity Obligations**” means the amounts Outstanding of the \$34,040,000 aggregate principal amount of the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2009, \$15,000,000 aggregate principal amount of the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2011 and the \$104,500,000 aggregate principal amount of the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2013.

“**Fiscal Year**” means the period commencing each July 1 and ending June 30 of the succeeding calendar year, unless otherwise determined and designated by the City, and the Excise Taxes shall be accounted for on that basis.

“**Government Obligations**” means direct general obligations of, or obligations the timely payment of principal and interest on which are fully and unconditionally guaranteed by, the United States of America, including Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations, provided any stripped Government Obligations have been stripped by the applicable United States governmental agency.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee.

“Maximum Annual Debt Service Requirement” means the greatest annual Debt Service requirement that accrues in any Fiscal Year on or under the Outstanding Parity Obligations.

“Obligation Year” means the Fiscal Year.

“Outstanding” when used with respect to Parity Obligations refers to Parity Obligations executed and delivered, excluding: (i) Parity Obligations which have been exchanged or replaced, or delivered to the Trustee therefor for credit against a sinking fund installment; (ii) Parity Obligations which have been paid; (iii) Parity Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee therefor; and (iv) Parity Obligations for which there have been irrevocably set aside with a Trustee therefor sufficient moneys or Defeasance Obligations bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of, premium, if any, and interest on such Parity Obligations as provided in the proceedings under which such Parity Obligations were executed and delivered, provided, however, that if any such Parity Obligations are to be redeemed prior to maturity, the City shall have taken all action necessary to redeem such Parity Obligations and notice of such redemption shall have been duly mailed in accordance with the proceedings under which such Parity Obligations were executed and delivered or irrevocable instructions so to mail shall have been given to the trustee therefor.

“Owner” or any similar term, when used with respect to an Obligation means the person in whose name such Obligation shall be registered.

“Parity Obligations” means, collectively, the Obligations, the Existing Parity Obligations and any Additional Parity Obligations that are Outstanding.

“Payment Date” means any date on which a Payment is due from the City as stated in the Agreement.

“Payment Fund” means the City of Chandler 2015 Payment Fund established and held by the Trustee pursuant to the Trust Agreement.

“Payments” means all payments required to be paid by the City on any date pursuant to the Agreement.

“Permitted Investments” means any of the following:

- (a) Government Obligations;
- (b) CATS and TIGRS;
- (c) Advance-refunded municipal obligations;
- (d) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): U.S. Export-Import Bank (Eximbank) - direct obligations or fully guaranteed certificates of beneficial ownership; Farmers Home Administration (FmHA) - certificates of beneficial ownership; Federal Financing Bank; Federal Housing Administration Debentures (FHA); U.S. Maritime Administration - guaranteed Title XI financing; U.S. Department of Housing and Urban Development (HUD) - project notes, local authority bonds, new communities debentures U.S. Government guaranteed debentures, U.S. Public Housing notes and bonds - U. S. Government guaranteed public housing notes and bonds;
- (e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have

been stripped by the agency itself): Federal Home Loan Bank System - senior debt obligations; Resolution Funding Corp. (REFCORP) obligations; and Farm Credit System -consolidated systemwide bonds and notes;

(f) money market funds registered under the Federal Investment Company Act of 1940, or whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G, AAA-m, or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 including, without limitation, those of which an affiliate of the Trustee acts as a manager or an investment advisor;

(g) certificates of deposit (i) secured at all times by collateral described in (a), (b), (c) or (d) above, (ii) issued by commercial banks, savings and loan associations or mutual savings banks and (iii) the collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral;

(h) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(i) investment agreements, including guaranteed investment contracts, which meet the following criteria:

(i) *the investment agreement must be collateralized by the transfer of qualifying securities from a dealer bank or securities firm to the Trustee;*

(ii) *the investment agreement must be between the Trustee and a provider which is rated "A" or better by S&P and Moody's;*

(iii) *the written investment agreement must include the following: (A) securities which are acceptable for collateral are Government Obligations, or Federal agencies backed by the full faith and credit of the U.S. government; (B) the collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); (C) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to at least 103% of the amount invested by the Trustee under the investment agreement plus accrued interest and if the value of securities held as collateral slips below 103% of the required value, then additional cash and/or acceptable securities must be transferred; and*

(iv) *a legal opinion must be delivered to the Trustee that the investment agreement meets guidelines under state law for legal investment of public funds;*

(j) commercial paper rated, at the time of purchase, Prime-1 by Moody's and "A-1" or better by S&P;

(k) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(l) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of Prime-1 or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(m) repurchase agreements which meet the following criteria:

(i) *the repurchase agreement (the "repo") must provide for the transfer of securities from a dealer bank or securities firm to the Trustee, and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;*

(ii) *repo must be between the Trustee and a dealer bank or securities firm which is either a primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by S&P and Moody's, or a bank rated "A" or above by S&P and Moody's;*

(iii) *the written repo contract must include the following: (A) securities which are acceptable for transfer are Government Obligations, or Federal agencies backed by the full faith and credit of the U.S. government; (B) the collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); (C) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to at least 103% of the amount of cash transferred by the Trustee to the counter-party under the repo plus accrued interest and if the value of securities held as collateral slips below 103% of the value of the cash transferred by Trustee, then additional cash and/or acceptable securities must be transferred; and*

(iv) *legal opinion which must be delivered to the Trustee that the repo meets guidelines under state law for legal investment of public funds;*

(n) any other investment that is permitted under applicable Arizona law.

Notwithstanding the foregoing, moneys derived from the sale of the Obligations shall be invested only in obligations described in (a), (b), (d) or (g) (other than certificates of deposit with a savings and loan association or mutual savings bank as described in (g)) or in (f), (i) or (n) (where such investment described in (f), (i) or (n) consists solely of, or are secured by, obligations described in (a), (b), (d) or (g) (other than certificates of deposit with a savings and loan association or mutual savings bank as described in (g))).

"Personal Property" means the personal property described in the Agreement, together with any duly authorized and executed amendment thereto.

"Prepayment" means any payment applied towards the prepayment of the Payments, in whole or in part, pursuant to the Agreement.

"Project" means the City's water and wastewater systems improvements, specifically to enhance performance and efficiency of the systems, the rights therein to be acquired, constructed and installed.

"Project Costs" means, with respect to the Project, all architectural, engineering, soils, survey, archaeology, demolition, construction management fees, development fees, contingencies and other related costs of acquiring and constructing the Project and all costs payable to a Contractor under a Construction Contract, or incurred by Trustee or the City with respect to the transaction to which the Trust Agreement pertains.

"Reserve Fund" means the City of Chandler Water and Wastewater Project Reserve Fund (2015) established pursuant to the Trust Agreement and held by the Trustee.

"Reserve Fund Requirement" means, if the Reserve Fund is required to be funded, an amount equal to the lesser of (1) ten percent (10%) of the stated principal amount of the Obligations at original issuance, (2) the Maximum Annual Debt Service Requirement of the Obligations at original issuance, or (3) one hundred twenty-five percent (125%) of the average annual Debt Service requirement of the Obligations at original issuance; provided, however, that at the time of issuance of any Additional Parity Obligations the Reserve Fund Requirement shall be increased so that the total amount held in the Reserve Fund shall not exceed the lesser of (a) ten percent (10%) of the stated principal amount of the Outstanding Parity Obligations at original issuance, (b) the Maximum Annual Debt Service Requirement of the Outstanding Parity Obligations, or (c) one hundred twenty-five percent (125%) of the average annual Debt Service requirement of the Outstanding Parity Obligations. During the 36-month build up of the Reserve Fund provided in the Trust Agreement, if funding of the Reserve Fund is required, the Reserve Fund Requirement on any date shall be that portion of the Reserve Fund Requirement which was required to have been deposited by such date. If the Reserve Fund is not required to be funded, the Reserve Fund Requirement is \$0.00.

"Reserve Fund Guarantor" shall mean the issuer of the Reserve Fund Guaranty.

“Reserve Fund Guaranty” shall mean a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Reserve Fund Guarantor to pay to the Trustee upon request made by the Trustee up to an amount stated therein.

“Reserve Fund Guaranty Agreement” shall mean the reimbursement agreement, loan agreement or similar agreement between the City and a Reserve Fund Guarantor with respect to repayment of amounts advanced under the Reserve Fund Guaranty.

“Reserve Fund Guaranty Coverage” shall mean the amount available at any particular time to be paid to the Trustee under the terms of the Reserve Fund Guaranty.

“Reserve Fund Value” means the aggregate of the Reserve Fund Guaranty Coverage and the value of moneys and investments credited to the Reserve Fund, the value of investments to be the Value at Market.

“State” means the State of Arizona.

“Supplemental Agreement” means any agreement amending or supplementing the terms of the Trust Agreement or providing for the execution and delivery or securing of Additional Parity Obligations.

“Trust Agreement” means the Trust Agreement, together with any amendments or supplements.

“Trustee” means U.S. Bank National Association, a national banking association, or any successor thereto acting as Trustee pursuant to the Trust Agreement and under the Agreement.

“Value at Market” or **“Market Value”** means the indicated bid value of the investment or investments to be valued as shown in the Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee and generally accepted as a source of valuation.

“Vendor” means any supplier of items for inclusion in the Project who is to be paid from amounts held in the Acquisition Fund.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

AGREEMENT

Term and Payments. To provide funds necessary to finance (i) the acquisition and construction of the Project and (ii) pay costs of delivery of the Obligations the Trustee shall execute and deliver the Obligations and use the proceeds thereof to finance the Project and payment of said delivery costs.

The City agrees to acquire, construct and install the Project or cause the same to be acquired, constructed and installed, all in accordance with the plans and specifications thereto prepared for the City, and to pay all costs and expenses attendant thereto, including architectural and engineering costs and construction management fees, if any.

The City agrees to make the Payments to the Trustee three Business Days in advance of the Payment Dates set forth, and in the amounts set forth, in the payment schedule attached to the Agreement. The City’s obligation to make such Payments shall be limited to payments from Excise Taxes pledged to the payment thereof by the City. The City shall receive a credit against amounts due equal to any amounts held in the Payment Fund and available for such purpose.

The obligations of the City to make the Payments from the sources described and to perform and observe the other agreements shall be absolute and unconditional and shall not be subject to any defense or any right of set-off,

abatement, counterclaim, or recoupment arising out of any breach of Trustee of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the City (i) will not suspend or discontinue any Payments, (ii) will perform and observe all other agreements, and (iii) will not terminate the term of the Agreement for any cause, including, without limiting the generality of the foregoing, failure of the City or any other person to complete the acquisition, construction and installation of the Project, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, abandonment of the Project by the City, any change in the tax or other laws of the United States of America or of the State of Arizona or any political subdivision of either or any failure of Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or the Agreement. The Agreement shall not terminate so long as any payments are due and owing and unprovided for under the Obligations.

Pledge of Excise Taxes; Limited Obligations. The City pledges its Excise Taxes for the Payments to be made under the Agreement and all other amounts payable pursuant to the Agreement. The City intends that this pledge shall be a first lien pledge upon such amounts of said taxes as will be sufficient to make the Payments when due. The City agrees and covenants to make said Payments from such Excise Taxes, except to the extent it chooses to make the Payments from other funds. Said pledge of, and said lien on, the Excise Taxes is irrevocably made and created for the prompt and punctual payment of the amounts due and to create and maintain the funds specified in the Agreement or as may be specified in the Trust Agreement. All of the Payments are coequal as to the pledge of and lien on the Excise Taxes pledged for the payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Taxes or security therefor. The pledge and lien shall be on a parity with the pledge of and lien on such Excise Taxes for the payments due with respect to the City of Chandler, Arizona, Excise Tax Revenue Obligations, Series 2009 (\$34,040,000 principal amount issued, \$13,240,000 Outstanding), the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2011 (\$30,240,000 principal amount issued, \$13,640,000 Outstanding) and the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2013 (\$104,500,000 principal amount issued, \$104,000,000 Outstanding) (collectively, the "Existing Parity Obligations"). The City shall remit to the Trustee (or other appropriate trustee with respect to Parity Obligations) from Excise Taxes all amounts due under the Agreement and Parity Obligations in the amounts and at the times and for the purposes as required. The City's obligation to make payments of any amounts due under the Agreement, including amounts due after default or termination thereof, is limited to payment from Excise Taxes and shall in no circumstances constitute a general obligation of, or a pledge of the full faith and credit of, the City, the State of Arizona, or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any ad valorem taxes.

Excise Taxes. "Excise Taxes" shall mean all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose. Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. [Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement.] The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes and will not be pledged to the payment of the amounts due pursuant to the Agreement. All Excise Taxes in excess of amounts, if any, required to be deposited with or held by the Trustee (or other appropriate trustee with respect to Parity Obligations) for Payments due under the Agreement or the Trust Agreement or Parity Obligations shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of junior lien obligations to which such Excise Tax revenues may from time to time be pledged. If at any time the moneys in the funds and accounts held for payment of amounts due under the Agreement or Parity Obligations are not sufficient to make the deposits and transfers therein required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms thereof, and the transfer of any such sum or sums to said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made.

Surplus and Deficiency of Excise Taxes. Subject to the rights with respect to the Excise Taxes of the Owners of the Parity Obligations, and any other obligations issued on a parity pursuant to the Trust Agreement and the Agreement, Excise Taxes in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Agreement or the Trust Agreement shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of subordinate lien obligations to which such Excise Tax proceeds may from time to time be pledged. If at any time the moneys in the funds and accounts held for payment of amounts due under the Agreement or the Trust Agreement are not sufficient to make the deposits and transfers therein required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of the Agreement, and with respect to payment for Excise Taxes pro rata, as applicable, with amounts due with respect to obligations on a parity therewith with respect to the Excise Taxes, and the transfer of any such sum or sums to said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made.

The City shall impose all necessary Excise Taxes and shall collect and receive the proceeds of sufficient Excise Taxes, and pay such proceeds to the Trustee in such amounts and at such times as will be fully sufficient, in conjunction with any other legally available moneys which the City may from time to time lawfully choose to pay to the Trustee, to assure the punctual performance of all duties requiring the payment or expenditure of money by the City under the terms of the Agreement. Such payments shall be made on the dates specified during the term of the Agreement and shall be sufficient to meet all requirements for the Obligations.

Use of Other Funds at the Option of the City. The City may, at the City's sole option, make such Payments from its other funds as permitted by law and as the City shall determine from time to time, but Trustee acknowledges that it has no claim to such other funds. No part of the Payments payable pursuant to the Agreement shall be payable out of any ad valorem taxes imposed by the City or from bonds or other obligations, the payment of which the City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by the City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State of Arizona, and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State of Arizona.

Parity Obligations. So long as any amounts due under the Agreement remain unpaid or unprovided for, the City shall not create, suffer or permit any lien upon the Excise Taxes senior to the lien created pursuant to the Agreement. So long as any amounts due remain unpaid or unprovided for, the City shall not create, suffer or permit any lien upon Excise Taxes on a parity with the lien created pursuant to the Agreement except for Parity Obligations upon compliance with the requirements therefor set out in the Trust Agreement.

City to Maintain Coverage of Three Times Debt Service. The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed in each Fiscal Year so that the amount of Excise Taxes, all within and for the next preceding Fiscal Year of the City, shall be equal to at least three (3) times the Annual Debt Service Requirement payable pursuant to the Agreement, and under any Outstanding Parity Obligations, for the current Bond Year. The City further covenants and agrees that if such receipts for any such Fiscal Year shall not equal at least three (3) times such Annual Debt Service Requirement for such Bond Year, or if at any time it appears that the current Fiscal Year's receipts will not be sufficient to meet the current Bond Year's actual Annual Debt Service Requirement, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) the current Fiscal Year's receipts will be sufficient to meet the current Bond Year's Annual Debt Service Requirement and (ii) the then current Fiscal Year's receipts will be equal to at least three (3) times the next succeeding Bond Year's Annual Debt Service Requirement.

Representations, Warranties and Covenants. The City represents, warrants and covenants that it has the power to enter into the Agreement, that the Agreement is a lawful, valid and binding obligation of the City, enforceable against the City in accordance with its terms, and has been duly authorized, executed and delivered by the City; that all required procedures for execution and performance thereof, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; that all Payments will be paid when due out of funds which are legally available for such purposes.

Option to Prepay; Option to Partially Prepay; Providing for Payment.

- (a) The City may prepay the principal component of any Payment under the Agreement.
- (b) The City may provide for the payment of any Payment in any one or more of the following ways:
 - (1) by paying such Payment as provided and when the same becomes due and payable at its scheduled due date pursuant to the Agreement and the Trust Agreement;
 - (2) by depositing with a Depository Trustee, in trust for such purposes, at or before maturity, money which, together with the amounts then on deposit with the Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment; or
 - (3) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are noncallable, in such amount as shall be certified to the Trustee and the City, by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Trustee and available for such Payment, to make, or cause to be made, such Payment, as and when the same becomes due and payable at maturity.

Event of Default and Remedies Upon Event of Default.

(a) The occurrence of one or more of the following events shall constitute an Event of Default, whether occurring voluntarily or involuntarily, by operation of law or pursuant to any order of any court or governmental agency:

(1) The City's failure to make any Payment or any other amount payable under the Agreement or under the Trust Agreement when the same shall become due;

(2) The City's failure to perform or observe any other covenant, condition or agreement required to be performed or observed by the City under the Agreement or Trust Agreement and such failure shall continue for a period of twenty (20) days after written notice thereof from Trustee to the City; provided, however, that if the failure cannot be corrected within the applicable time period, Trustee will not unreasonably withhold its consent to an extension of one hundred eighty (180) days from the date of delivery of such written notice to the City by Trustee if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; provided, however, that if the failure cannot be corrected within the initial one hundred eighty (180) day extension, the City may request, and Trustee will not unreasonably withhold its consent to, successive additional one hundred eighty (180) day extension(s) so long as the City is diligently pursuing corrective action;

(3) Any representation or warranty made by the City shall be untrue in any material respect as of the date made and not made true in all material respects within twenty (20) days of notice thereof from Trustee to the City;

(4) The City shall make, permit or suffer any unauthorized assignment or transfer of the Agreement or any interest therein; or

(5) The City becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee or receiver for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee or receiver is appointed for the City or a substantial part of its property and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, moratorium, or any proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the City and, if instituted against the City, is consented to or acquiesced in by the City or is not dismissed within sixty (60) days.

(b) Upon the occurrence of any Event of Default specified in the Agreement, the Trustee shall give written notice of such Event of Default to the City and may, upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Obligations then outstanding and upon being indemnified pursuant to its

satisfaction, pursue or exercise any of the following remedies or rights, provided that such election or commencement to exercise any such remedy or right shall not preclude Trustee from concurrently or separately electing or exercising any other remedy not inconsistent therewith:

(1) Enforce the Agreement by appropriate legal or other action to collect all amounts due or accruing under the Agreement or under the Trust Agreement and to cause the City to pay or perform its other obligations under the Agreement or under the Trust Agreement when and as the same shall be required to be paid or performed under the Agreement or under the Trust Agreement, and for damages for the breach of the Agreement and the breach of the Trust Agreement, which damages shall be the amounts payable thereunder at the times therein set forth without acceleration plus the reasonable costs of collection, including reasonable attorneys' fees and expenses;

(2) Pursue and exercise any other remedy available at law or in equity and all other remedies permitted under the Trust Agreement. No other remedy exercised by Trustee under the Agreement shall excuse any of the City's obligations thereunder.

(c) The Trustee, upon the bringing of a suit to collect the Payments in default, may as a matter of right, without notice and without giving bond to the City or anyone claiming under the City, seek and obtain injunctive relief.

(d) The obligation of the City to make Payments is not subject to acceleration and such Payments may not be made immediately due and payable for any reason.

Assignment. Without the prior written consent of the Trustee (which, prior to the payment of the Obligations in full, shall not be given without the Trustee's receipt of direction from the Owners of a majority in aggregate principal amount of the Obligations then Outstanding to give such consent), the City shall not assign, transfer, pledge or hypothecate or otherwise dispose of the Agreement, or any interest therein.

Notice as to Conflict of Interest. A.R.S. Section 38-511 provides that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City 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 of the contract with respect to the subject matter of the contract. In addition, the City may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City from any other party to the contract arising as a result of the contract.

TRUST AGREEMENT

Acquisition Fund. The Trustee shall establish the Acquisition Fund, shall keep such Acquisition Fund separate and apart from all other funds and moneys held by it and shall administer such Acquisition Fund as provided in the Trust Agreement.

Purpose. Moneys in the Acquisition Fund shall be expended only for Project Costs.

Payment or Reimbursement of Project Costs. The amount in the Acquisition Fund will be applied to the payment of the Project Costs or Reimbursement upon receipt of a duly executed Payment Request Form certified to by the City Representative. The Trustee shall remit to the payee designated in the Payment Request Form, the amount requested to be paid in such Payment Request Form within two Business Days following submission of such Payment Request Form. Notwithstanding the foregoing, the Trustee shall apply moneys on deposit in the Acquisition Fund to reimburse the City for any Project Costs incurred or advanced by the City within two Business Days of receipt of a duly executed Reimbursement Request Form.

Transfers Upon Completion. On the Completion Date, all remaining moneys in the Acquisition Fund shall be transferred to the Payment Fund and applied by the Trustee to the Payments due from the City on the next succeeding Payment Date.

Establishment and Application of Delivery Costs Fund.

(a) Establishment. The Trustee shall establish the Delivery Costs Fund, shall keep such Delivery Costs Fund separate and apart from all other funds and moneys held by it, and shall administer such Delivery Costs Fund.

(b) Disbursement. Amounts in the Delivery Costs Fund shall be disbursed for Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee upon receipt of a certificate requesting disbursement executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed.

(c) Final Transfer and Closing. On the earlier of _____, 2016, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Delivery Costs Fund to the Payment Fund or the Acquisition Fund as directed by the City Representatives, and the Delivery Costs Fund shall be closed.

Reserve Fund. The Trustee shall establish the Reserve Fund. So long as the aggregate amount of Excise Taxes pledged and received by or on behalf of the City in the immediately preceding Fiscal Year is at least two times the highest combined Debt Service requirement for the current or any future Fiscal Year for all Outstanding Parity Obligations, then the City is not obligated to fund the Reserve Fund. If such Excise Taxes are less than two times such highest combined Debt Service requirement, the City shall, in addition to the other Payments provided under the Agreement, pay to the Trustee for deposit into the Reserve Fund, on the first day of each month commencing the first month after the Available Revenues are below the required amount, one thirty-sixth (1/36th) of the Reserve Fund Requirement, until the amount in the Reserve Fund equals the Reserve Fund Requirement. If at the close of any Fiscal Year, Available Revenues are less than two times such highest Debt Service requirement, the City shall so notify the Trustee in writing.

In lieu of funding the Reserve Fund with cash payments or in combination with funding with cash payments, the City may deliver to the Trustee a Reserve Fund Guaranty. The Trustee is authorized and directed to execute (if requested by the City), deliver and comply with all of the terms and conditions of any Reserve Fund Guaranty and Reserve Fund Guaranty Agreements and related restrictions or directions in connection with the Obligations and any Additional Parity Obligations.

The Reserve Fund shall be an integrated and indivisible common Reserve Fund established and required under the Trust Agreement for all Parity Obligations except to the extent that the City establishes a separate reserve fund for any Additional Parity Obligations or no reserve fund is required for any Additional Parity Obligations. Amounts in the Reserve Fund shall be available to be applied as provided in the Trust Agreement.

Amounts in the Reserve Fund shall be drawn out by the Trustee and used to make payment of principal and interest on the Obligations, and on any Parity Obligations secured by the common reserve fund, in the event that amounts in the Payment Fund or other funds held for payment of principal and interest on such Parity Obligations are insufficient.

In the event that after funding the Reserve Fund the Reserve Fund Value is less than the Reserve Fund Requirement, the City shall, in addition to the other Payments provided under the Agreement, immediately pay to the Trustee an amount sufficient to cause the Reserve Fund Value to equal the Reserve Fund Requirement.

In connection with the execution and delivery of any Additional Parity Obligations, if the above conditions requiring the funding of the Reserve Fund have occurred and if the City elects to fund the reserve fund with respect to such Parity Obligations, the Reserve Fund shall be funded in an amount equal to the Reserve Fund Requirement which applies after the execution and delivery of such Parity Obligations or the City shall deliver to the Trustee a Reserve Fund Guaranty, or a combination of the foregoing. Notwithstanding the foregoing, the City reserves the right to not require a reserve fund with respect to Additional Parity Obligations or to establish a separate reserve fund for any or all executions and deliveries of Additional Parity Obligations which may, in lieu of the Reserve Fund be funded (if

the above conditions for funding the Reserve Fund occur) with the Reserve Fund Requirement applicable to such issue or covered by a Reserve Fund Guaranty or a combination thereof, provided that amounts to be paid into any such separate reserve fund or to pay the Reserve Fund Guarantor, other than from proceeds of such issue, shall be made on a parity with payments into the Reserve Fund hereby established and shall not exceed, in any bond year, the proportionate deficit payment allocable to such separate reserve fund. For the purposes hereof, "proportionate deficit payment" means an amount which bears the same proportion to the deficit in a given separate reserve fund that the amount available to remedy deficits in the Reserve Fund and all separate reserve funds bears to the aggregate deficit or deficits in the Reserve Fund and all separate reserve funds.

With respect to the Obligations or any Parity Obligations with respect to which a Reserve Fund Guaranty is then in effect, if on the Business Day preceding any day on which Payments or other debt service is due on the Obligations or Parity Obligations there are not to the knowledge of the Trustee on deposit in the applicable payment fund and the Reserve Fund sufficient moneys to pay all Payments or debt service to become due on such date, the Trustee shall immediately notify the Reserve Fund Guarantor of such deficiency and shall do all things necessary under the terms of the Reserve Fund Guaranty to realize and receive on or before such date or as soon thereafter as is practicable moneys in the amount of such deficiency. All amounts received by the Trustee as payments under the Reserve Fund Guaranty shall be deposited to the Reserve Fund.

To the extent any moneys have been withdrawn from the Reserve Fund by the Trustee, no portion of the Excise Taxes shall be considered surplus revenues or available to the City until such Excise Taxes, or other available moneys, have first been applied to the extent required to reimburse the Reserve Fund for any such withdrawal or to increase the Reserve Fund Value to the Reserve Fund Requirement. If a Reserve Fund Guaranty is in effect with respect to any obligations, reimbursements to the Reserve Fund for such obligations shall be applied, first, to the extent a Reserve Fund Guaranty Agreement so requires, to pay to the Reserve Fund Guarantor any amounts owed to it pursuant to the Reserve Fund Guaranty Agreement and then to the Reserve Fund.

If on any January 1 or July 1, the Reserve Fund Value exceeds the Reserve Fund Requirement, such excess shall be transferred to the Payment Fund or other applicable payment fund in proportion to the amounts next to come due on Parity Obligations for which a separate reserve fund is not established or for which no reserve fund is required or to reimburse any amounts drawn on the Reserve Fund Guaranty and any interest thereon except, with respect to the Obligations or any issue of Additional Parity Obligations with respect to which a Reserve Fund Guaranty is in effect, as may otherwise be provided in the Reserve Fund Guaranty Agreement.

Any investment earnings allocated to the Reserve Fund after deduction of amounts to be set aside for rebate to the federal government pursuant to the Trust Agreement shall be used first to cause the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement or to reimburse any amounts drawn on the Reserve Fund Guaranty and any interest thereon and, to the extent not necessary for such purpose, shall be transferred by the Trustee to the Payment Fund or to any other payment fund for Outstanding Parity Obligations for which a separate reserve fund is not established.

Reserve Fund Guaranty. If at any time the City shall deliver to the Trustee (i) a Reserve Fund Guaranty, (ii) an opinion of counsel stating that the delivery of such Reserve Fund Guaranty to the Trustee is authorized under the Trust Agreement and complies with the terms thereof, (iii) evidence that the Reserve Fund Guarantor is rated "AA" or better by the Rating Agencies rating the Obligations, and (iv) a letter from each Rating Agency stating that (x) the issuance of the Reserve Fund Guaranty to the Trustee and (y) if a Reserve Fund Guaranty is then in effect with respect to the Reserve Fund, the substitution of the proposed Reserve Fund Guaranty for the Reserve Fund Guaranty then in effect, will not, by itself, result in a reduction or withdrawal of its rating on the Parity Obligations, and if such rating shall be in effect on the date of such issuance and, if applicable, substitution, then the Trustee shall accept such Reserve Fund Guaranty and promptly surrender the previously held Reserve Fund Guaranty, if any, to the issuer thereof for cancellation.

Establishment of Payment Fund. The Trustee shall establish the Payment Fund. All moneys at any time deposited by the Trustee in the Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Obligations. So long as any Obligations are Outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys shall be used and applied by the Trustee.

Pledge. Payments and all other amounts due under the Agreement are payable from a pledge of, and secured by a lien on, the Excise Taxes as may be necessary for their prompt and punctual payment. Said pledge of, and said lien on, the Excise Taxes, is irrevocably made and created by the City pursuant to the Agreement for the prompt and punctual payment of amounts due under the Agreement according to its terms, and to create and maintain the funds as hereinafter specified therein. None of the Obligations shall be entitled to priority or distinction one over the other in the application of the Excise Taxes hereby pledged to the payment thereof, regardless of the issue of the Obligations in series, or the delivery of any of the Obligations prior to the delivery of any other of the Obligations of said series, or regardless of the time or times the Obligations mature. All of the Obligations are coequal as to the pledge of and lien on the Excise Taxes pledged for the payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Taxes or security therefor.

Protection of Lien. The Trustee and the City hereby agree not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien created by the Trust Agreement upon the interests granted hereby or any part thereof. The Trustee and the City agree that no obligations the payment of which is secured by a superior or equal claim on or interest in property or revenues pledged under the Trust Agreement will be issued by either except in lieu of, or upon transfer of registration or exchange of, any Obligation as provided therein and except for Parity Obligations.

Existing Parity Pledge. The pledge of Excise Taxes under the Agreement is on a parity with the pledge of the Excise Taxes to payments due on or with respect to the Existing Parity Obligations.

Additional Parity Obligations. So long as any of the Obligations remain outstanding, neither the Trustee nor the City will further encumber the Excise Taxes pledged under the Agreement on a basis equal to the pledge thereunder unless the Available Revenues in the immediately preceding Fiscal Year shall have amounted to at least three (3) times the highest combined Debt Service requirement for the current or any succeeding Fiscal Year for all Outstanding Parity Obligations, including those proposed to be issued, secured by a pledge of the same Excise Taxes. Subject to the foregoing, and to other terms and conditions set forth in the Agreement, the City shall have the right to incur Additional Parity Obligations payable from and secured by Excise Taxes. Such obligations shall have a series designation different from the Obligations and may include any long term obligation or deferred payment for property including, without limitation, installment purchase or lease purchase agreements. Payments on installment purchase or lease purchase agreements shall be deemed to include a principal component and an interest component and references in the Trust Agreement to the payment of principal, interest and premium shall include the payment of lease purchase or installment purchase payments.

Investments Authorized. Upon written order of the City Representative, moneys held by the Trustee shall be invested and reinvested by the Trustee in Permitted Investments

Arbitrage Covenant. The City hereby covenants with the Owners of the Obligations that it will make no use of the proceeds of the Obligations or other moneys which would cause the obligations of the City under the Agreement to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended.

Tax Covenants. In consideration of the acceptance and execution of the Agreement by the Trustee and the purchase by the Obligation holders, from time to time, and in consideration of retaining the exclusion of interest income from gross income on the Agreement and the Obligations for federal income tax purposes, the City covenants with the Trustee and the Obligation holders from time to time 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 Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Agreement or such laws as they may be modified or amended.

The City agrees that it will comply with such requirement(s) and will take any such action(s) as are necessary to prevent interest income on the Agreement or the Obligations from 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 special counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Agreement; 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 Agreement; and limiting the use of the proceeds of the Agreement and property financed thereby.

In the event the City is required to rebate any earnings and profits from the investments of the Obligations, the Trustee shall establish a separate "Arbitrage Rebate Fund". The Arbitrage Rebate Fund shall be held separate and apart from all other funds and accounts held by the Trustee. The Arbitrage Rebate Fund shall be funded with earnings and profits from the investment of the Obligation proceeds on an annual basis. The City must compute, or engage professionals to compute, the exact amount of earnings which need to be deposited into the Arbitrage Rebate Fund no later than thirty (30) days after each anniversary of the Obligation issuance unless and until advised by such professionals that further calculation of rebate amounts is not necessary.

Liability of Trustee; Standard of Care. The recitals of facts, covenants and agreements in the Trust Agreement and in the Obligations contained shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Trust Agreement or of the Obligations or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Obligations assigned to or imposed upon them, respectively, including but not limited to the Trustee's obligations under the Trust Agreement. Prior to the occurrence of an Event of Default, or after the timely cure or waiver of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in the Trust Agreement and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. After the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent indenture trustee would exercise under the circumstances in the conduct of the Trustee's corporate trust business.

Merger or Consolidation. Any bank or company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such bank or company shall be eligible under the Trust Agreement, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Trust Agreement to the contrary notwithstanding.

Protection and Rights of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the City with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it thereunder in good faith in accordance therewith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion

the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may become the Owner of the Obligations with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

The recitals, statements and representations by the City contained in the Trust Agreement or in the Obligations shall be taken and construed as made by and on the part of the City and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

The Trustee may execute any of the trusts or powers in the Trust Agreement and perform the duties required of it thereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty thereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power thereunder or for anything whatever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

No provision in the Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder.

Notwithstanding any provision in the Trust Agreement or in the Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under the Agreement, unless the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

In acting or omitting to act pursuant to the Agreement, and any other document executed in connection with the Trust Agreement, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under the Trust Agreement.

Removal of Trustee. The City (but only if no Event of Default has occurred and is continuing), or the Owners of a majority in aggregate principal amount of all Obligations Outstanding, by written directive, at any time and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company authorized to do business in the State of Arizona, having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by Federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. Trustee and the City shall execute any documents reasonably required to affect the transfer of rights and obligations of the Trustee to the successor trustee.

Amendments Permitted. The Trust Agreement and the rights and obligations of the Owners of the Obligations and the Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of Obligations disqualified as provided in

the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (i) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Obligation, or (ii) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Agreement without the express consent of the Owners of the Obligations, or (iii) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the rights and obligations of the Owners of the Obligations and the Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power therein reserved to the Trustee or the City, (ii) to cure, correct or supplement any ambiguous or defective provision contained therein, or (iii) in regard to questions arising thereunder, as the parties may deem necessary or desirable and which shall not materially adversely affect the interests of the Owners of the Obligations as evidenced by the opinion of counsel delivered pursuant to the Trust Agreement. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto.

Procedure for Amendment With Written Consent of Obligation Owners. The Trust Agreement and the Agreement may be amended by supplemental agreement as provided in the Trust Agreement in the event the consent of the Owners of the Obligations is required pursuant to the Trust Agreement. A copy of such supplemental agreement, together with a request to the Obligation Owners for their consent thereto, shall be mailed by the Trustee to each Owner of an Obligation at his address as set forth on the Obligation registration books, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority in principal amount of the Obligations then Outstanding and a notice shall have been mailed. The consent of an Owner of an Obligation shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by the Trust Agreement. Any such consent shall be binding upon the Owner of the Obligation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice has been mailed.

After the Owners of the required percentage of Obligations shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Obligations in the manner provided for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Obligations and will be effective as provided for (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties thereto and the Owners of all Obligations at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Compliance With and Enforcement of Agreement. The City covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Agreement.

The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default under the Agreement.

Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties to the Trust Agreement

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

Remedies Upon Default; No Acceleration.

Breach. Upon:

- (i) the nonpayment of the whole or any part of any Payment at the time when the same is to be paid as provided in the Trust Agreement or in the Agreement,
- (ii) the violation by the City of any other covenant or provision of the Agreement or the Trust Agreement,
- (iii) the nonpayment of installment payments under any other Parity Obligations, other than the Obligations, or the occurrence of an event of default with respect to any other Parity Obligations, or
- (iv) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

Opportunity to Cure. If such default has not been cured:

- (i) *in the case of nonpayment of any Payment under the Agreement or the nonpayment of installment payments under any other Parity Obligations on their respective due dates,*
- (ii) in the case of the breach of any other covenant or provision of the Trust Agreement or the Agreement within 60 days after notice in writing from the Trustee specifying such default, and
- (iii) with respect to any other default with respect to Parity Obligations other than the Obligations, upon the giving of applicable notice and passage of time required thereunder,

Remedies. Then the Trustee may:

- (i) take whatever action at law or in equity may appear necessary or desirable to collect the Payments and any other amounts payable by the City or under the Trust Agreement or the Agreement, then due and thereafter to become due, or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under the Trust Agreement or the Agreement,
- (ii) transfer to the City any remaining portions of the Project or rights thereto still held by the Trustee, whether or not completed, and
- (iii) pursue any other remedy at law or in equity, including the remedy of specific performance.

No Acceleration. *Notwithstanding any default under the Trust Agreement, the Obligations shall not be subject to acceleration for any reason.*

Application of Funds. Proceeds from the exercise of any other remedies under the Agreement or the Trust Agreement after payment or reimbursement of the reasonable fees and expenses of the Trustee in connection therewith, including reasonable attorneys' fees and expenses, shall be applied as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably,

according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the persons entitled thereto, without any discrimination or preference.

Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained in the Trust Agreement.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Trust Agreement, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

Limitation on Obligation Owners' Right to Sue. No Owner of any Obligation shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Defeasance. If and when all Outstanding Obligations shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest with respect to all Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with a Depository Trustee, in trust for such purpose, at or before maturity, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all Obligations Outstanding, including all principal and interest and premium, if any;

(c) by depositing with a Depository Trustee, in trust for such purpose, any noncallable United States Obligations in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all Obligations (including all principal and interest) at their respective maturity dates, which deposit may be made in accordance with the provisions of the Agreement; notwithstanding that the Obligations have not been surrendered for payment, all obligations of the Trustee and the City with respect to all Outstanding Obligations shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Payments paid by or on behalf of the City from funds deposited, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such Payments under the Agreement.

Covenant as to Conflict of Interest. A.R.S. Section 38-511 provides that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City 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 of the contract with respect to the subject matter of the contract. In addition, the City may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City from any other party to the contract arising as a result of the contract.

Governing Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of Arizona.

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF CHANDLER, ARIZONA
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following audited Financial Statements for the fiscal year ended June 30, 2014. 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.

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2015
evidencing a proportionate interest of the Owners
thereof in Payments under an Agreement
Dated: December 1, 2015

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP No. 158855)

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is undertaken by the City of Chandler, Arizona (the “City”) in connection with the execution and delivery of \$_____ Excise Tax Revenue Obligations, Series 2015 (the “Obligations”). In consideration of the initial sale and delivery of the Obligations, the City covenants as follows:

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

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.

“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 of the 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.

“Obligation Owners” shall mean any registered owners or beneficial owners of the Obligations.

“Official Statement” shall mean the final official statement dated _____, 2015 relating to the Obligations.

“Participating Underwriter” shall mean any of the original underwriters of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“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.

“Special Counsel” shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the City.

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, 2016, provide electronically to the MSRB, in a format prescribed by the 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, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit A not later than the 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, in a timely manner, 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.

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

(I) City of Chandler, Excise Tax Collections

(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 statements 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 Obligations. 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 Obligations, or other events affecting the tax status of the Obligations;
- (7) Modifications to rights of Obligation Owners, if material;
- (8) Obligations calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Obligations, 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.

“Materiality” will be determined in accordance with the applicable federal securities laws.

Note to paragraph (12) above: For the purposes of the event identified in paragraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the 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 Obligations. 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 Dissemination 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 Special Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Obligations, 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 Obligation Owners, as determined by Special 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 Obligation Owner 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 Obligations or the resolution authorizing the Obligations.

Section 12. Compliance by 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, Special Counsel or the City's financial advisor.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Obligation Owners, and shall create no rights in any other person or entity.

Section 14. Governing Law. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure 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: _____, 2015.

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 Issue: \$_____ Excise Tax Revenue Obligations, Series 2015
Dated Date of Obligations: _____, 2015 CUSIP: 158855

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Obligations as required by Section 3(a) of the Disclosure Certificate dated _____, 2015. 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 Issue: \$_____ Excise Tax Revenue Obligations, Series 2015
Dated Date of Obligations: _____, 2015 CUSIP: 158855

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 _____, 2015 with respect to the above-named Obligations. 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 _____

BOOK-ENTRY-ONLY SYSTEM

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

DTC will act as securities depository for the Obligations. The Obligations 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 Obligations will be issued for each maturity thereof, each in the aggregate principal amount of such maturity and such 2015 Obligation 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, in turn, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com or www.dtc.org.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each 2015 Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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.

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as prepayments, tenders, defaults, and proposed amendments to the 2015 City Purchase Agreement and the Indenture. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's MMI 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and payments on the Obligations 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 or the Trustee, on payment dates in accordance with their respective holdings shown on DTC's records. Payments by Direct 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 or Indirect Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and principal and interest payments 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Obligations are required to be printed and delivered to the respective Beneficial Owners.

The use of the system of book-entry transfers through DTC (or a successor securities depository) may also be discontinued by the City. In that event, the Obligations will be printed and delivered.

The foregoing description of the procedures and recordkeeping with respect to beneficial ownership interest in the Obligations, payment of principal and interest on the Obligations to DTC Participants or Beneficial Owners, confirmation and transfers of the beneficial ownership interests in the Obligations and other related transactions by and between DTC, the DTC Participants and Beneficial Owners are based solely on the City's understanding of such procedures and recordkeeping, which is based solely on information provided by DTC. Accordingly, no representations can be made by the City or the Financial Advisor concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

NONE OF THE CITY, THE TRUSTEE, THE FINANCIAL ADVISOR OR THE UNDERWRITERS HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE OBLIGATIONS; (III) THE TRANSMITTAL BY

DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE OBLIGATIONS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS HOLDER OF THE OBLIGATIONS; OR (V) 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 OBLIGATIONS.

PiperJaffray®



MEMORANDUM

Management Services Memo No. 16-022

DATE: OCTOBER 22, 2015

TO: MAYOR AND COUNCIL

THRU: MARSHA REED, ACTING CITY MANAGER *MR*

FROM: DAWN LANG, MANAGEMENT SERVICES DIRECTOR *DL*

SUBJECT: RESOLUTION NO. 4904 ORDERING THE SALE AND ISSUANCE OF, NOT TO EXCEED, \$70,000,000 EXCISE TAX REVENUE OBLIGATIONS, SERIES 2015

RECOMMENDATION

Staff recommends Council adopt Resolution No. 4904, prepared by the City’s bond counsel firm of Gust Rosenfeld, ordering the sale and issuance of, not to exceed, \$70,000,000 Excise Tax Revenue Obligations (ETROs), Series 2015, and authorizing the Management Services Director to determine whether it is in the City’s best interest to sell the ETROs in a competitive bid or through a negotiated sale.

BACKGROUND

Municipal Utilities performs long range analysis, annually updating their capital improvement program based on expanded growth and existing infrastructure improvements and maintenance required. Management Services then performs financial analysis on the water and wastewater systems and determines funding sources and bond needs based on the estimated costs and timing of capital projects. It has been determined that up to \$70,000,000 of ETROs will be needed to support the water and wastewater systems to enhance performance, efficiency and support growth.

FINANCIAL IMPLICATIONS

The ETROs will be backed by the City’s excise taxes which include local sales tax, state shared revenues, franchise fees, licenses and permits and fines and forfeitures. Although the ETROs first pledge is excise taxes, the debt service on the ETROs will be paid from water and wastewater operating funds. This is part of the reason for the recent wastewater rate increase that will ensure water and wastewater revenues are sufficient to meet the repayment

schedules. The City's Excise Taxes are pledged to ensure payment of the debt in the unlikely situation that the water and wastewater revenues are insufficient to make those payments.

PROPOSED MOTION

Move for the adoption of Resolution No. 4904 ordering the sale and issuance of, not to exceed, \$70,000,000 ETROs, Series 2015, and authorizing the Management Services Director to determine whether it is in the City's best interest to sell the ETROs in a competitive bid or through a negotiated sale.

Attachments: Resolution No. 4904
Agreement – Draft
Trust Agreement – Draft
Continuing Disclosure Certificate – Draft
Preliminary Official Statement - Draft

c: Nachie Marquez, Assistant City Manager
Greg Westrum, Budget Manager
Scott Ruby, Gust Rosenfeld, P.L.C.
William Davis, Piper Jaffray, & Co. Managing Director

RESOLUTION NO. 4904

RESOLUTION ORDERING THE SALE OF NOT TO EXCEED \$70,000,000 PRINCIPAL AMOUNT OF EXCISE TAX REVENUE OBLIGATIONS, SERIES 2015 EVIDENCING A PROPORTIONATE INTEREST OF THE OWNERS THEREOF IN AN AGREEMENT BETWEEN THE CITY OF CHANDLER, ARIZONA, AND A TRUSTEE TO FINANCE VARIOUS WATER AND WASTEWATER PROGRAMS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN AGREEMENT, A TRUST AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT; PROVIDING FOR THE SECURITY FOR THE PAYMENT OF THE OBLIGATIONS; PROVIDING CERTAIN TERMS, COVENANTS AND CONDITIONS CONCERNING THE SALE OF THE OBLIGATIONS INCLUDING THE DELEGATION TO THE MANAGEMENT SERVICES DIRECTOR THE AUTHORITY TO EITHER PREPARE A NOTICE INVITING BIDS AND AWARD THE SALE OF THE OBLIGATIONS TO THE LOWEST RESPONSIBLE BIDDER OR TO ISSUE AND SELL THE BONDS THROUGH A NEGOTIATED SALE BY AUTHORIZING THE OPTION TO EXECUTE AND DELIVER AN OBLIGATION PURCHASE AGREEMENT; DEEMING FINAL A FORM OF PRELIMINARY OFFICIAL STATEMENT; AND AUTHORIZING ALL ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.

WHEREAS, the City of Chandler, Arizona (the “City”) desires to make various improvements to its existing water and wastewater systems, specifically to enhance performance and efficiency of the systems and to acquire water resources (collectively, the “Project”); and

WHEREAS, the City wishes to finance the Project through the execution and delivery of not to exceed \$70,000,000 Excise Tax Revenue Obligations, Series 2015 (the “Obligations”), by a bank or trust company to be selected as trustee (the “Trustee”) pursuant to a Trust Agreement (the “Trust Agreement”) between the Trustee and the City, evidencing a proportionate interest of the owners thereof in certain payments to be made by the City pursuant to an Agreement (the “Agreement”), and

WHEREAS, the firm of Piper Jaffray & Co. will serve as the City’s financial advisor (the “Financial Advisor”) with respect to the Obligations; and

WHEREAS, by this resolution the Mayor and Council of the City will authorize the Management Services Director to determine if it is in the best interest of the City to sell the Obligations either through a (i) competitive bid process and receive electronic bids for the purchase of the Obligations authorizing the execution, issuance and sale of the Obligations 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 (a “Competitive Bid”) or (ii) negotiated sale by receiving a proposal for the purchase of the Obligations from an underwriter or underwriters (the “Underwriter”), as selected by the Management Services Director, with the assistance of the Financial Advisor, 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 (a “Negotiated Sale”).

WHEREAS, if the Obligations are sold through a Negotiated Sale a proposal in the form of an Obligation Purchase Contract to be entered into between the City and the Underwriter (the

“Obligation Purchase Contract”) will be received from Underwriter for the purchase of the Obligations; and

WHEREAS, proposed forms of the following documents have been filed with the City Clerk for this meeting:

- (i) the proposed form of the Agreement;
- (ii) the proposed form of the Trust Agreement;
- (iii) the proposed form of the Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”); and
- (iv) a preliminary form of the Official Statement relating to the Obligations (the “Preliminary Official Statement”).

WHEREAS, all acts, conditions and things required by the laws of the State of Arizona to happen, exist and be performed precedent to and in the adoption of this resolution have happened, exist and have been performed as so required in order to make this resolution a valid and binding instrument for the security of the Obligations authorized herein;

NOW, THEREFORE, IT IS RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AS FOLLOWS:

Section 1. Authorization. For the purpose of providing funds to make certain improvements to the City’s water and wastewater systems, there is hereby authorized to be sold, executed and delivered not to exceed \$70,000,000 aggregate principal amount of the Obligations pursuant to the terms of the Agreement, the Trust Agreement and either the winning bid of the Purchaser or the Obligation Purchase Agreement. Debt service on the Obligations shall be payable from payments made by the City under the Agreement, and such payments shall be secured by a pledge of the City’s Excise Taxes (as defined herein).

Section 2. Negotiated Sale Process and Execution of Obligation 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 the Obligations to be sold through a Negotiated Sale in accordance with the provisions of this resolution.

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 Obligations shall be as set forth in the Obligation Purchase Contract. If sold pursuant to a Negotiated Sale, the Management Services Director is further authorized and directed to prepare and the Mayor, any member of the Council or the Management Services Director is authorized and directed to execute, and the City Clerk is authorized and directed to attest, the Obligation Purchase Agreement setting forth the final terms and provisions of the Obligations and of the sale of the Obligations to the Underwriter. The Obligation Purchase Contract shall be in a form acceptable to and approved by the Mayor, any Council Member or the Management Services Director executing it, such execution to be conclusive proof of such approval.

Section 3. Competitive Bid Process and Notice Inviting Bids. If the Obligations are sold through a Competitive Bid, the principal amount maturing in each year, the security for the Obligations, the optional and mandatory redemption provisions and any other final terms of the Obligations shall be as set forth in the Notice Inviting Bids for the Purchase of Obligations (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 Obligations shall be received electronically through the PARITY® electronic bidding process.

Section 4. Terms. The Obligations hereby authorized to be executed and delivered shall be designated City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2015, will be dated the date of initial delivery of the Obligations to, as applicable, the Purchaser or Underwriter and will mature on July 1 in some or all of the years 2016 through 2035, inclusive, and will bear interest from their date to the maturity or earlier redemption date of each of the Obligations at an interest rate not to exceed [7.00%] per annum.

The forms, terms, interest rates, dated date, interest payment dates, maturity dates, maturity amounts, provisions for redemption and other provisions of the Obligations and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption and number shall be as set forth in the NIB or Obligation Purchase Contract, as applicable and the Trust Agreement.

Section 5. Approval of Documents. The Management Services Director is authorized and directed to determine and approve the final terms of the Obligations with the advice of the Financial Advisor in accordance with the Purchaser's winning bid or the Obligation Purchase Agreement and cause the same to be set forth in the documents. The form, terms and provisions of the Agreement, the Trust Agreement, and the Continuing Disclosure Certificate in substantially the form of such documents (including the Obligations and other exhibits thereto) presented at this meeting are hereby approved, with such final provisions, insertions, deletions and changes as shall be approved by the Management Services Director, execution of each such document being conclusive evidence of such approval. The Mayor, any member of the Council, the City Clerk and the Management Services Director are hereby authorized and directed to execute and deliver, where applicable, or approve the Agreement, the Trust Agreement, and the Continuing Disclosure Certificate to take all action to carry out and comply with the terms of such documents.

Section 6. Obligation Insurance. The Management Services Director is hereby authorized and directed to purchase municipal bond insurance, surety bonds or other credit enhancement as the Management Services Director may deem appropriate and beneficial, to pay or cause to be paid all premiums attendant thereto and to enter into any obligations or agreements on behalf of the City to repay amounts paid thereon by the providers thereof.

Section 7. Official Statement. The form, terms and provisions of the Preliminary Official Statement in the form (including exhibits thereto) presented at this meeting are hereby approved. The City hereby approves, ratifies and authorizes the use by the Purchaser or the Underwriter, as applicable, of copies of the Preliminary Official Statement and the final Official Statement, which shall be in substantially the form of the Preliminary Official Statement with such changes as are necessary as a result of the sale of the Obligations (the "Official Statement") in connection with the public offering and sale of the Obligations. The City hereby deems the

Preliminary Official Statement as final as of its date for purposes of Rule 15c2-12 of the Securities Exchange Commission, as amended. The Mayor, any member of the Council or the Management Services Director is hereby authorized and directed to execute, when completed, the Official Statement.

Section 8. Trustee. The Management Services Director shall select a bank or trust company authorized to do business in the State of Arizona to act as Trustee under the Trust Agreement. The City hereby requests the Trustee, to take any and all action necessary in connection with the execution and delivery of the Agreement, the Trust Agreement, the Continuing Disclosure Certificate and the Obligation Purchase Contract, if applicable, the execution, delivery and sale of the Obligations and further authorizes and directs the Trustee and any trustees for any obligations on a parity with the Obligations to enter into such agreements as may be reasonable for the administration of the trusts so held.

Section 9. Acceptance; Sale of Obligations. If the Obligations 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 the Obligations complies with the terms and conditions of this resolution and the NIB. The Obligations are hereby ordered sold to such winning bidder.

If the Obligations are sold through a Negotiated Sale, the Underwriter will purchase the Bonds pursuant to an Obligation Purchase Contract to be prepared and in accordance with Section 2 hereof.

The Management Services Director is hereby authorized and directed to cause the Obligations 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 10. Pledge of Excise Taxes. Pursuant to the Agreement and the Trust Agreement, the City shall pledge and grant a first lien on its unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose ("Excise Taxes") to the payments and other amounts to come due under the Agreement and the Trust Agreement. Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. [Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement.] The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes thereunder and will not be pledged to the payment of the amounts due pursuant to the Agreement and the Trust Agreement. The City's obligation to make the payments under the Agreement or the Trust Agreement does not constitute an obligation of the City or the State of Arizona, or any of its political subdivisions, for which the City or the State of Arizona, or any of its political subdivisions, is obligated to levy or pledge any form of ad valorem property taxation nor does the obligation to make any payments under the Agreement or the Trust Agreement constitute an indebtedness of the City or of the State of Arizona or any of its political subdivisions within the meaning of the Constitution of the State of Arizona or otherwise. The City's

pledge of its Excise Taxes is on a parity with its Existing Parity Obligations as defined in the Trust Agreement.

Section 11. Continuation of Excise Tax. Pursuant to the Agreement, the City will covenant and agree that the Excise Taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of Excise Taxes, all within and for such fiscal year, shall be sufficient to pay all amounts owing under the Agreement, Trust Agreement and under any obligations on a parity therewith, in such fiscal year. The City will further covenant and agree to not further encumber Excise Taxes pledged pursuant to the Agreement and Trust Agreement unless Excise Taxes received by the City in the immediately preceding fiscal year shall have amounted to at least three (3) times the highest combined debt service for the current year or any succeeding fiscal year for all existing parity obligations, including those proposed to be issued, secured by a pledge of the same Excise Taxes.

Section 12. Resolution Irrepealable. After any of the Obligations are delivered by the Trustee to the Purchaser or Underwriter, as applicable, thereof upon receipt of payment therefor, this resolution shall be and remain irrepealable until the Obligations and the interest and premium, if any, thereon shall have been fully paid, cancelled and discharged.

Section 13. Execution of Documents. The Mayor, the City Clerk, the Management Services Director and the other officers of the City, on behalf of the City, are each hereby authorized and directed, without further order of the Council, to execute and deliver such certificates, proceedings and agreements as may be necessary or convenient to be executed and delivered on behalf of the City, to evidence compliance with, or further the purposes of, all the terms and conditions of this resolution and the consummation of the transactions contemplated by the Preliminary Official Statement and Official Statement.

The Council authorizes the Management Services Director, or his or her designee, to represent and act for the City in all matters pertaining to the City's tax exempt obligations, as may be necessary to comply, on a continuing basis, with the Internal Revenue Service, Securities and Exchange Commission and other governmental entities requests, reporting requirements and post issuance compliance policies and matters.

Section 14. Resolution a Contract. This resolution shall constitute a contract between the City and the Owners and shall not be repealed or amended in any manner which would impair, impede or lessen the rights of the Owners then outstanding.

Section 15. Severability. If any section, paragraph, subdivision, sentence, clause or phrase of this resolution is for any reason held to be illegal, invalid or unenforceable, such decision will not affect the validity of the remaining portions of this resolution. The Mayor and Council hereby declare that the City would have adopted this resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Obligations pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this resolution may be held illegal, invalid or unenforceable.

Section 16. Ratification of Actions. All actions of the officers and agents of the City which conform to the purposes and intent of this resolution and which further the issuance and sale of the Obligations as contemplated by this resolution whether heretofore or hereafter taken shall

be and are hereby ratified, confirmed and approved. Any change made in the NIB which does not conform to the prior order of this Mayor and Council are hereby ratified. 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 of this resolution.

PASSED AND ADOPTED by the Mayor and Council of the City of Chandler, Arizona, on October 22, 2015.

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

Special Counsel

Exhibit A: Notice Inviting Bids for the Purchase of Obligations

CERTIFICATION

I, Marla Paddock, the duly appointed and acting Clerk of the City of Chandler, Arizona, do hereby certify that the above and foregoing Resolution No. 4904 was duly passed by the City Council of the City of Chandler, Arizona, at a regular meeting held on October 22, 2015 and the vote was ___ aye's and ___ nay's and that the Mayor and ___ Council Members were present thereat.

DATED: _____, 2015.

City Clerk

EXHIBIT A

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2015

NOTICE INVITING BIDS FOR THE PURCHASE OF OBLIGATIONS

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of _____ a.m., Mountain Standard Time (“MST”), on _____, 2015, by the City of Chandler, Arizona (the “City”), for the purchase of all, but not less than all, of \$70,000,000* aggregate principal amount of its Excise Tax Revenue Obligations, Series 2015 (the “Obligations”). A bid may be submitted only through the facilities of PARITY® (“PARITY”). Submission of bids is discussed further below. The Management Services Director will announce the bids received and will award the contract for the purchase of obligations 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 (Arizona Time) on the business day prior to _____, 2015.

The Obligations will be dated the date of initial delivery, and will bear interest from their date to the maturity, or prior redemption, of each of the Obligations at a rate or rates per annum of not to exceed ____%. Interest on the Obligations is payable semiannually on January 1 and July 1 commencing July 1, 2016. The Obligations will mature on July 1 in the years 2016* through 2035*, inclusive, in the principal amounts as follows:

Maturity Date (July 1)	Principal Amount	Maturity Date (July 1)	Principal Amount
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	
2021		2031	
2022		2032	
2023		2033	
2024		2034	
2025		2035	

* Preliminary, subject to change

OPTIONAL REDEMPTION: Obligations maturing on or before July 1, 2025, are not subject to call for redemption prior to their stated maturity dates. Obligations maturing on or after July 1, 2026 are subject to call for redemption prior to their stated maturity dates, at the option of the City, in whole or in part, on July 1, 2025, or on any date thereafter by the payment of a redemption price equal to the principal amount of each Obligation called for redemption plus accrued interest to the date fixed for redemption but without premium.

NOTICE OF REDEMPTION: Please see the Notice of Redemption section in the Preliminary Official Statement.

PURPOSE: The Obligations are being issued to improve the City's water and wastewater systems, specifically to enhance performance and efficiency, and to pay the costs of issuance of the Obligations.

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

ADJUSTMENT OF OBLIGATIONS AFTER OPENING OF BIDS: The aggregate principal amount of the Obligations is preliminary and subject to change but in no event will exceed an aggregate principal amount of \$70,000,000*. The City reserves the right to reduce the principal amount of Obligations for which proposals are being solicited by an amount up to \$_____.00. The bid price paid by the winning bidder will be adjusted to reflect any change in the aggregate principal amount of the Obligations. Such adjusted bid will reflect changes in the dollar amount of the underwriting discount and original issue discount/premium, but will not change the underwriting discount percentage based on the bid price in the winning bid and the initial reoffering prices. The interest rates specified by the winning bidder for each maturity will not change. The winning bidder may not withdraw its bid as a result of any changes made within these limits. A representative of the City will notify the winning bidder of the final principal maturity amounts and the resulting adjusted purchase price no later than 11 A.M., MST (Arizona time) on the date of award of the Obligations.

ELECTRONIC BIDDING PROCEDURES: Bids may be submitted only through the facilities of PARITY in accordance with this Notice Inviting Bids for the Purchase of Obligations (the "Notice"). 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 Obligations.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the Obligations on the terms provided in this Notice and shall be binding upon the entity making the bid. The City and Piper Jaffray & Co., the City's financial advisor (the "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 shall conflict with information provided by PARITY, as the online system provider, this Notice 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 the provisions of this Notice.

INTEREST RATES: Bids for the purchase of the Obligations must state the rate or rates of interest to be paid and no bid at a price less than the par value of the Obligations, together with all accrued interest thereon at the date of delivery of the Obligations, will be considered. All Obligations 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 percent (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 Obligation.

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 (24) hours of the bid award, the winning bidder shall provide a good faith deposit to the City in the amount of \$1,400,000* (the “Deposit”), in the form of either of the following: (i) a certified or cashier’s check payable to the City, or (ii) a wire transfer delivered to the City. Neither the City nor the Financial Advisor has any liability for delays in the transmission of the Deposit.

Any 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.

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

City of Chandler General Account, ABA Number 122100024; Account number: 22281093; For Further Credit to: City of Chandler Depository Account, Reference: Name of Bidder – Excise Tax Revenue Obligations (Water/Wastewater), Series 2015;

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 Obligations.

* Preliminary, subject to change.

Any Deposit made by the successful bidder by check or wire transfer will be retained by the City following the award of the Obligations. Any Deposit made by check or wire transfer by an unsuccessful bidder will be returned to such bidder following City action relative to an award of the Obligations.

If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Arizona and pre-approved by the City. Such Financial Surety Bond must be submitted to the City prior to the opening of bids. The Financial Surety Bond must identify each bidder whose bid is guaranteed by such Financial Surety Bond. If the Obligations are awarded to a bidder using a Financial Surety Bond, then that bidder is required to submit its Deposit to the City in the form of a certified or cashier's check or wire transfer as instructed by the Financial Advisor not later than 1:00 P.M., Mountain Standard Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement.

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 Obligations 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 Obligations and the price bid, including any premium or discount but excluding accrued interest. Delivery of the Obligations will be made to the purchaser upon payment in Federal or immediately available funds at the offices of Gust Rosenfeld P.L.C. ("Special 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 Obligations 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 Obligations for a book-entry-only system (the "Book-Entry-Only System"). Under the Book-Entry-Only System, beneficial ownership interests in the Obligations will be available in book-entry form only through direct or indirect DTC participants.

Ownership interests in the Obligations may be purchased in principal amounts of \$5,000 or integral multiples thereof.

Transfers of beneficial ownership interests in the Obligations 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 Obligations, 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 Obligations at any time by giving notice to the Registrar (as defined herein) 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 Obligations 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 Obligations will be registered in the names of the Beneficial Owners and executed and delivered. Upon registration of Obligations in the Beneficial Owner's name, the Beneficial Owners will become the owners of the Obligations (the "Owners of the Obligations") for all purposes, including the receipt of principal and interest payments and notices with respect to the Obligations. See "THE OBLIGATIONS-Book-Entry-Only System" in the Official Statement.

REGISTRATION AND TRANSFER: The City will request bids for the services of bond registrar and paying agent with respect to the Obligations and will name such registrar and paying agent (the "Registrar") at the time of award of the sale of the Obligations to the successful bidder. If the Book-Entry-Only System is discontinued, the Registrar will administer registration and transfer of the Obligations and the Obligations 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 Obligations.

PAYMENT OF OBLIGATIONS: 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 Obligations shall be payable by check mailed on or prior to the interest payment date to the Owners of the Obligations 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 Obligations shall be paid when due upon surrender of such Obligations at the designated corporate trust office of the Registrar (unless the Owner of the Obligations 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 Obligations outstanding or on any Obligations 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 Obligations. Payment of principal and interest as to the Obligations held by a securities repository shall be by wire transfer.

RECORD DATE: So long as the Obligations 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 Obligation between the record date and the next interest payment date.

SECURITY: Principal of and interest on the Obligations are payable solely from payments made by the City pursuant to the Agreement and secured by the excise taxes of the City, meaning all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose ("Excise Taxes"). Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. [Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement.] The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes thereunder and will not be pledged to the

payment of the amounts due pursuant to the Agreement and the Trust Agreement. The City's pledge of its Excise Taxes is on a parity with its Existing Parity Obligations (as defined in the Trust Agreement).

CUSIP NUMBERS: CUSIP numbers will be placed on the Obligations, but neither failure to print such numbers on any Obligation 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 Obligations in accordance with the terms of the sale. No CUSIP number will be deemed to be part of any Obligation 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 OBLIGATION FORMS: The City shall bear the cost of printing of the Obligations and will furnish full executed Obligations, 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 Obligations, any person who was significantly involved in initiating, negotiating, securing, drafting or creating the contract for the purchase of the Obligations 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 Obligations, 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 Obligations on behalf of the City.

LEGAL OPINION: The Obligations are sold with the understanding that the City will furnish the purchaser with the approving opinion of Special Counsel. An undated copy of the form of such opinion can be found in the Preliminary Official Statement. Said attorneys have been retained by the City as Special Counsel and in such capacity are to render their opinion only upon the legality of the Obligations under Arizona law and on the exemption of the interest income on such Obligations from federal and State of Arizona income taxes (see "Tax-Exempt Status" below). Fees of Special Counsel for services rendered in connection with such approving opinion are expected to be paid from Obligation proceeds. Except to the extent necessary to issue its approving opinion as to validity of the Obligations, Special 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 Obligations 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 Obligations, the bidder agrees to the representation of the City by Special Counsel.

TAX-EXEMPT STATUS: In the opinion of Special Counsel under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the City, interest income on the portion of each payment and prepayment, if any, made by the City under the Agreement and denominated as a comprising interest income pursuant to the Agreement and received by the Owners of the Obligations is excluded

from gross income for purposes of calculating federal income taxes and is exempt from Arizona income taxes.

Should changes in the law cause Special Counsel's opinion to change prior to delivery of the Obligations to the purchaser, the purchaser will not be obligated to pick up and pay for the Obligations, and the winning bidder's Deposit will be returned.

INFORMATION FROM PURCHASER: The winning bidder for the Obligations will be required to provide the City with a certificate in a form acceptable to Special Counsel, which certificate shall state the initial offering prices at which each maturity of the Obligations 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 Obligations of each maturity were reasonably expected to be sold.

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The City has deemed the Preliminary Official Statement provided in connection with the sale of the Obligations to be final as of its date as required by Section 240.15(c)(2)(12), General Rules and Regulations, Securities Exchange Commission Act of 1934, as amended (the "Rule"), 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 Obligations, 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 Obligations, the City will provide the winning bidder with up to 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 Obligations 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 Obligations, 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 Obligations 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 Obligations, 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 Official Statement.

The City is currently in compliance with all of its existing continuing disclosure 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 Obligations. The City will also deliver an arbitration certificate covering its reasonable expectations concerning the Obligations.

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

CITY OF CHANDLER, ARIZONA

DRAFT

AGREEMENT

Between

as Trustee

and

CITY OF CHANDLER, ARIZONA

Dated as of _____ 1, 2015

AGREEMENT

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EXHIBIT A – Description of Project

EXHIBIT B – Payment Schedule

AGREEMENT

THIS AGREEMENT (hereinafter referred to as “Agreement”) by and between the City of Chandler, Arizona, a municipal corporation and a political subdivision under the laws of the State of Arizona (hereinafter referred to as the “City”) and _____, a national banking association authorized to do trust business in the State of Arizona (hereinafter referred to as “Trustee”), in its capacity as trustee under that certain Trust Agreement, dated as of _____ 1, 2015, by and between the Trustee and the City (the “Trust Agreement”);

W I T N E S S E T H:

WHEREAS, the City desires to finance improvements to the City’s water and wastewater system (the “Project”) as described in Exhibit A hereto; and

WHEREAS, the Trustee will execute and deliver the Obligations and use the proceeds of the Obligations to provide funds to the City to acquire the Project and pay the costs of delivery of the Obligations; and

WHEREAS, the City has agreed to pay to the Trustee from time to time such amounts at such times as may be required to pay debt service on the Obligations, and has agreed to pledge its Excise Taxes as security and the sole source of such payments;

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements hereinafter contained, it is hereby agreed as follows:

Section 1. Term and Payments.

(a) To provide funds necessary to finance (i) the acquisition and construction of the Project, and (ii) pay costs of delivery of the Obligations the Trustee shall execute and deliver the Obligations and use the proceeds thereof to finance the Project and payment of said delivery costs.

(b) The City agrees to acquire, construct and install the Project or cause the same to be acquired, constructed and installed, all in accordance with the plans and specifications thereto prepared for the City, and to pay all costs and expenses attendant thereto, including architectural and engineering costs and construction management fees, if any. To provide the funds necessary therefor, the Trustee, under the Trust Agreement, will execute and deliver the Excise Tax Revenue Obligations, Series 2015 (the “Obligations”).

(c) The City agrees to make the payments described herein to the Trustee three Business Days in advance of the Payment Dates set forth, and in the amounts set forth in the payment schedule attached hereto as Exhibit B and incorporated herein (the “Payments”). The City’s obligation to make such Payments shall be limited to payments from Excise Taxes (as defined in Section 3 below) pledged to the payment thereof by the City. The City shall receive a credit against amounts due equal to any amounts held in the Payment Fund and available for such purpose.

(d) The obligations of the City to make the Payments from the sources described herein and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach of the Trustee of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the City (i) will not suspend or discontinue any Payments provided for in this Section 1, (ii) will perform and observe all other agreements contained in this Agreement, and (iii) will not terminate the term of this Agreement for any cause, including, without limiting the generality of the foregoing, failure of the City or any other person to complete the acquisition, construction and installation of the Project, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, abandonment of the Project by the City, any change in the tax or other laws of the United States of America or of the State of Arizona or any political subdivision of either or any failure of Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. This Agreement shall not terminate so long as any payments are due and owing and unprovided for under the Obligations.

Section 2. Pledge of Excise Taxes; Limited Obligations The City hereby pledges for the Payments to be made hereunder and all other amounts payable pursuant hereto its Excise Taxes, as defined in Section 3 below. The City intends that this pledge shall be a first lien pledge upon such amounts of said taxes as will be sufficient to make the Payments pursuant hereto when due. The City agrees and covenants to make said Payments from such Excise Taxes, except to the extent it chooses to make the Payments from other funds pursuant to Section 5. Said pledge of, and said lien on, the Excise Taxes is hereby irrevocably made and created for the prompt and punctual payment of the amounts due hereunder according to the terms hereof, and to create and maintain the funds as hereinafter specified in this Agreement or as may be specified in the Trust Agreement. All of the Payments are coequal as to the pledge of and lien on the Excise Taxes pledged for the payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Taxes or security therefor. The pledge and lien shall be on a parity with the pledge of and lien on such Excise Taxes for the payments due with respect to the City of Chandler, Arizona, Excise Tax Revenue Obligations, Series 2009 (\$34,040,000 principal amount issued, \$21,255,000 outstanding), the City of Chandler, Arizona Excise Tax Revenue Bonds, Series 2011 (\$15,000,000 principal amount issued, \$12,175,000 outstanding) and the City of Chandler, Arizona Excise Tax Revenue Bonds, Series 2013 (\$104,500,000 principal amount issued, \$104,000,000 outstanding) (the “Existing Parity Obligations”). The City shall remit to the Trustee (or other appropriate trustee with respect to Parity Obligations) from Excise Taxes all amounts due under this Agreement and Parity Obligations in the amounts and at the times and for the purposes as required herein and in the Trust Agreement. The City’s obligation to make payments of any amounts due under this Agreement, including amounts due after default or termination hereof, is limited to payment from Excise Taxes and shall in no circumstances constitute a general obligation of, or a pledge of the full faith and credit of, the City, the State of Arizona, or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any ad valorem taxes.

Section 3. Excise Taxes. “Excise Taxes” shall mean all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose. Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. [Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement.] The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes and will not be pledged to the payment of the amounts due pursuant to this Agreement. All Excise Taxes in excess of amounts, if any, required to be deposited with or held by the Trustee (or other appropriate trustee with respect to Parity Obligations) for Payments due under this Agreement or the Trust Agreement or agreements relating to Parity Obligations shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of junior lien obligations to which such Excise Tax revenues may from time to time be pledged. If at any time the moneys in the funds and accounts held for payment of amounts due under this Agreement or Parity Obligations are not sufficient to make the deposits and transfers therein required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms hereof, and the transfer of any such sum or sums to said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 4. Surplus and Deficiency of Excise Taxes. Subject to the rights with respect to the Excise Taxes of the Owners of the Parity Obligations, and any other obligations issued on a parity herewith pursuant to the Trust Agreement and this Agreement, Excise Taxes in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under this Agreement or the Trust Agreement shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of subordinate lien obligations to which such Excise Tax proceeds may from time to time be pledged. If at any time the moneys in the funds and accounts held for payment of amounts due under this Agreement or the Trust Agreement are not sufficient to make the deposits and transfers herein required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of this Agreement, and with respect to payment for Excise Taxes pro rata, as applicable, with amounts due with respect to obligations on a parity therewith with respect to the Excise Taxes, and the transfer of any such sum or sums to said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

The City shall impose all necessary Excise Taxes and shall collect and receive the proceeds of sufficient Excise Taxes, and pay such proceeds to the Trustee in such amounts and at such times as will be fully sufficient, in conjunction with any other legally available moneys (but not proceeds of ad valorem taxes, except in compliance with Section 5 which the City may from time to time lawfully choose to pay to the Trustee, to assure the punctual performance of all duties requiring the payment or expenditure of money by the City under the terms of this

Agreement. Such payments shall be made on the dates specified herein during the term of this Agreement and shall be sufficient to meet all requirements for the Obligations.

Section 5. Use of Other Funds at the Option of the City. The City may, at the City's sole option, make the Payments from its other funds as permitted by law and as the City shall determine from time to time, but the Trustee acknowledges that it has no claim hereunder to such other funds. No part of the Payments payable pursuant to this Agreement shall be payable out of any ad valorem taxes imposed by the City or from bonds or other obligations, the payment of which the City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by the City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State of Arizona, and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State of Arizona.

Section 6. Parity Obligations. So long as any amounts due hereunder remain unpaid or unprovided for, the City shall not create, suffer or permit any lien upon the Excise Taxes senior to the lien hereof. So long as any amounts due hereunder remain unpaid or unprovided for, the City shall not create, suffer or permit any lien upon Excise Taxes on a parity herewith except for Parity Obligations upon compliance with the requirements therefor set out in the Trust Agreement.

Section 7. The City to Maintain Coverage of Three Times Debt Service. The City covenants and agrees that the Excise Taxes which it presently imposes will continue to be imposed in each Fiscal Year so that the amount of Excise Taxes, all within and for the next preceding Fiscal Year of the City, shall be equal to at least three (3) times the Annual Debt Service Requirement (as defined in the Trust Agreement) payable hereunder, and under any Outstanding Parity Obligations, for the current Obligation Year (as defined in the Trust Agreement). The City further covenants and agrees that if such receipts for any such Fiscal Year shall not equal at least three (3) times such Annual Debt Service Requirement for such Obligation Year, or if at any time it appears that the current Fiscal Year's receipts will not be sufficient to meet the current Obligation Year's actual Annual Debt Service Requirement, the City will either impose new Excise Taxes or will increase the rates of such taxes currently imposed in order that (i) the current Fiscal Year's receipts will be sufficient to meet the current Obligation Year's Annual Debt Service Requirement and (ii) the then current Fiscal Year's receipts will be equal to at least three (3) times the next succeeding Obligation Year's Annual Debt Service Requirement.

Section 8. Representations, Warranties and Covenants. The City represents, warrants and covenants that it has the power to enter into this Agreement, that this Agreement is a lawful, valid and binding obligation of the City, enforceable against the City in accordance with its terms, and has been duly authorized, executed and delivered by the City; that all required procedures for execution and performance hereof, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; that all Payments hereunder will be paid when due out of funds which are legally available for such purposes.

Section 9. Option to Prepay; Option to Partially Prepay; Providing for Payment.

(a) The City may prepay the principal component of any Payment under this Agreement.

(b) The City may provide for the payment of any Payment in any one or more of the following ways:

(1) by paying such Payment as provided herein as and when the same becomes due and payable at its scheduled due date pursuant to Section 1 hereof;

(2) by depositing with a Depository Trustee (as defined below), in trust for such purposes, at or before maturity, money which, together with the amounts then on deposit with the Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment; or

(3) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations (as defined in the Trust Agreement) which are noncallable, in such amount as shall be certified to the Trustee and the City, by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Trustee and available for such Payment, to make, or cause to be made, such Payment, as and when the same becomes due and payable at maturity.

A Depository Trustee shall be any bank or trust company, including the Trustee, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State of Arizona authority who holds money and securities in trust for the purposes set forth in subparagraphs (2) or (3) of this paragraph (b) (a "Depository Trustee").

Section 10. Event of Default and Remedies Upon Event of Default.

(a) The occurrence of one or more of the following events shall constitute an Event of Default, whether occurring voluntarily or involuntarily, by operation of law or pursuant to any order of any court or governmental agency:

(1) The City's failure to make any Payment or any other amount payable hereunder or under the Trust Agreement when the same shall become due;

(2) The City's failure to perform or observe any other covenant, condition or agreement required to be performed or observed by the City hereunder or under the Trust Agreement and such failure shall continue for a period of twenty (20) days after written notice thereof from the Trustee to the City; provided, however, that if the failure cannot be corrected within the applicable time period, the Trustee will not unreasonably withhold its consent to an extension of one hundred eighty (180) days from the date of delivery of such written notice to the City by the Trustee if corrective action is instituted by the City within the

applicable period and diligently pursued until the default is corrected; provided, however, that if the failure cannot be corrected within the initial one hundred eighty (180) day extension, the City may request, and the Trustee will not unreasonably withhold its consent to, successive additional one hundred eighty (180) day extension(s) so long as the City is diligently pursuing corrective action;

(3) Any representation or warranty made by the City hereunder shall be untrue in any material respect as of the date made and not made true in all material respects within twenty (20) days of notice thereof from the Trustee to the City;

(4) The City shall make, permit or suffer any unauthorized assignment or transfer hereof or any interest therein; or

(5) The City becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee or receiver for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee or receiver is appointed for the City or a substantial part of its property and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, moratorium, or any proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the City and, if instituted against the City, is consented to or acquiesced in by the City or is not dismissed within sixty (60) days.

(b) Upon the occurrence of any Event of Default specified in subsection 10(a) hereof, the Trustee shall give written notice of such Event of Default to the City and may, upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Obligations then outstanding and upon being indemnified pursuant to its satisfaction, pursue or exercise any of the following remedies or rights, provided that such election or commencement to exercise any such remedy or right shall not preclude the Trustee from concurrently or separately electing or exercising any other remedy not inconsistent therewith:

(1) Enforce this Agreement by appropriate legal or other action to collect all amounts due or accruing hereunder or under the Trust Agreement and to cause the City to pay or perform its other obligations hereunder or under the Trust Agreement when and as the same shall be required to be paid or performed hereunder or thereunder, and for damages for the breach hereof and of the Trust Agreement, which damages shall be the amounts payable hereunder at the times herein set forth without acceleration plus the reasonable costs of collection, including reasonable attorneys' fees and expenses;

(2) Pursue and exercise any other remedy available at law or in equity and all other remedies permitted under the Trust Agreement. No other remedy exercised by the Trustee under this Section 10 shall excuse any of the City's obligations hereunder.

(c) The Trustee, upon the bringing of a suit to collect the Payments in default, may as a matter of right, without notice and without giving bond to the City or anyone claiming under the City, seek and obtain injunctive relief.

(d) The obligation of the City to make Payments is not subject to acceleration and such Payments may not be made immediately due and payable for any reason.

Section 11. Assignment.

(a) Except as otherwise provided herein, without the prior written consent of the Trustee (which, prior to the payment of the Obligations in full, shall not be given without the Trustee's receipt of direction from the Owners of a majority in aggregate principal amount of the Obligations then Outstanding to give such consent), the City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement, or any interest therein,

(b) Subject to the terms of the Trust Agreement, the Trustee shall be entitled, with or without notice to, or the consent of, the City, to sell, pledge, assign, transfer and encumber all or any part of its right, title and interest in and to this Agreement and all payments of any kind due or which become due to the Trustee hereunder, provided that such transfer or assignment shall not impair the Obligations, that the transferee or assignee shall be bound by the terms hereof and all related agreements executed by the Trustee in connection herewith and shall execute such nondisturbance and acceptance instruments as shall reasonably be required to evidence the same as hereinafter provided and, upon the City's receipt of notice of any such assignment or transfer of the Trustee's interest, any such assignee(s) or transferee(s) shall thereafter (collectively, if more than one) become and be deemed to be the Trustee hereunder, and have all of the rights, powers, privileges and remedies, and be subject to all of the covenants and agreements, of the Trustee hereunder for all purposes hereof.

During the term hereof, the City shall maintain a complete and accurate record of all such sales, assignments and transfers in form necessary to comply with Section 149(a) of the United States Internal Revenue Code of 1986, as amended, and the regulations proposed or existing, from time to time promulgated thereunder. Upon the City's receipt of written notice as above-described, of the Trustee's sale, assignment or transfer of all or any part of its interest in this Agreement or the payments hereunder, the City agrees to attorn to and recognize any such purchaser(s), assignee(s) or transferee(s) (jointly if more than one) as the owner(s) of all right, title and interest in, to and under this Agreement and the payments thereafter due and payable pursuant hereto, and as the Trustee(s) hereunder. Upon the written request of any purchaser, assignee or transferee of the Trustee's interest, the City agrees to execute and deliver to such purchaser, assignee or transferee such certificates or other instruments in such forms as may reasonably be required by such purchaser, assignee or transferee, and to which the City can truthfully attest, including but not limited to a separate acknowledgment of assignment and attornment certificate in the customary form as to such purchaser's, assignee's or transferee's right, title and interest in, to and under this Agreement and the payments thereafter due and payable pursuant hereto. Any such purchaser, assignee or transferee shall agree in writing to assume and perform all of the duties and responsibilities of the Trustee and shall acknowledge the City's rights hereunder. Provided, however, that in the event the Trustee becomes merged or

consolidated with any other entity and the resulting entity meets the requirements for a successor trustee under the Trust Agreement, then the resulting entity shall assume all rights, responsibilities and duties of the Trustee hereunder without the execution or filing of any papers or any further act on the part of either party and “Trustee” hereunder shall refer to such resulting party.

Section 12. Reserve Fund. If a Reserve Fund is required by the Trust Agreement, the Trustee shall create a separate deposit account to be held in the custody of the Trustee under the Trust Agreement; said fund shall be designated the “Reserve Fund”.

(a) The Reserve Fund may contain either invested cash or an insurance policy, surety bond, letter of credit or other form of security.

(b) Moneys in the Reserve Fund shall be maintained in an amount not less than the Reserve Fund Requirement as defined in the Trust Agreement. If at any time the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, the Trustee shall so notify the City and the City shall be required to immediately restore from Excise Taxes the amount on deposit in the Reserve Fund to an amount equal to the Reserve Fund Requirement. No amount of the Excise Taxes shall be considered surplus revenues or available to the City until the Reserve Fund has been restored to the Reserve Fund Requirement. If the Reserve Fund contains a surety bond or other form of security, restoration of the Reserve Fund shall include payment to the provider of the surety bond or other form of security of all amounts due under any agreement with such provider, including reimbursement of any amount drawn on the surety bond or other form of security, interest thereon until repaid and any costs associated therewith, all of which shall be additional lease payments hereunder.

(c) If on any Computation Date, the total amount in the Reserve Fund exceeds the Reserve Fund Requirement, an amount equal to such excess shall be transferred from the Reserve Fund and shall be applied by the Trustee to Payments hereunder and to payments due under Outstanding Parity Obligations for which a separate reserve fund is not established, or for which none is required, in proportion to the amount next to come due on such Agreement or Parity Obligation which is otherwise not provided for, as provided in the Trust Agreement. Except for such excess amounts, moneys on deposit in the Reserve Fund shall be used only to make up any deficiencies in the Excise Taxes for the payment of the Payments and payments due under Outstanding Parity Obligations for which a separate reserve fund is not established and to pay amounts due as reimbursement of any amounts drawn on any surety bond or other form of security and any interest thereon.

(d) Any investment earnings allocated to the Reserve Fund after deduction of amounts to be set aside for rebate to the federal government pursuant to the Trust Agreement shall be used first to cause the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement or to reimburse any amounts drawn on the surety bond or other form of security and any interest thereon, as provided in the Trust Agreement and, to the extent not necessary for such purpose, shall be applied by the Trustee to Payments to be made hereunder and to payments due under Outstanding Parity Obligations other than ones for which a separate reserve fund is established or no reserve fund is required.

Section 13. Miscellaneous.

(a) No covenant or obligation herein to be performed by the City may be waived except by the written consent of the Trustee and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude the Trustee from invoking such remedy at any later time prior to the City's cure of the condition giving rise to such remedy.

(b) This Agreement shall be construed and governed in accordance with the laws of the State of Arizona in effect from time to time.

(c) This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both the Trustee and the City.

(d) Any term or provision hereof found to be prohibited by law or unenforceable or which would cause this Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Agreement to be invalid, prohibited by law or unenforceable.

(e) The Trustee hereunder shall have the right at any time or times, by notice to the City, to designate or appoint any person or entity to act as agent or trustee for the Trustee for any purposes hereunder.

(f) The City agrees to pay interest at the rates necessary to pay the interest components specified in Exhibit B.

(g) Use of the neuter gender herein is for purposes of convenience only and shall be deemed to mean and include the masculine or feminine gender whenever and wherever appropriate.

(h) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(i) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives, as the case may be. Any person or entity acquiring any interest in or to the Trustee's right, title or interest herein shall be and have the rights of a third party beneficiary hereunder.

Section 14. Notices; Mailing Addresses. All notices, consents or other communications required or permitted hereunder shall be deemed sufficient if given in writing

addressed and mailed by registered or certified mail, or delivered to the party for which the same is intended or certified, as follows:

If to Seller: _____

Attn: _____

If to City: City of Chandler, Arizona
175 South Arizona Avenue, 3rd Floor
Chandler, Arizona 85225
Attn: Management Services Director
(480) 782-2250

with a copy to: Gust Rosenfeld P.L.C.
One E. Washington Street, Suite 1600
Phoenix, Arizona 85004-2553
Telecopy No.: (602) 254-4878
Attn: Mr. Scott W. Ruby
(602) 257-7432

Section 15. Definitions. All terms not otherwise defined herein are as defined in the Trust Agreement.

Section 16. Tax Covenants. In consideration of the acceptance and execution of this Agreement by the Trustee and the purchase of the Obligations by the Owners thereof, from time to time, and in consideration of retaining the exclusion of interest income from gross income on this Agreement and the Obligations for federal income tax purposes, the City covenants with the Trustee and the Obligation Owners from time to time 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 this Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution hereof or such laws as they may be modified or amended or tax laws later adopted.

The City agrees that it will comply with such requirement(s) and will take any such action(s) as are necessary to prevent interest income on this Agreement or the Obligations from 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 special counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating hereto; 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 hereto; and limiting the use of the proceeds hereof and property financed thereby.

In consideration for the issuance of Obligations, the City agrees to be the ultimate obligor for the payment of arbitrage rebate should the amounts held in the Arbitrage Rebate Fund be insufficient to make all payments required by Section 148(f)(3) of the Internal Revenue Code of 1986, as amended, or any succeeding sections.

Section 17. Notice as to Conflict of Interest. A.R.S. Section 38-511 provides that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City 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 of the contract with respect to the subject matter of the contract. In addition, the City may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City from any other party to the contract arising as a result of the contract.

Section 18. Trustee. The Trustee is acting hereunder in its capacity as the Trustee under the Trust Agreement and is entitled to all the rights, protections, immunities and indemnities hereunder as afforded to the Trustee under the Trust Agreement.

Section 19. E-Verify Requirements. To the extent applicable under A.R.S. Section 41-4401, the Trustee and its subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and their compliance with the E-verify requirements under A.R.S. Section 23-214(A). The Trustee or its subcontractors' breach of the above-mentioned warranty shall be deemed a material breach of this Agreement and may result in the termination of the Trustee's services by the City. The City retains the legal right to randomly inspect the papers and records of the Trustee or its subcontractor employees who work on this Agreement to ensure that the Trustee and its subcontractors are complying with the above-mentioned warranty.

The Trustee and its subcontractors warrant to keep the papers and records open for random inspection by the City during normal business hours. The Trustee 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.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the 1st day of _____, 2015.

TRUSTEE:

By _____
Its _____

State of Arizona

County of Maricopa

The foregoing instrument was acknowledged before me this ____ day of _____, 2015, by _____, the _____ of _____, a national banking association authorized to do trust business in the State of Arizona, on behalf of Trustee.

My commission expires:

Notary Public

CITY:

**CITY OF CHANDLER, ARIZONA, a
municipal corporation and political
subdivision under the laws of the State of
Arizona**

By _____
Mayor

ATTEST:

By _____
City Clerk

APPROVED AS TO FORM:

By _____
Special Counsel

State of Arizona

County of Maricopa

The foregoing instrument was acknowledged before me this ___ day of _____, 2015, by Jay Tibshraeny, the Mayor of the City of Chandler, Arizona, a municipal corporation and political subdivision under the laws of the State of Arizona, on behalf of the City.

My commission expires:

Notary Public

EXHIBIT A

DESCRIPTION OF PROJECT

- A. Water Systems:
 - Main Replacements
 - Well Construction
 - Water System Upgrades with Street Construction
 - Water Treatment Plant Improvements
 - Water Production Facility Improvements
 - Water Rights Settlement

- B. Wastewater Systems:
 - Water Reclamation Plan Expansion
 - Effluent Reuse-Storage and Recovery
 - Collection System Facility Improvements
 - Sewer Assessments and Rehab
 - Wastewater System Upgrades with Street Construction
 - Water Reclamation Facility Improvements

- C. Other Improvements determined by the City.

EXHIBIT B

PAYMENT SCHEDULE

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
07/01/2016			
01/01/2017			
07/01/2017			
01/01/2018			
07/01/2018			
01/01/2019			
07/01/2019			
01/01/2020			
07/01/2020			
01/01/2021			
07/01/2021			
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DRAFT

TRUST AGREEMENT

by and between

_____,
as Trustee

and

CITY OF CHANDLER, ARIZONA

Dated as of _____ 1, 2015

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TRUST AGREEMENT

THIS TRUST AGREEMENT, made and entered into as of _____ 1, 2015 (the “Trust Agreement”), by and between _____, a national banking association, as trustee (the “Trustee”), and **CITY OF CHANDLER, ARIZONA**, a municipal corporation organized under the laws of the State of Arizona (the “City”);

WITNESSETH:

WHEREAS, for the purpose of financing certain water and wastewater system improvements on such other property and improvements selected by the City (the “Project”), the City has entered into that certain Agreement, dated as of _____ 1, 2015 (the “Agreement”), between the Trustee and the City, for the financing of the Project and the issuance of certain Obligations, as defined herein; and

WHEREAS, the City has pledged certain revenues (the “Excise Taxes” as defined herein) to the payment of amounts due under the Agreement; and

WHEREAS, the City and the Trustee will enter into this Trust Agreement to facilitate the administration of the acquisition, construction, installation and financing of the Project; and

WHEREAS, for the purpose of obtaining money to be deposited with the Trustee to finance the acquisition, construction and installation of the Project, the Trustee has agreed to execute and deliver Excise Tax Revenue Obligations, Series 2015 (the “Obligations” and individually an “Obligation”), each evidencing a proportionate interest in the Agreement and the Payments and Prepayments made by the City under the Agreement, in exchange for the moneys required herein to be deposited to finance such acquisition and construction; and

WHEREAS, the capitalized terms are defined in the Definitions Section herein;

NOW, THEREFORE, in consideration for the Obligations executed and delivered and Outstanding under this Trust Agreement, the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Obligations by the Owners, and to secure the payment of the principal thereof and interest components relating to the Obligations, the rights of the Owners of the Obligations and the performance and the observance of the covenants and conditions contained in the Obligations, the Agreement and herein, the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of all right, title and interest in and to the following described trust estate:

A. All right, title and interest of the Trustee, in and to the Agreement, the Payments and any other amounts payable by the City under the Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder,

(ii) to bring acts and proceedings thereunder or for the enforcement of such rights, and (iii) to do any and all other things which the Trustee is or may become entitled to do thereunder.

B. Except as otherwise provided herein, all right, title and interest of the Trustee in and to amounts on deposit from time to time in the funds and accounts created pursuant hereto, subject to the provisions hereof permitting the application thereof for the purposes and on the terms and conditions set forth herein.

C. All right, title and interest of the Trustee to enforce the Agreement and receive payment from Excise Taxes of amounts due under the Agreement.

D. All rights declared in trust by the Trustee shall be administered by the Trustee according to the provisions hereof and for the equal and proportionate benefit of the Owners of Obligations.

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance hereof, unto the Trustee and its successors and assigns, forever, subject, however, to the rights of the City, its successors and assigns, under the Agreement.

IN TRUST, however, for the equal and proportionate benefit and security of the Owners from time to time of the Obligations executed and delivered hereunder and Outstanding; and conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, then and in such event, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereafter set forth.

ARTICLE I

DEFINITIONS

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

“Acquisition Fund” means the City of Chandler Water and Wastewater Project Acquisition Fund (2015) established pursuant to Article III hereof and held by the Trustee.

“Additional Parity Obligations” mean any obligations executed and delivered on a parity with respect to Excise Taxes pursuant to the provisions of Section 6.4 hereof.

“Agreement” means the Agreement, dated as of _____ 1, 2015, by and between the City and the Trustee.

“Authorized Denominations” means \$5,000 or integral multiples thereof.

“Available Revenues” means, for any Fiscal Year, Excise Taxes actually received in such Fiscal Year.

“Book Entry Form” or **“Book Entry System”** means, as to the Obligations, a form or system, as applicable, under which (i) physical Obligation certificates in fully registered form are executed and delivered only to a Depository or its nominee as Owner, with the physical Obligation certificates “immobilized” in the custody of, or on behalf of, the Depository and (ii) the ownership of book entry interests in Obligations and principal of, premium, if any, and interest thereon may be transferred only through a book entry made by other than the City or the Trustee or the Registrar. The records maintained by entities other than the City or the Trustee or the Registrar constitute the written record that identifies the owners, and records the transfer, of book entry interests in those Obligations and principal of, premium, if any, and interest thereon.

“Business Day” means a day of the year other than (a) a Saturday or a Sunday, (b) a day on which banks located in the State of Arizona or New York or any other state in which is located the Designated Office of the Trustee or of the Paying Agent, are required or authorized by law or other governmental action to be closed and (c) a day on which the New York Stock Exchange or the Depository is closed.

“Certificate of Completion” means the notice of completion, filed with the Trustee by the City Representative, stating that the Project, or any phase thereof, has been substantially completed.

“City” means the City of Chandler, Arizona, a municipal corporation and a political subdivision of the State of Arizona.

“**City Representative**” means the City’s Management Services Director or any other person authorized by the City Manager or the City Council of the City to act on behalf of the City with respect to this Trust Agreement.

“**Closing Date**” means the day when the Obligations, duly executed by the Trustee, are delivered to the Original Purchaser.

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time. References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended, and any successor provisions to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Obligations.

“**Completion Date**” means the date on which the final Certificate of Completion is filed with the Trustee by the City Representative.

“**Construction Contract**” means, collectively, any contracts between the City and a Contractor, for the acquisition, construction or installation of any portion of the Project.

“**Contractor**” means any contractor under a Construction Contract and any successor or assigns permitted.

“**Debt Service**” means with respect to any Parity Obligations, as of any date of calculation and with respect to any Fiscal Year, the sum of (1) the interest falling due during such Fiscal Year (except to the extent that such interest is payable from proceeds of the Parity Obligations or other amounts set aside for such purpose at the time such Parity Obligations are incurred), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similarly denoted principal payment obligation) payments or deposits required with respect to such Parity Obligations during such period; such sum to be computed on the assumption that no portion of such Parity Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments. If interest on Parity Obligations is payable pursuant to a variable interest rate formula, the interest rate on such Parity Obligations for Fiscal Years when the actual interest rate on such Parity Obligations cannot yet be determined shall be assumed to be equal to the higher of:

(a) the average annual interest rate on such Parity Obligations over the last five Fiscal Years or since the date of execution and delivery of such Parity Obligations if less than five years, or

(b) if the terms of such Parity Obligations provide for conversion of the interest rate payable on such obligations to a fixed interest rate for the remainder of their term to maturity, an interest rate per annum determined in accordance with the provisions of such obligations as if the interest rate payable thereon were being converted to a fixed interest rate for the remainder of their term to maturity.

“**Default**” means any event that with the lapse of time or the giving of notice, or both, would be an Event of Default.

“**Defeasance Obligations**” means noncallable Permitted Investments defined in clauses (a), (b), (c) and (d) of such definition, provided, however, that such advance refunded municipal obligations (pursuant to clause (c)) must be rated in the highest rating category by two or more Rating Agencies or, if rated by fewer than two Rating Agencies, then must have been pre-refunded with cash, or obligations defined in clauses (a), (b) or (c) or pre-refunded municipals rated in the highest rating category by each Rating Agency providing a rating on the Obligations.

“**Delivery Costs**” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the execution, sale and delivery of the Agreement, this Trust Agreement and the Obligations, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

“**Delivery Costs Fund**” means the City of Chandler Water and Wastewater Project Delivery Costs Fund (2015) established pursuant to Article III hereof.

“**Depository**” means, as to the Obligations, The Depository Trust Company (a limited purpose trust company), New York, New York until a successor Depository shall have become such pursuant to the applicable provisions of this Trust Agreement and, thereafter, Depository shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of beneficial interests in Obligations or principal of, premium, if any, and interest thereon, and to effect transfers of Obligations, in Book-Entry Form.

“**Designated Office**” of the Trustee, the Paying Agent or the Registrar, as applicable, means the office designated as such by the Trustee, the Paying Agent or the Registrar, as applicable, in writing to the City, the Trustee, the Paying Agent and the Registrar.

“**Electronically**” notice means notice transmitted through a time-sharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“**Event of Default**” means an event of default under the Agreement, as defined in Section 10 thereof.

“**Excise Taxes**” means all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state

revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose. Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. [Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement.] The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes hereunder and will not be pledged to the payment of the amounts due pursuant to the Agreement and the Trust Agreement.

“Existing Parity Obligations” means amounts Outstanding of the \$34,040,000 aggregate principal amount of City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2009, \$15,000,000 aggregate principal amount of City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2011 and the \$104,500,000 aggregate principal amount of City of Chandler Excise Tax Revenue Obligations, Series 2013.

“Fiscal Year” means the period commencing each July 1 and ending June 30 of the succeeding calendar year, unless otherwise determined and designated by the City, and the Excise Taxes shall be accounted for on that basis.

“Fitch” means Fitch Ratings, Inc., a part of the Fitch Group, a jointly owned subsidiary of Hearst Corporation and Fimalac S.A., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency that may be designated by the City by written notice to the Trustee.

“Government Obligations” means direct general obligations of, or obligations the timely payment of principal and interest on which are fully and unconditionally guaranteed by, the United States of America, including Government Obligations which have been stripped of their unmatured interest coupons and interest coupons stripped from Government Obligations, provided any stripped Government Obligations have been stripped by the applicable United States governmental agency.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee.

“Interest Payment Date” means the first day of each January and July, provided that, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment.

“Maturity Date” means, for any Obligation, the date on which such Obligation matures as provided in Section 2.3 hereof.

“Maximum Annual Debt Service Requirement” means the greatest annual Debt

Service requirement that accrues in any Fiscal Year on or under the Outstanding Parity Obligations.

“**Moody’s**” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency that may be designated by the City by written notice to the Trustee.

“**Obligation Year**” means the Fiscal Year.

“**Obligations**” mean the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2015 executed and delivered pursuant to this Trust Agreement.

“**Original Purchaser**” means _____, as original purchaser of the Obligations.

“**Outstanding**” when used with respect to Parity Obligations refers to Parity Obligations executed and delivered, excluding: (i) Parity Obligations which have been exchanged or replaced, or delivered to the Trustee therefor for credit against a sinking fund installment; (ii) Parity Obligations which have been paid; (iii) Parity Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee therefor; and (iv) Parity Obligations for which there have been irrevocably set aside with a Trustee therefor sufficient moneys or Defeasance Obligations bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of, premium, if any, and interest on such Parity Obligations as provided in the proceedings under which such Parity Obligations were executed and delivered, provided, however, that if any such Parity Obligations are to be redeemed prior to maturity, the City shall have taken all action necessary to redeem such Parity Obligations and notice of such redemption shall have been duly mailed in accordance with the proceedings under which such Parity Obligations were executed and delivered or irrevocable instructions so to mail shall have been given to the trustee therefor.

“**Owner**” or any similar term, when used with respect to an Obligation means the person in whose name such Obligation shall be registered.

“**Parity Obligations**” means, collectively, the Obligations, the Existing Parity Obligations and any Additional Parity Obligations that are Outstanding.

“**Paying Agent**” means the Trustee.

“**Payment Date**” means any date on which a Payment is due from the City as stated on Exhibit B to the Agreement.

“**Payment Fund**” means the City of Chandler 2015 Payment Fund established and held by the Trustee pursuant to Article V hereof.

“**Payment Request Form**” means the form set forth in Exhibit B which is attached hereto and made a part hereof.

“**Payments**” means all payments required to be paid by the City on any date pursuant to the Agreement.

“**Permitted Investments**” means any of the following:

- (a) Government Obligations;
- (b) CATS and TIGRS;
- (c) Advance-refunded municipal obligations;
- (d) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): U.S. Export-Import Bank (Eximbank) - direct obligations or fully guaranteed certificates of beneficial ownership; Farmers Home Administration (FmHA) - certificates of beneficial ownership; Federal Financing Bank; Federal Housing Administration Debentures (FHA); U.S. Maritime Administration - guaranteed Title XI financing; U.S. Department of Housing and Urban Development (HUD) - project notes, local authority bonds, new communities debentures U.S. Government guaranteed debentures, U.S. Public Housing notes and bonds - U. S. Government guaranteed public housing notes and bonds;
- (e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): Federal Home Loan Bank System - senior debt obligations; Resolution Funding Corp. (REFCORP) obligations; and Farm Credit System -consolidated systemwide bonds and notes;
- (f) money market funds registered under the Federal Investment Company Act of 1940, or whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G, AAA-m, or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2 including, without limitation, those of which an affiliate of the Trustee acts as a manager or an investment advisor;
- (g) certificates of deposit (i) secured at all times by collateral described in (a), (b), (c) or (d) above, (ii) issued by commercial banks, savings and loan associations or mutual savings banks and (iii) the collateral must be held by a third party and the Trustee must have a perfected first security interest in the collateral;
- (h) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(i) investment agreements, including guaranteed investment contracts, which meet the following criteria:

(i) the investment agreement must be collateralized by the transfer of qualifying securities from a dealer bank or securities firm to the Trustee;

(ii) the investment agreement must be between the Trustee and a provider which is rated "A" or better by S&P and Moody's;

(iii) the written investment agreement must include the following: (A) securities which are acceptable for collateral are Government Obligations, or Federal agencies backed by the full faith and credit of the U.S. government; (B) the collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); (C) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to at least 103% of the amount invested by the Trustee under the investment agreement plus accrued interest and if the value of securities held as collateral slips below 103% of the required value, then additional cash and/or acceptable securities must be transferred; and

(iv) a legal opinion must be delivered to the Trustee that the investment agreement meets guidelines under state law for legal investment of public funds;

(j) commercial paper rated, at the time of purchase, Prime-1 by Moody's and "A-1" or better by S&P;

(k) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(l) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of Prime-1 or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(m) repurchase agreements which meet the following criteria:

(i) the repurchase agreement (the "repo") must provide for the transfer of securities from a dealer bank or securities firm to the Trustee, and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(ii) repo must be between the Trustee and a dealer bank or securities firm which is either a primary dealer on the Federal Reserve reporting dealer list which

is rated “A” or better by S&P and Moody’s, or a bank rated “A” or above by S&P and Moody’s;

(iii) the written repo contract must include the following: (A) securities which are acceptable for transfer are Government Obligations, or Federal agencies backed by the full faith and credit of the U.S. government; (B) the collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); (C) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to at least 103% of the amount of cash transferred by the Trustee to the counter-party under the repo plus accrued interest and if the value of securities held as collateral slips below 103% of the value of the cash transferred by Trustee, then additional cash and/or acceptable securities must be transferred; and

(iv) legal opinion which must be delivered to the Trustee that the repo meets guidelines under state law for legal investment of public funds;

(n) any other investment that is permitted under applicable Arizona law.

Notwithstanding the foregoing, moneys derived from the sale of the Obligations shall be invested only in obligations described in (a), (b), (d) or (g) (other than certificates of deposit with a savings and loan association or mutual savings bank as described in (g)) or in (f), (i) or (n) (where such investment described in (f), (i) or (n) consists solely of, or are secured by, obligations described in (a), (b), (d) or (g) (other than certificates of deposit with a savings and loan association or mutual savings bank as described in (g))).

“**Personal Property**” means the personal property described in Exhibit A to the Agreement, together with any duly authorized and executed amendment thereto.

“**Prepayment**” means any payment applied towards the prepayment of the Payments, in whole or in part, pursuant to the Agreement.

“**Project**” means the City’s water and wastewater systems improvements, specifically to enhance performance and efficiency of the systems, the rights therein to be acquired, constructed and installed.

“**Project Costs**” means, with respect to the Project, all architectural, engineering, soils, survey, archaeology, demolition, construction management fees, development fees, contingencies and other related costs of acquiring and constructing the Project and all costs payable to a Contractor under a Construction Contract, or incurred by Trustee or City with respect to the transaction to which this Trust Agreement pertains.

“**Rating Agency**” or “**Rating Agencies**” means S&P, Moody’s and Fitch or any other nationally recognized securities rating agency requested by the City to rate the Obligations.

“Rebate Amount” means the excess of the future value, as of that date, of all receipts on non-purpose investments over the future value, as of that date, of all payments on non-purpose investments.

“Rebate Consultant” means an individual or firm acceptable to, and retained by, the City experienced in the calculation of rebate due to the United States with respect to tax-exempt municipal bonds.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Article V hereof.

“Registrar” means the Trustee.

“Regular Record Date” means, for the Obligations, the close of business on the fifteenth day of the month preceding each Interest Payment Date.

“Reimbursement Request Form” means the form set forth in Exhibit C hereof.

“Reserve Fund” means the City of Chandler Water and Wastewater Project Reserve Fund (2015) established pursuant to Article III hereof.

“Reserve Fund Requirement” means, if the Reserve Fund is required to be funded, an amount equal to the lesser of (1) ten percent (10%) of the stated principal amount of the Obligations at original issuance, (2) the Maximum Annual Debt Service Requirement of the Obligations at original issuance, or (3) one hundred twenty-five percent (125%) of the average annual Debt Service requirement of the Obligations at original issuance; provided, however, that at the time of issuance of any Additional Parity Obligations the Reserve Fund Requirement shall be increased so that the total amount held in the Reserve Fund shall not exceed the lesser of (a) ten percent (10%) of the stated principal amount of the Outstanding Parity Obligations at original issuance, (b) the Maximum Annual Debt Service Requirement of the Outstanding Parity Obligations, or (c) one hundred twenty-five percent (125%) of the average annual Debt Service requirement of the Outstanding Parity Obligations. During the 36-month build up of the Reserve Fund provided in Section 3.8, if funding of the Reserve Fund is required, the Reserve Fund Requirement on any date shall be that portion of the Reserve Fund Requirement which was required to have been deposited by such date. If the Reserve Fund is not required to be funded, the Reserve Fund Requirement is \$0.00.

“Reserve Fund Guarantor” shall mean the issuer of the Reserve Fund Guaranty.

“Reserve Fund Guaranty” shall mean a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Reserve Fund Guarantor to pay to the Trustee upon request made by the Trustee up to an amount stated therein for application as provided in Section 3.9 hereof.

“Reserve Fund Guaranty Agreement” shall mean the reimbursement

agreement, loan agreement or similar agreement between the City and a Reserve Fund Guarantor with respect to repayment of amounts advanced under the Reserve Fund Guaranty.

“**Reserve Fund Guaranty Coverage**” shall mean the amount available at any particular time to be paid to the Trustee under the terms of the Reserve Fund Guaranty.

“**Reserve Fund Value**” means the aggregate of the Reserve Fund Guaranty Coverage and the value of moneys and investments credited to the Reserve Fund, the value of investments to be the Value at Market.

“**Responsible Officer**” means, when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer or any other officer of the Trustee within the office of the Trustee set forth in Section 13.3 hereof (the “Corporate Trust Office”) (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Trust Agreement.

“**S&P**” means Standard & Poor’s Financial Services LLC, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency that may be designated by the City by written notice to the Trustee.

“**State**” means the State of Arizona.

“**Supplemental Agreement**” means any agreement amending or supplementing the terms of this Trust Agreement or providing for the execution and delivery or securing of Additional Parity Obligations.

“**Trust Agreement**” means this Trust Agreement, together with any amendments or supplements hereto permitted to be made hereunder.

“**Trustee**” means, initially, _____, a national banking association, or any successor thereto acting as Trustee pursuant to this Trust Agreement and under the Agreement.

“**Value at Market**” or “**Market Value**” means the indicated bid value of the investment or investments to be valued as shown in the Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee and generally accepted as a source of valuation.

“**Vendor**” means any supplier of items for inclusion in the Project who is to be paid from amounts held in the Acquisition Fund.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

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

ARTICLE II

EXCISE TAX REVENUE REFUNDING OBLIGATIONS

Section 2.1. Authorization of the Obligations.

(a) The Trustee is hereby authorized and directed to execute and deliver to the Original Purchaser, Obligations in an aggregate principal amount of \$_____ evidencing proportionate ownership interests in the Agreement and the Payments.

(b) The Trustee shall not at any time while the Obligations are Outstanding execute additional bonds or obligations payable from the Payments. The Obligations shall in no event be deemed an obligation or debt of the Trustee.

Section 2.2. Date. Each Obligation shall be dated _____, 2015, and interest with respect thereto shall be payable from such date, or from the most recent Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Obligations.

Section 2.3. Maturities and Interest Rates. The Obligations shall be in the denomination of \$5,000 or any integral multiple thereof, except that no Obligation may have principal maturing in more than one year. The Obligations shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>
2016			2026		
2017			2027		
2018			2028		
2019			2029		
2020			2030		
2021			2031		
2022			2032		
2023			2033		
2024			2034		
2025			2035		

Section 2.4. The Obligations – Terms Generally; Book-Entry-Only System.

(a) **Generally.** The Obligations shall be in fully registered form and numbered in such manner and may carry such other designations as determined by the Trustee in order to distinguish each Obligation from any other Obligation. The fully registered form of the Obligations and the assignment to appear thereon shall be substantially in the form set forth in Exhibit A, attached hereto and incorporated herein.

The interest on the Obligations until they come due shall be payable on each Interest Payment Date beginning on July 1, 2016. Said interest shall represent the portion of Payments designated as interest in Exhibit B to the Agreement and coming due during the six-month period (or with respect to July 1, 2016, the period from the dated date) preceding each Interest Payment Date with respect to the Obligations.

The proportionate share of the portion of Payments designated as interest with respect to any Obligation shall be computed by multiplying the portion of Payments designated as principal in Exhibit B to the Agreement with respect to such Obligation by the rate of interest applicable to such Obligation (on the basis of a 360-day year of twelve 30-day months).

Additional details of the Obligations shall be as set forth in the form of Obligations, as attached hereto as Exhibit A.

No Obligation shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee upon any Obligation shall be conclusive evidence that the Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement. The Obligation may be executed by any person authorized by the Trustee, but it shall not be necessary that the same authorized person sign all of the Obligations. Any Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Obligation shall be the proper officer of the Trustee although at the nominal date of such Obligation or on the date of delivery of such Obligation such person shall not have been such officer of the Trustee. In executing the Obligations, the Trustee shall add the actual date of its execution of Obligations.

The Obligations are subject to optional redemption prior to their stated maturities as described in Article IV hereof and in the form of the Obligations.

(b) **Book-Entry-Only System.** The Obligations shall be initially executed and delivered to the Depository for holding in a Book-Entry-Only System, without further action by the City. There shall be a single Obligation representing the entire aggregate principal amount of each maturity of the Obligations and such Obligation shall be registered in the name of the Depository or its nominee, as Owner, and immobilized initially in the custody of, or on behalf of, the Depository.

Pursuant to a request by the City for the removal or replacement of the Depository, and upon 30 days' notice to the Depository, the Trustee may remove or replace the Depository. The Trustee agrees to remove or replace the Depository at any time at the request, and at the expense, of the City. No other action by the City shall be required to effect such a removal or replacement. The Depository may determine not to continue to act as Depository for the Obligations upon 30 days written notice to the Trustee. The Owners have no right to either a Book-Entry-Only System or a Depository for the Obligations.

Notwithstanding any other provision of this Trust Agreement or the Obligations, so long as the Obligations are in a Book-Entry-Only System and the Depository or its nominee is the Registered Owner of the Obligations:

(i) Presentation. Presentation of Obligations to the Paying Agent at redemption or at maturity shall be deemed made to the Paying Agent when the right to exercise ownership rights in the Obligations through the Depository or the Depository's participants is transferred by the Depository on its books.

(ii) Fractionalized Representation. The Depository may present notices, approvals, waivers, votes or other communications required or permitted to be made by Owners under this Trust Agreement on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the Obligations through the Depository or its participants.

(iii) Obligations Not Registered to City. Obligations purchased by the City shall not be registered in the name of the City on the Register maintained by the Trustee and shall not be physically held by any party other than the Depository.

(iv) Limitations on Transfer. Obligations or any portion thereof shall not be transferable or exchangeable except:

(A) To any successor of the Depository;

(B) To any new Depository not objected to by the Trustee, upon (a) the resignation of the then current Depository or its successor from its functions as Depository, or (b) termination of the use of the Depository by direction of the City;

(C) To any Persons who are the assigns of the Depository or its nominee, upon (I) the resignation of the Depository from its functions as Depository hereunder or (II) termination by the City of use of the Depository.

If the use of the Book-Entry-Only System is discontinued, then after the Trustee has made provision for notification of the beneficial owners of their book entry interests in the Obligations by appropriate notice to the then Depository, the City and the Trustee shall permit withdrawal of the Obligations from the Depository, and authenticate and deliver Obligation certificates in fully registered form and in denominations authorized by this Section to the assignees of the Depository or its nominee. Such withdrawal, authentication and delivery shall

be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Obligation certificates) of the City.

Subject to any arrangements made by the Trustee with a Depository with respect to the Obligations held in a Book-Entry-Only System, which arrangements are hereby authorized subject to the approval of the City, principal of, premium, if any, and interest shall be payable on any Obligation as provided in this Trust Agreement. Neither the City nor the Trustee shall have any responsibility or obligation to the Depository's participants or the persons for whom they act as nominees with respect to the Obligations regarding accuracy of any records maintained by the Depository or the Depository's participants, the payments by the Depository or the Depository's participants of any amount in respect of principal, redemption price or interest on the Obligations, any notice which is permitted or required to be given to or by Owners hereunder (except such notice as is required to be given by the City to the Trustee or to the Depository), or any consent given or other action taken by the Depository as Owner.

Section 2.5. Execution. The Obligations shall be executed by and in the name of the Trustee by the manual or facsimile signature of an authorized representative of the Trustee. If any authorized representative whose signature appears on any Obligation ceases to be such officer before the Closing Date, such signature shall nevertheless be as effective as if the authorized representative had remained in office until the Closing Date. Any Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Obligation shall be the authorized representative of the Trustee although at the nominal date of such Obligation such person shall not have been such authorized representative of the Trustee. No obligation shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee upon any Obligation shall be conclusive evidence that the Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

Section 2.6. Application of Proceeds. The proceeds received by the Trustee from the sale of the Obligations shall forthwith be set aside by the Trustee in the following respective funds and accounts and in the following order of priority:

- (1) The Trustee shall deposit the amount of \$_____ to the Delivery Costs Fund; and
- (2) The Trustee shall deposit the amount of \$_____ to the Acquisition Fund; and
- (3) The Trustee shall deposit the amount of \$_____ to the Payment Fund.

Section 2.7. Registration, Transfer and Exchange of Obligations, Replacement Obligations.

(a) **Register.** So long as any of the Obligations remain outstanding, the City will, and does hereby, cause books for the registration and transfer of Obligations (the “Register”), as provided in this Trust Agreement, to be maintained and kept at the Designated Office of the Registrar.

(b) **Replacement Obligations.** Replacement Obligations shall be executed and delivered pursuant hereto as a result of the destruction, loss or mutilation of the Obligations. The costs of a replacement shall be paid or reimbursed by the Owner, who shall indemnify the City, the Trustee and the Paying Agent against all liability and expense in connection therewith.

Obligations may be exchanged, at the option of their Owner, for Obligations of any Authorized Denomination or Denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of the Obligations being exchanged. The exchange shall be made upon presentation and surrender of the Obligations being exchanged at the Designated Office of the Registrar, together with an assignment duly executed by the Owner or its duly authorized attorney in any form which shall be satisfactory to the Registrar.

Any Obligation may be transferred upon the Register, upon presentation and surrender thereof at the Designated Office of the Registrar, together with an assignment duly executed by the Owner or its duly authorized attorney in any form which shall be satisfactory to the Registrar, as the case may be. Upon transfer of any Obligation and on request of the Registrar, the Authority shall execute in the name of the transferee, and the Registrar, as the case may be, shall authenticate and deliver, a new Obligation or Obligations of any Authorized Denomination or Denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of the Obligations presented and surrendered for transfer.

In all cases in which Obligations shall be exchanged or transferred hereunder, the Trustee shall execute and deliver Obligations in accordance with the provisions of this Trust Agreement. The exchange or transfer shall be made without charge; provided, that the Registrar may make a charge for every exchange or transfer of Obligations, sufficient to reimburse them for any tax or excise required to be paid with respect to the exchange or transfer. The charge shall be paid by the Owner before a new Obligation is delivered.

All Obligations executed and delivered upon any transfer or exchange of Obligations shall be the valid limited obligations of the City evidencing the same debt, and entitled to the same benefits under this Trust Agreement, as the Obligations surrendered upon transfer or exchange. Except as provided in Sections 2.7 and 2.8 hereof, neither the City nor the Registrar shall be required (i) to make any exchange or transfer of a Obligation during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Obligations and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Obligations selected for redemption, in whole or in part.

In case any Obligation is redeemed in part only, on or after the redemption date and upon presentation and surrender of the Obligation, the City shall cause execution of, and the Trustee shall execute and deliver, a new Obligation or Obligations in Authorized Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of the Obligation redeemed in part.

Section 2.8. Obligations Mutilated, Lost, Destroyed or Stolen. If any Obligation shall become mutilated, the Trustee, at the expense of the Owner of said Obligation, shall execute and deliver a new Obligation of like tenor, series, maturity and amount in exchange and substitution for the Obligation so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Any mutilated Obligation so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the Obligation Owner. If any Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Obligation Owner, shall execute and deliver a new Obligation of like tenor, series, maturity and amount and numbered as the Trustee shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Obligation delivered under this Section 2.8 and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.8. Any Obligation executed and delivered under the provisions of this Section 2.8 in lieu of any Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Obligations secured by this Trust Agreement. The Trustee shall not be required to treat both the original Obligation and any replacement Obligation as being Outstanding for the purpose of determining the principal amount of Obligations which may be executed and delivered hereunder or for the purpose of determining any percentage of Obligations Outstanding hereunder, but both the original and replacement Obligation shall be treated as one and the same. Notwithstanding any other provision of this Section 2.8, in lieu of delivering a new Obligation for an Obligation which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Obligation upon receipt of the aforementioned indemnity.

Section 2.9. Payment. Payment of interest due with respect to any Obligation on any Interest Payment Date shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by wire transfer in immediately available funds to an account in the United States of America designated by the Owner; provided, however, that such Owner may alternatively request to be paid by check mailed by first class mail to such Owner at his address as it appears on such registration books. The principal with respect to the Obligations shall be payable in lawful money of the United States of America upon surrender when due at the designated office of the Trustee.

Section 2.10. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Obligation Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that

purpose, or by any bank, trust company or other depository for such Obligations. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Obligations shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(b) The fact of the ownership of Obligations by any person and the amount, the maturity and the numbers of such Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.11 hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Obligation shall bind every future Owner of the same Obligation in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.11. Obligation Register. The Trustee will keep or cause to be kept, at its designated office, sufficient books for the registration and transfer of the Obligations which shall at all times during regular business hours be open to inspection by the City and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Obligations as hereinbefore provided.

Section 2.12. Payment of Unclaimed Amounts. In the event any check for payment of interest on an Obligation is returned to the Trustee unendorsed or is not presented for payment within two (2) years (subject to applicable escheat law) from its payment date or any Obligation is not presented for payment of principal at the maturity, if funds sufficient to pay such interest or principal due upon such Obligation shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Obligation who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Obligation or amounts due thereunder. The Trustee's obligation to hold such funds shall continue for two years and six (6) months (subject to applicable escheat law) following the date on which such interest or principal payment became due at which time the Trustee shall surrender such unclaimed funds so held to the City, whereupon any claim of whatever nature by the Owner of such Obligation arising under such Obligation shall be made upon the City.

ARTICLE III

**APPLICATION OF PROCEEDS RECEIVED BY
TRUSTEE; ACQUISITION FUND; RESERVE FUND**

Section 3.1. Acquisition Fund. The Trustee shall establish a special trust fund designated as the “City of Chandler Water and Wastewater Project Acquisition Fund (2015)” (hereinafter referred to as the “Acquisition Fund”); shall keep such Acquisition Fund separate and apart from all other funds and moneys held by it; and shall administer such Acquisition Fund as provided in this Trust Agreement.

Section 3.2. Purpose. Except as provided in Section 3.4, moneys in the Acquisition Fund shall be expended only for Project Costs.

Section 3.3. Payment of Project Costs.

(a) Payment or Reimbursement. The amount in the Acquisition Fund will be applied to the payment of the Project Costs, as hereinafter provided, upon receipt of a duly executed Payment Request Form, on which the Trustee is entitled to conclusively rely, without investigation, in substantially the form attached hereto as Exhibit B, certified to by the City Representative. The Trustee shall remit to the payee designated in the Payment Request Form, the amount requested to be paid in such Payment Request Form within two Business Days following submission of such Payment Request Form. Notwithstanding the foregoing, the Trustee shall apply moneys on deposit in the Acquisition Fund to reimburse the City for any Project Costs incurred or advanced by the City within two Business Days of receipt of a duly executed Reimbursement Request Form, on which the Trustee is entitled to conclusively rely, without investigation, in substantially the form attached hereto as Exhibit C duly certified by the City Representative. The City shall not submit, in the aggregate, more than four Payment Request Forms and/or Reimbursement Request Forms in any one calendar month. The Trustee shall not be required to monitor the number of requested withdrawals from the Acquisition Fund the Trustee receives.

(b) Payee. Project Costs will be paid directly to the Contractor, the Vendor or the payee named in the Payment Request Form unless the Contractor, the Vendor or the City Representative request payment to be made to the Contractor, the Vendor or payee and another party jointly, in which case such cost shall be paid jointly.

(c) City to Pay Deficiency. Should any shortfall or deficiency occur in either the Delivery Costs Fund or the Acquisition Fund, the City shall pay such amounts to the Trustee.

Section 3.4. Transfers Upon Completion. On the Completion Date, all remaining moneys (hereinafter referred to as “Excess Proceeds”) in the Acquisition Fund shall be transferred to the Payment Fund and applied by the Trustee to the Payments due from the City on the next succeeding Payment Date.

Section 3.5. Establishment and Application of Delivery Costs Fund.

(a) **Establishment.** The Trustee shall establish a special trust fund designated as the “City of Chandler Water and Wastewater Project Delivery Costs Fund (2015)” (hereinafter referred to as the “Delivery Costs Fund”), shall keep such Delivery Costs Fund separate and apart from all other funds and moneys held by it, and shall administer such Delivery Costs Fund as provided in this Article III.

(b) **Disbursement.** Amounts in the Delivery Costs Fund shall be disbursed for Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee upon receipt of a certificate requesting disbursement executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed.

(c) **Final Transfer and Closing.** On the earlier of _____ 1, 2016, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Delivery Costs Fund to the Payment Fund or the Acquisition Fund as directed by the City Representatives, and the Delivery Costs Fund shall be closed.

Section 3.6. Application of Acquisition Fund Investment Earnings.

Investment earnings on the moneys on hand in the Acquisition Fund shall be retained therein and used for Project Costs unless the Trustee receives written direction from a City Representative no later than two Business Days prior to an Interest Payment Date to transfer the investment earnings for such corresponding interest period either to (i) the Payment Fund to be applied and credited to pay Payments due pursuant to the Agreement, or (ii) to the Rebate Fund.

Section 3.7. Payments by the City. The City shall be required to make Payments, solely from Excise Taxes or amounts held by the Trustee hereunder, pursuant to the Agreement, taking into account any funds on deposit in the Payment Fund as a credit towards any Payment then due. The Trustee, not less than 10 Business Days prior to each Payment Date, shall notify the City of the amount required to be paid after taking into account interest earnings which will be transferred to the Payment Fund in accordance herewith, on or before such Payment Date.

Section 3.8. Reserve Fund. The Trustee shall establish a special fund designated as the “City of Chandler Water and Wastewater Project Reserve Fund (2015)” (hereinafter referred to as the “Reserve Fund”). So long as the aggregate amount of Excise Taxes pledged and received by or on behalf of the City in the immediately preceding Fiscal Year is at least two times the highest combined Debt Service requirement for the current or any future Fiscal Year for all Outstanding Parity Obligations, then the City is not obligated to fund the Reserve Fund. If such Excise Taxes are less than two times such highest combined Debt Service requirement, the City shall in addition to the other Payments provided under the Agreement, pay to the Trustee for deposit into the Reserve Fund, on the first day of each month commencing the first month after the Available Revenues are below the required amount, one thirty-sixth (1/36th)

of the Reserve Fund Requirement, until the amount in the Reserve Fund equals the Reserve Fund Requirement. If at the close of any Fiscal Year, Available Revenues are less than two times such highest Debt Service requirement, the City shall so notify the Trustee in writing. Such notification shall contain specifics as to the amount of the Reserve Fund Requirement and the payments that will be due each month.

In lieu of funding the Reserve Fund with cash payments or in combination with funding with cash payments, the City may deliver to the Trustee a Reserve Fund Guaranty as described in Section 3.9. The Trustee is authorized and directed to execute (if requested by the City), deliver and comply with all of the terms and conditions of any Reserve Fund Guaranty and Reserve Fund Guaranty Agreements and related restrictions or directions in connection with the Obligations and any Additional Parity Obligations. The Trustee shall have no obligation to confirm that any Reserve Fund Guaranty meets the requirements of this Trust Agreement. If the City provides a Reserve Fund Guaranty in combination with the funding of cash payments, the City shall notify the Trustee in writing as to the amount of the cash payments that will be due each month thereafter.

The Reserve Fund shall be an integrated and indivisible common Reserve Fund established and required hereunder for all Parity Obligations except to the extent that the City establishes a separate reserve fund for any Additional Parity Obligations or no reserve fund is required for any Additional Parity Obligations. Amounts in the Reserve Fund shall be available to be applied as provided herein.

Amounts in the Reserve Fund shall be drawn out by the Trustee and used to make payment of principal and interest on the Obligations, and on any Parity Obligations secured by the common reserve fund, in the event that amounts in the Payment Fund or other funds held for payment of principal and interest on such Parity Obligations are insufficient.

In the event that after funding the Reserve Fund the Reserve Fund Value is less than the Reserve Fund Requirement, the City shall, in addition to the other Payments provided under the Agreement, immediately pay to the Trustee an amount sufficient to cause the Reserve Fund Value to equal the Reserve Fund Requirement.

In connection with the execution and delivery of any Additional Parity Obligations, if the above conditions requiring the funding of the Reserve Fund have occurred and if the City elects to fund the reserve fund with respect to such Parity Obligations, the Reserve Fund shall be funded in an amount equal to the Reserve Fund Requirement which applies after the execution and delivery of such Parity Obligations or the City shall deliver to the Trustee a Reserve Fund Guaranty complying with the requirements of Section 3.9 hereof, or a combination of the foregoing. Notwithstanding the foregoing, the City reserves the right to not require a reserve fund with respect to Additional Parity Obligations or to establish a separate reserve fund for any or all executions and deliveries of Additional Parity Obligations which may, in lieu of the Reserve Fund created herein, be funded (if the above conditions for funding the Reserve Fund occur) with the Reserve Fund Requirement applicable to such issue or covered by a Reserve Fund Guaranty or a combination thereof, provided that amounts to be paid into any such separate reserve fund or to pay the Reserve Fund Guarantor, other than from proceeds of such issue, shall

be made on a parity with payments into the Reserve Fund hereby established and shall not exceed, in any bond year, the proportionate deficit payment allocable to such separate reserve fund. For the purposes hereof, "proportionate deficit payment" means an amount which bears the same proportion to the deficit in a given separate reserve fund that the amount available to remedy deficits in the Reserve Fund and all separate reserve funds bears to the aggregate deficit or deficits in the Reserve Fund and all separate reserve funds.

With respect to the Obligations or any Parity Obligations with respect to which a Reserve Fund Guaranty is then in effect, if on the Business Day preceding any day on which Payments or other debt service is due on the Obligations or Parity Obligations there are not to the knowledge of the Trustee on deposit in the applicable payment fund and the Reserve Fund sufficient moneys to pay all Payments or debt service to become due on such date, the Trustee shall immediately notify the Reserve Fund Guarantor of such deficiency and shall do all things necessary under the terms of the Reserve Fund Guaranty to realize and receive on or before such date or as soon thereafter as is practicable moneys in the amount of such deficiency. All amounts received by the Trustee as payments under the Reserve Fund Guaranty shall be deposited to the Reserve Fund.

To the extent any moneys have been withdrawn from the Reserve Fund by the Trustee, no portion of the Excise Taxes shall be considered surplus revenues or available to the City until such Excise Taxes, or other available moneys, have first been applied to the extent required to reimburse the Reserve Fund for any such withdrawal or to increase the Reserve Fund Value to the Reserve Fund Requirement. If a Reserve Fund Guaranty is in effect with respect to any obligations, reimbursements to the Reserve Fund for such obligations shall be applied, first, to the extent a Reserve Fund Guaranty Agreement so requires, to pay to the Reserve Fund Guarantor any amounts owed to it pursuant to the Reserve Fund Guaranty Agreement and then to the Reserve Fund.

If on any January 1 or July 1, the Reserve Fund Value exceeds the Reserve Fund Requirement, such excess shall be transferred to the Payment Fund or other applicable payment fund in proportion to the amounts next to come due on Parity Obligations for which a separate reserve fund is not established or for which no reserve fund is required or to reimburse any amounts drawn on the Reserve Fund Guaranty and any interest thereon except, with respect to the Obligations or any issue of Additional Parity Obligations with respect to which a Reserve Fund Guaranty is in effect, as may otherwise be provided in the Reserve Fund Guaranty Agreement.

Any investment earnings allocated to the Reserve Fund after deduction of amounts to be set aside for rebate to the federal government pursuant to this Trust Agreement shall be used first to cause the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement or to reimburse any amounts drawn on the Reserve Fund Guaranty and any interest thereon and, to the extent not necessary for such purpose, shall be transferred by the Trustee to the Payment Fund or to any other payment fund for Outstanding Parity Obligations for which a separate reserve fund is not established.

Section 3.9. Reserve Fund Guaranty. If at any time the City shall deliver to the Trustee (i) a Reserve Fund Guaranty, (ii) an Opinion of Counsel stating that the delivery of such Reserve Fund Guaranty to the Trustee is authorized under this Trust Agreement and complies with the terms hereof and thereof, (iii) evidence that the Reserve Fund Guarantor is rated “AA” or better by the Rating Agencies rating the Obligations, and (iv) a letter from each Rating Agency stating that (x) the issuance of the Reserve Fund Guaranty to the Trustee and (y) if a Reserve Fund Guaranty is then in effect with respect to the Reserve Fund, the substitution of the proposed Reserve Fund Guaranty for the Reserve Fund Guaranty then in effect, will not, by itself, result in a reduction or withdrawal of its rating on the Parity Obligations, and if such rating shall be in effect on the date of such issuance and, if applicable, substitution, then the Trustee shall accept such Reserve Fund Guaranty and promptly surrender the previously held Reserve Fund Guaranty, if any, to the issuer thereof for cancellation.

ARTICLE IV

REDEMPTION OF OBLIGATIONS

Section 4.1. Redemption of the Obligations. The Obligations shall be subject to redemption in Authorized Denominations prior to maturity under the circumstances, in the manner and subject to the conditions provided in this Section and in the form of Obligations.

(a) **[Mandatory Redemption from Sinking Fund Installments.** The Obligations are not subject to Mandatory Redemption.]

(b) **Optional Redemption.** Obligations maturing on or before July 1, 2025, are not subject to optional redemption in advance of maturity. Subject to (f) below, the Obligations maturing on or after July 1, 2026, are subject to optional redemption by the Trustee from Prepayments made at the option of the City as directed by a certificate of the City Representative received by the Trustee at least ten (10) Business Days before the making of the minimum notice required under subsection (d), in whole or in part, on any date on or after July 1, 2025, at the redemption price of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, but without premium.

(c) **Application of Moneys for Redemption.** Notwithstanding any other provisions of this Trust Agreement, if at any time the amounts held for the Obligations in the Payment Fund are sufficient to pay the principal or redemption price of all Outstanding Obligations and the interest accruing to such Obligations to maturity or the next date on which such Obligations are redeemable pursuant to this Section 4.1, the Trustee shall so notify the City. Upon receipt of such notice, the City Representative may request the Trustee to apply such amounts to pay or redeem all such Outstanding Obligations, as the case may be, on the next date when such Obligations are redeemable; provided however that the Trustee shall apply such amounts only if the Rebate Consultant shall have computed all amounts to be deposited into the Rebate Fund as of the date of redemption and such amounts shall have been deposited into the Rebate Fund and sufficient amounts remain in the Payment Fund to pay the principal or redemption price, all as evidenced in the notice to the Trustee from the City Representative. The Trustee shall, upon receipt of such notice, proceed to pay or redeem all such Outstanding Obligations in the manner provided by this Section 4.1.

(d) **Notice of Redemption.** So long as the Book-Entry-Only System is in effect, the Trustee shall give notice to DTC by the method required by DTC. If the Book-Entry-Only System is discontinued, the Trustee shall cause notice of any redemption of Obligations hereunder to be mailed to the Owners of all Obligations to be redeemed at the registered addresses appearing in the Register kept for such purpose pursuant to Section 2.6 hereof no more than sixty (60) or less than thirty (30) days prior to the date fixed for redemption. Such notice shall (1) identify the Obligations to be redeemed (specifying the CUSIP numbers, if any, assigned to the Obligations), (2) specify the maturity date of the Obligations being redeemed, redemption date and the redemption price, (3) set forth the name, address and telephone number of the person from whom information pertaining to the redemption may be obtained, and (4) state that on the redemption date the Obligations called for redemption will be payable at the

Designated Office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Obligations. No defect affecting any Obligation, whether in the notice of redemption or the delivery thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Obligations. The Trustee shall also provide notice of any redemption to the Municipal Securities Rulemaking Board, currently through its Electronic Municipal Market Access system, by the method required by the Municipal Securities Rulemaking Board.

If at the time of mailing of notice of an optional redemption of Obligations there has not been deposited with the Trustee moneys or Government Obligations sufficient to redeem all Obligations called for such redemption and the requirements of (f) below are not satisfied, then such notice shall state that the redemption is conditional upon the deposit of moneys or Government Obligations sufficient for the redemption with the Trustee and satisfaction of such requirements not later than the opening of business on the redemption date, and such notice will be of no effect and such Obligations shall not be redeemed unless such moneys or Government Obligations are so deposited and such requirements in (f) below are met.

Any notice of redemption to be mailed shall be mailed by first class mail, postage prepaid; provided that any notice of redemption given to any Owner of \$1,000,000 or more in aggregate principal amount of Obligations also shall be transmitted electronically.

A certificate of the Trustee shall conclusively establish the mailing or delivery of any such notice for all purposes. Such redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Obligations.

(e) Partial Redemption. If fewer than all of the Obligations of a single maturity are to be redeemed, the selection of Obligations to be redeemed, or portions thereof in amounts equal to the lowest Authorized Denomination or any integral multiple thereof, shall be made by the Depository according to its procedures or, if the Book-Entry-System is not in effect, then by lot by the Trustee in any manner which the Trustee may determine. In the case of a partial redemption of Obligations by lot when Obligations of denominations greater than the lowest Authorized Denomination are then outstanding, each unit of face value of principal thereof equal to the lowest Authorized Denomination shall be treated as though it were a separate Obligation of such lowest Authorized Denomination.

If it is determined that one or more, but not all of the units of face value represented by an Obligation are to be called for redemption, then upon notice of redemption of a unit or units, except as otherwise provided for Obligations under the Book-Entry-System, the Owner of that Obligation shall surrender the Obligation to the Trustee (a) for payment of the redemption price of the unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for execution and delivery, without charge to the Owner thereof, of a new Obligation or Obligations of any Authorized Denomination or Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of the Obligation surrendered.

(f) Payment of Redeemed Obligations. Notice having been mailed in the manner provided in (d) above, the Obligations and portions thereof called for redemption shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, shall be paid at the redemption price, plus interest accrued to the redemption date.

If the money or Governmental Obligations for the redemption of all of the Obligations and portions thereof to be redeemed, together with interest accrued thereon to the redemption date, is held by the Trustee or any Paying Agent on the redemption date, so as to be available therefor on that date, then from and after the redemption date those Obligations and portions thereof called for redemption shall cease to bear interest and no longer shall be considered to be Outstanding hereunder. If those moneys shall not be so available on the redemption date, or that notice shall not have been deposited in the mail or delivered as aforesaid, those Obligations and portions thereof shall continue to bear interest, until they are paid, at the same rate as they would have borne had they not been called for redemption.

All moneys deposited in the Payment Fund and held by the Trustee or a Paying Agent for the redemption of particular Obligations shall be held in trust for the account of the Owners thereof and shall be paid to them, respectively, upon presentation and surrender of those Obligations.

ARTICLE V

PAYMENTS; PAYMENT FUND; FUND

Section 5.1. Trustee's Rights in Agreement. The Trustee under the Agreement holds in trust hereunder all of its rights and duties in the Agreement, including but not limited to all of the Trustee's rights to receive and collect all of the Payments and all other amounts required to be deposited in the Payment Fund pursuant to the Agreement or pursuant hereto. All Payments and such other amounts to which the Trustee may at any time be entitled shall be paid directly to the Trustee in trust, and all of the Payments collected or received by the Trustee shall be held by the Trustee in trust hereunder.

Section 5.2. Establishment of Payment Fund. The Trustee shall establish a special fund designated as the "City of Chandler 2015 Payment Fund" (which shall also be known as the "Payment Fund"). All moneys at any time deposited by the Trustee in the Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Obligations. So long as any Obligations are Outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.3. Deposits. Subject to the provisions of Section 6.1 hereof, the City shall make Payments as shown on Exhibit B to the Agreement, taking into account any monies on deposit in the Payment Fund as a credit towards any portion of the Payment allocated to interest then due to be deposited in the Payment Fund. The Trustee, not less than ten (10) Business Days prior to each Payment Date, shall notify the City of the amount required to be paid after taking into account interest earnings which will be transferred to the Payment Fund in accordance herewith, on or before such Payment Date. All amounts received by the Trustee as Payments shall be deposited in the Payment Fund.

Section 5.4. Application of Moneys. All amounts in the Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest with respect to the Obligations as the same shall become due and payable, in accordance with the provisions of Article II hereof.

Section 5.5. Transfers of Investment Earnings to Payment Fund. Subject to Section 7.7 pertaining to arbitrage rebate, the Trustee shall, at least annually fifteen days prior to each July 1 Interest Payment Date, transfer any remaining income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.6. Surplus. Any surplus remaining in any of the funds created hereunder, after payment of all Obligations, including accrued interest, if any, and payment of any applicable fees to the Trustee, or provision for such payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

Section 5.7. Separate Funds and Accounts. Monies and investments properly paid into and held in the funds and accounts established hereunder shall not be subject

to the claims of the owners of any Parity Obligations, except to the extent applicable for the Reserve Fund or moneys drawn on a Reserve Fund Guaranty, and the Owners of the Obligations shall have no claim or lien upon any monies or investments properly paid into and held in the funds and accounts established under the proceedings for any Parity Obligations other than the Reserve Fund (unless a separate reserve fund is established) or monies drawn on a Reserve Fund Guaranty (unless a separate reserve fund guaranty is obtained).

Section 7.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell at the price obtainable, or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 7.6. Arbitrage Covenant. The City hereby covenants with the Owners of the Obligations that it will make no use of the proceeds of the Obligations or other moneys which would cause the obligations of the City under the Agreement to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended.

Section 7.7. Tax Covenants. In consideration of the acceptance and execution of the Agreement by the Trustee and the purchase by the Obligation holders, from time to time, and in consideration of retaining the exclusion of interest income from gross income on the Agreement and the Obligations for federal income tax purposes, the City covenants with the Trustee and the Obligation holders from time to time 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 Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Agreement or such laws as they may be modified or amended.

The City agrees that it will comply with such requirement(s) and will take any such action(s) as are necessary to prevent interest income on the Agreement or the Obligations from 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 special counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Agreement; 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 Agreement; and limiting the use of the proceeds of the Agreement and property financed thereby.

In the event the City is required to rebate any earnings and profits from the investments of the Obligations, the Trustee shall establish a separate “Arbitrage Rebate Fund”. The Arbitrage Rebate Fund shall be held separate and apart from all other funds and accounts held by the Trustee. The Arbitrage Rebate Fund shall be funded with earnings and profits from the investment of the Obligation proceeds on an annual basis. The City must compute, or engage professionals to compute, the exact amount of earnings which need to be deposited into the Arbitrage Rebate Fund no later than thirty (30) days after each anniversary of the Obligation issuance unless and until advised by such professionals that further calculation of rebate amounts is not necessary.

No later than sixty (60) days after each fifth anniversary of the Obligation issuance, upon receipt from the City, the Trustee shall file a Form 8038-T completed by the City and delivered to the Trustee, and remit the payment required by Internal Revenue Code Section 148(f)(3), as directed by the City with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Such payment shall be from moneys contained in the Arbitrage Rebate Fund. In addition, upon the redemption of the last Obligation of the issue, upon receipt from the City, the Trustee shall file, within sixty (60) days after the last redemption, a Form 8038-T completed by the City and delivered to the Trustee and remit, as directed by the City, the final payment as required by Internal Revenue Code Section 148(f)(3). In the event there is insufficient moneys in the Arbitrage Rebate Fund to make a payment when due, the City shall pay to the Trustee from Excise Taxes or other money lawfully available therefor the amount necessary to provide the Trustee with an amount sufficient to make such payment when due.

ARTICLE VIII

THE TRUSTEE

Section 8.1. Appointment of Trustee. _____ is hereby appointed Trustee by the City for the purpose of executing and delivering the Agreement and receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Trust Agreement. The City covenants that it will maintain as Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 8.1 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to redeem the Obligations when duly presented for payment at maturity and to cancel all Obligations upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Obligations paid and discharged.

Section 8.2. Liability of Trustee; Standard of Care. The recitals of facts, covenants and agreements herein and in the Obligations contained shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Trust Agreement or of the Obligations or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Obligations assigned to or imposed upon them, respectively, including but not limited to the Trustee's obligations under Section 7.7 hereof. Prior to the occurrence of an Event of Default hereunder, or after the timely cure or waiver of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee. After the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of

care and skill in such exercise, as a prudent indenture trustee would exercise under the circumstances in the conduct of the Trustee's corporate trust business.

Section 8.3. Merger or Consolidation. Any bank or company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such bank or company shall be eligible under Section 8.1 hereof, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.4. Protection and Rights of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions hereof, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the City with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

Whenever in the administration of its duties under this Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may become the Owner of the Obligations with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

The recitals, statements and representations by the City contained herein or in the Obligations shall be taken and construed as made by and on the part of the City and not by the

Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power hereunder or for anything whatever in connection with the funds established hereunder, except only for its own willful misconduct or negligence.

No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

The Trustee shall not be accountable for the use or application by the City or any other party of any funds (including the proceeds of the Obligations) which the Trustee has released in accordance with the terms hereof.

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

Notwithstanding any provision herein or in the Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 10(a)(1) of the Agreement, unless the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds established hereunder, except only for its own willful misconduct or negligence. The Trustee shall have no responsibility or liability with respect to any information, statements or recitals distributed with respect to the issuance of these Obligations.

Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal and interest on the Obligations as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated to have resulted from its negligence or willful default in connection with any action so taken.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Obligations then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

In acting or omitting to act pursuant to the Agreement, and any other document executed in connection herewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement, including, but not limited to, this Article VIII and Section 11.3.

Section 8.5. Compensation of Trustee. The City shall from time to time, as agreed upon between the City and the Trustee, pay to the Trustee reasonable compensation for its services, and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder.

Section 8.6. Removal of Trustee. The City (but only if no Event of Default has occurred and is continuing), or the Owners of a majority in aggregate principal amount of all Obligations Outstanding, by written directive, at any time and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company authorized to do business in the State of Arizona, having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by Federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section 8.6, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. Trustee and City shall execute any documents reasonably required to affect the transfer of rights and obligations of the Trustee to the successor trustee. Upon such acceptance, the successor trustee shall mail notice thereof to the Obligation Owners at their respective addresses set forth on the Obligation registration books maintained pursuant to Section 2.11 hereof.

Notwithstanding the foregoing, in the event the Trustee merges or becomes consolidated with any other entity which resulting entity is otherwise qualified to be a successor trustee hereunder, such resulting entity shall assume all rights, obligations and duties of the

Trustee hereunder and under the Agreement without the execution or filing of any papers or any further act on the part of either party hereto.

Section 8.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee hereunder and to hold title to property or to take any other action which may be desirable or necessary.

Section 8.8. Commingling. The Trustee may commingle any of the funds held by it pursuant hereto in a separate fund or funds for investment purposes only; provided, however, that all funds held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 8.9. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed hereunder, which shall be available for inspection by the City, or any of their agents, at any time during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

Section 8.10. Force Majeure. The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources or energy, material or supplies in the open market, litigation or arbitration involving a party, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Section 8.11. Facsimile Instruction. The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee’s understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

ARTICLE IX

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 9.1. Amendments Permitted.

(a) This Trust Agreement and the rights and obligations of the Owners of the Obligations and the Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of Obligations disqualified as provided in Section 9.3 hereof, shall have been filed with the Trustee. No such modification or amendment shall (i) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Obligation, or (ii) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Agreement without the express consent of the Owners of the Obligations, or (iii) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 9.2 hereof.

(b) This Trust Agreement and the rights and obligations of the Owners of the Obligations and the Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee or the City, (ii) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, or (iii) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially adversely affect the interests of the Owners of the Obligations as evidenced by the Opinion of Counsel delivered pursuant to Section 11.4 hereof. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be.

Section 9.2. Procedure for Amendment With Written Consent of Obligation Owners. This Trust Agreement and the Agreement may be amended by supplemental agreement as provided in this Section 9.2 in the event the consent of the Owners of the Obligations are required pursuant to Section 9.1 hereof. A copy of such supplemental agreement, together with a request to the Obligation Owners for their consent thereto, shall be mailed by the Trustee to each Owner of an Obligation at his address as set forth on the Obligation registration books maintained pursuant to Section 2.11 hereof, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as in this Section 9.2 provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations disqualified as provided in Section 9.3

hereof) and a notice shall have been mailed as hereinafter in this Section 9.2 provided. The consent of an Owner of an Obligation shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by Section 2.12 hereof. Any such consent shall be binding upon the Owner of the Obligation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section 9.2 provided for has been mailed.

After the Owners of the required percentage of Obligations shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Obligations in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Obligations and will be effective as provided in this Section 9.2 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Obligations at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 9.3. Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for herein and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement; except that in determining whether the Trustee shall be protected in relying upon any such vote, consent, waiver or other action of an Owner, only Obligations which the Trustee actually knows to be owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall be disregarded unless all Obligations are so owned or held, in which case such Obligations shall be considered Outstanding for the purpose of such determination.

Section 9.4. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article IX, this Trust Agreement or the Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Obligations Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the

terms and conditions of this Trust Agreement or the Agreement, as the case may be, for any and all purposes.

The Trustee may require each Obligation Owner, before his consent provided for in this Article IX shall be deemed effective, to reveal whether the Obligations as to which such consent is given are disqualified as provided in Section 9.3 hereof.

Section 9.5. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that Obligations delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Obligation Outstanding at such effective date and presentation of his Obligation for the purpose at the office of the Trustee, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to such Obligation Owners' action, which substitute Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Obligation then Outstanding, such substitute Obligation shall be exchanged at the principal office of the Trustee, without cost to such Owner, for an Obligation of the same character then Outstanding, upon surrender of such Outstanding Obligation.

Section 9.6. Amendatory Endorsement of Obligations. The provisions of this Article IX shall not prevent any Obligation Owner from accepting any amendment as to the particular Obligations held by him, provided that proper notation thereof is made on such Obligations.

ARTICLE X

COVENANTS; NOTICES

Section 10.1. Compliance With and Enforcement of Agreement. The City covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Agreement.

The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default under the Agreement.

Section 10.2. Observance of Laws and Regulations. The City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 10.3. Prosecution and Defense of Suits. The City shall promptly prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Obligation Owner harmless for, from and against all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 10.4. Further Assurances. The Trustee (at the City's written direction) and the City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Agreement, and for the better assuring and confirming unto the Owners of the Obligations the rights and benefits provided herein.

Section 10.5. Notification to the City of Failure to Make Payments. The Trustee shall notify the City of any failure by the City to make any Payment in writing and within one (1) Business Day of any such failure. Such notice shall not be a prerequisite for the occurrence of an Event of Default hereunder or under the Agreement.

ARTICLE XI

LIMITATION OF LIABILITY

Section 11.1. Limited Liability of the City. Except for the payment of Payments from Excise Taxes when due in accordance with the Agreement and the performance of the other covenants and agreements of the City contained in the Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Obligations with respect to this Trust Agreement, or the terms, execution, delivery or transfer of the Obligations, or the distribution of Payments to the Owners by the Trustee.

Section 11.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owners of the Obligations with respect to the performance by the Trustee of any duty imposed upon it hereunder.

Section 11.3. Indemnification of the Trustee. To the extent permitted by law, the City shall indemnify and save the Trustee and its officers, directors, agents and employees harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (a) any breach or default on the part of the City in the performance of any of its obligations hereunder, or (b) the Trustee's exercise and performance of its powers and duties hereunder, under the Agreement and any document executed in connection hereunder or therewith. No indemnification will be made under this Section or elsewhere in this Trust Agreement for willful misconduct, negligence or breach of duty under this Trust Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. The City's obligations hereunder shall remain valid and binding notwithstanding the maturity and payment of the Obligations or resignation or removal of the Trustee.

The Trustee, promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt of notice of the commencement of any action in respect of which indemnity may be sought hereunder, shall notify the City in writing of such circumstances or action (the "Notification"). Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder. The City shall not settle or compromise any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion and in an effort to minimize any claims for indemnity made hereunder. In the event the City is required to and does indemnify the Trustee

as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 11.4. Opinion of Counsel. Before being required to take any action hereunder or entering into any amendment or supplement to either this Trust Agreement or the Agreement, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XII

**EVENTS OF DEFAULT AND REMEDIES
OF OBLIGATION OWNERS**

Section 12.1. Trustee's Rights held in Trust. As provided herein, the Trustee holds in trust hereunder rights in and to the Agreement, including without limitation all of the rights to exercise such rights and remedies conferred pursuant to the Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of Excise Taxes for the payment of the Obligations.

Section 12.2. Remedies Upon Default; No Acceleration.

(a) Breach. Upon:

(i) the nonpayment of the whole or any part of any Payment at the time when the same is to be paid as provided herein or in the Agreement,

(ii) the violation by the City of any other covenant or provision of the Agreement, this Trust Agreement,

(iii) the nonpayment of installment payments under any other Parity Obligations, other than the Obligations, or the occurrence of an event of default with respect to any other Parity Obligations, or

(iv) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(b) Opportunity to Cure. If such default has not been cured:

(i) in the case of nonpayment of any Payment under the Agreement or the nonpayment of installment payments under any other Parity Obligations on their respective due dates,

(ii) in the case of the breach of any other covenant or provision of this Trust Agreement or the Agreement within 60 days after notice in writing from the Trustee specifying such default, and

(iii) with respect to any other default with respect to Parity Obligations other than the Obligations, upon the giving of applicable notice and passage of time required thereunder,

(c) Remedies. Then the Trustee may:

(i) take whatever action at law or in equity may appear necessary or desirable to collect the Payments and any other amounts payable by the City hereunder or under the Agreement, then due and thereafter to become due, or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under this Trust Agreement or the Agreement,

(ii) transfer to the City any remaining portions of the Project or rights thereto still held by the Trustee, whether or not completed, and

(iii) pursue any other remedy at law or in equity, including the remedy of specific performance.

(d) No Acceleration. Notwithstanding any default hereunder, the Obligations shall not be subject to acceleration for any reason.

Section 12.3. Application of Funds. Proceeds from the exercise of any other remedies hereunder or under the Agreement after payment or reimbursement of the reasonable fees and expenses of the Trustee in connection therewith, including reasonable attorneys' fees and expenses, shall be applied as follows:

(a) Order of Payment. Subject to (b) below, unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) Default Payment Date. Whenever moneys are to be applied pursuant to this Section, the Trustee shall fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give or cause to be given notice of such payment, by first-class mail, to the Owners of Obligations at least 8 days before such date. If the Book-Entry System is not in effect, the

Trustee shall not be required to make payment to the Owner of any Obligation until such Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. Any surplus thereof shall be paid to the City as directed by the City Representative.

Section 12.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 12.5. Non-waiver. Nothing in this Article XII or in any other provision of this Trust Agreement or in the Obligations, shall affect or impair the obligation of the City to pay or prepay the Payments as provided in the Agreement, or affect or impair the right of action, which is absolute and unconditional, of the Obligation Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Obligations to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XII to the Trustee or the Owners of Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Obligation Owners.

Section 12.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

Section 12.7. Limitation on Obligation Owners' Right to Sue. No Owner of any Obligation executed and delivered hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Obligations of any remedy hereunder; it being understood and intended that no one or more Owners of Obligations shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

ARTICLE XIII

MISCELLANEOUS

Section 13.1. Defeasance. If and when all Outstanding Obligations shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest with respect to all Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with a Depository Trustee, in trust for such purpose, at or before maturity, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all Obligations Outstanding, including all principal and interest and premium, if any;

(c) by depositing with a Depository Trustee, in trust for such purpose, any noncallable Government Obligations in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all Obligations (including all principal and interest) at their respective maturity dates, which deposit may be made in accordance with the provisions of Section 9 of the Agreement;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to all Outstanding Obligations shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Payments paid by or on behalf of the City from funds deposited pursuant to paragraphs (b) or (c) of this Section, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such Payments under the Agreement.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) through (c) of this Section, which are not required for the payment to be made to Owners, shall be paid over to the City.

Any Obligation or portion thereof in authorized denominations may be paid and discharged as provided in this Section 13.1; provided, however, that if any such Obligation or portion thereof will not mature within sixty (60) days of the deposit referred to in paragraphs (b) or (c) of this Section 13.1, the Trustee shall give notice of such deposit by first class mail to the Owners.

After provision for the Obligations has been made under (c) above, at the direction of the City, all or any part of the Government Obligations held by the Depository Trustee may be liquidated and the proceeds therefrom together with all or any portion of the

If to the Trustee: _____

Attn: _____

If to Moody's: Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, NY 10007

If to S&P: Standard & Poor's Financial Services
Municipal Structured Group
55 Water Street, 38th Floor
New York, New York 10041

If to Fitch: Fitch Ratings, Inc.
One State Street Plaza
New York, New York 10004

Section 13.4. Covenant as to Conflict of Interest. A.R.S. Section 38-511 provides that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City 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 of the contract with respect to the subject matter of the contract. In addition, the City may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City from any other party to the contract arising as a result of the contract.

Section 13.5. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of Arizona.

Section 13.6. Binding Effect and Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements herein contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 13.7. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 13.8. Destruction of Cancelled Obligations. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the

delivery to the City of any Obligations, the Trustee may, in lieu of such cancellation and delivery, destroy such Obligations and, upon the City's request, deliver a certificate of such destruction to the City.

Section 13.9. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles", "Sections", and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 13.10. Parties Interested Herein. Nothing in this Trust Agreement or the Obligations, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee, and the Owners of the Obligations, any legal or equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements herein contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee, and the Owners of the Obligations.

Section 13.11. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.12. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases hereof may be held illegal, valid or unenforceable.

Section 13.13. E-Verify Requirements. To the extent applicable under A.R.S. Section 41-4401, the Trustee and its subcontractors warrant compliance with all federal immigration laws and regulations that relate to their employees and their compliance with the E-verify requirements under A.R.S. Section 23-214(A). The Trustee or its subcontractors' breach of the above-mentioned warranty shall be deemed a material breach of this Trust Agreement and may result in the termination of the Trustee's services by the City. The City retains the legal right to randomly inspect the papers and records of the Trustee or its subcontractor employees who work on this Trust Agreement to ensure that the Trustee and its subcontractors are complying with the above-mentioned warranty.

The Trustee and its subcontractors warrant to keep the papers and records open for random inspection during normal business hours by the City. The Trustee 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.

[Remainder of page intentionally left blank.]

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

_____, as
Trustee

By _____
Its _____

CITY OF CHANDLER, ARIZONA, as City

By _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

Special Counsel

EXHIBIT A

(FORM OF BOOK-ENTRY-ONLY OBLIGATION)

No: _____

Denomination: \$ _____

Unless this Obligation is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Trustee for registration of transfer, exchange, or payment, and any Obligation executed and delivered 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.

**EXCISE TAX REVENUE OBLIGATION,
SERIES 2015**

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

CITY OF CHANDLER, ARIZONA

to

_____,
as Trustee

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP No.</u>
_____%	July 1, 20__	_____, 2015	158855 ____

Registered Owner: CEDE & CO.

Principal Amount: _____

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Excise Tax Revenue Obligation, Series 2015 (the “Obligation”) is the owner of an undivided proportionate interest in the right to receive certain payments under and defined in that certain Agreement (the “Agreement”), dated as of _____ 1, 2015, by and between _____ (the “Trustee”), and the City of Chandler, Arizona, a municipal corporation and a political subdivision existing under the laws of the State of Arizona (the “City”), which payments and other rights and interests under the Agreement are held by the Trustee in trust under a Trust Agreement dated as of _____ 1, 2015 (the “Trust Agreement”) by and between the City and the Trustee.

The registered owner of this Obligation is entitled to receive, subject to the terms of the Agreement, on the maturity date set forth above or sooner as provided below, the principal amount set forth above, representing a portion of the Payments designated as principal coming due (the “Principal”), and to receive semiannually on January 1 and July 1 of each year commencing July 1, 2015 (the “Payment Dates”), until

payment in full of said portion of principal, the registered owner's proportionate share of the Payments designated as interest coming due (the "Interest") during the six (6) months immediately preceding each of the Payment Dates, or, if no Interest has been paid, from the Original Issue Date specified above. Interest is calculated based on the application to the Principal of the interest rate or rates per annum. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Said amounts representing Interest are payable by check mailed when due by first class mail by the Trustee to the registered owner in whose name this Obligation is registered at the close of business on the applicable record date (as described below) at the owner's address as it appears on the registration books of the Trustee; provided, however, that interest payable to any owner of \$1,000,000 or more in principal amount of Obligations may be paid by wire transfer in immediately available funds to an account in the United States if the owner makes a written request of the Trustee at least ten (10) days before the applicable record date specifying the account address. The notice may provide that it shall remain in effect for subsequent interest payments until otherwise requested in a subsequent written notice. Said amounts representing Principal are payable when due upon surrender of this Obligation at the office designated by the Trustee.

The regular record date for the payment of Interest is the close of business on the fifteenth day of the month preceding the Interest Payment Date. If Interest is not timely paid or provided for, a special record date shall be fixed by the Trustee for the payment of such overdue Interest. Notice of the special record date shall be mailed to registered owners not fewer than ten days prior thereto. The Principal of and Interest and any premium on this Obligation are payable in lawful money of the United States of America, without deduction for the services of the Trustee.

The Trustee has no obligation or liability to the registered owners of the Obligations for the payment of Interest or Principal pertaining to the Obligations. The Trustee's sole obligations are to administer, for the benefit of the registered owners of the Obligations, the various funds and accounts established pursuant to the Trust Agreement.

The recitals, statements and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

This Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

This Obligation has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement. The City is authorized to enter into the Agreement and the Trust Agreement under the laws of the State of Arizona and by resolution of the Mayor and Council of the City adopted October 22, 2015 (the "Resolution"). Reference is hereby made to the Agreement and the Trust Agreement (copies of which are on file at the office designated by the Trustee) for a description of the terms on which the Obligations are delivered, the rights thereunder of the registered owners of the Obligations, the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Agreement, to all of the provisions of which Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees.

The Obligations are payable from "Payments" to be made by the City pursuant to the Agreement. The City is required under the Agreement to make Payments from Excise Taxes (as defined below), which Payments are sufficient to pay, when due, the annual principal and interest due with respect to the Obligations. "Excise Taxes" means all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked

by the contributor for a contrary or inconsistent purpose. Excise Taxes include, without limitation, all fines and forfeitures. Revenues generated by the City from development impact fees will not be deemed Excise Taxes for the purposes of the Agreement and Trust Agreement. [Revenues received by the City from vehicle license taxes charged by the State of Arizona will not be deemed Excise Taxes for purposes of the Agreement and the Trust Agreement.] The City may impose taxes for restricted purposes the revenues from which will not be Excise Taxes hereunder and will not be pledged to the payment of the amounts due pursuant to the Agreement and the Trust Agreement.

The Obligations are payable from the Payments, which are secured by a pledge of, and a first lien on, the Excise Taxes as are necessary for the prompt and punctual payment of the Obligations, all as more fully described in, and provided by, the Agreement and the Trust Agreement. All Obligations of the total authorized amount are co-equal as to the Payments and the pledge of and lien on all such Excise Taxes securing the payment thereof, and share ratably without any preference, priority or distinction as to the source or method of payment from Excise Taxes and security thereof. **The owner hereof shall never have the right to demand payment of this Obligation or any Payments under the Agreement out of any funds other than said described income and revenues pledged for payment thereof and such other funds as may be provided for under the Trust Agreement.** The rights of the Owner hereof to payment from Excise Taxes are secured by a first lien upon the Excise Taxes on a parity with the Existing Parity Obligations and any other obligations hereafter executed and delivered on a parity therewith pursuant to the Trust Agreement and the Agreement.

THE OBLIGATIONS, THE AGREEMENT AND THE OBLIGATION OF THE CITY TO MAKE PAYMENTS THEREUNDER DO NOT REPRESENT OR CONSTITUTE A GENERAL OBLIGATION OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF FOR WHICH THE CITY OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION, OTHER THAN THE OBLIGATION OF THE CITY TO LEVY EXCISE TAXES, NOR DO THE OBLIGATIONS, THE AGREEMENT OR THE OBLIGATION TO MAKE PAYMENTS THEREUNDER CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF ARIZONA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OR OTHERWISE.

This Obligation represents an interest in a limited obligation of the City (as described herein) and no member, director, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.

For further definitions, a description of the terms on which the Obligations are executed and delivered, a more complete statement of the income and revenues from which, and conditions under which, this Obligation is payable, the conditions under which Additional Parity Obligations (as defined in the Trust Agreement) may be authorized, a statement of the terms under which the Trust Agreement or the Agreement may be modified, a statement of the general covenants and provisions pursuant to which this Obligation is executed and delivered, and of the rights of the holders of the Obligation, reference is made to the Trust Agreement and the Agreement, and to all the provisions thereof the owner hereof, by acceptance of this Obligation, consents and agrees. All Obligations of the total authorized amount are co-equal as to the pledge of and a first lien on all Excise Taxes securing the payment thereof, and share ratably without any preference, priority or distinction as to the source or method of payment from Excise Taxes and security thereof.

The Obligations are issuable only as fully registered obligations in authorized denominations and, except as hereinafter provided, in printed or typewritten form, registered in the name of CEDE & CO. as nominee of The Depository Trust Company (DTC), which shall be considered to be the registered owner for all purposes of the Trust Agreement, including, without limitation, payment of debt service and purchase

price, and receipt of notices and exercise of rights by registered owners. There shall be a single Obligation for each maturity which shall be immobilized in the custody of DTC with the beneficial owners having no right to receive Obligations in the form of physical securities or certificates. Ownership of beneficial interests in the Obligations shall be shown by book entry on the system maintained and operated by DTC and its participants, and transfers of ownership of beneficial interests shall be made only by DTC and its participants and by book entry, the City and the Trustee having no responsibility therefor. DTC is expected to maintain records of the positions of participants in the Obligations, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the Obligations. The Obligations as such shall not be transferable or exchangeable, except as provided in the Trust Agreement. As used herein, "Business Day" is a day of the year other than (a) a Saturday or a Sunday, (b) a day on which banks located in the States of Arizona or New York or any other state in which is located the office designated by the Trustee or the Paying Agent are required or authorized by law or other governmental action to be closed and (c) a day on which the New York Stock Exchange or the Depository is closed.

DENOMINATIONS

Obligations shall be executed and delivered in the denomination of \$5,000 and integral multiples thereof.

REDEMPTION

The Obligations are subject to redemption prior to stated maturity, as follows:

Optional Redemption

The Obligations maturing on or before July 1, 2025, are not subject to optional redemption in advance of maturity. The Obligations maturing on or after July 1, 2026, are subject to optional redemption by the Trustee from prepayments made at the option of the City as directed by a certificate of the representative of the City received by the Trustee at least ten (10) business days before the making of the minimum notice required under the Trust Agreement, in whole or in part, on any date on or after July 1, 2025, at the redemption price of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, but without premium.

Notice of Redemption

If less than all of the outstanding Obligations of a single maturity are to be called for redemption, the Obligations (or portions hereof) to be redeemed will be selected by the Depository, according to its procedures or if the Book-Entry-Only System is not in effect then by the Trustee by lot or in any customary manner as determined by the Trustee. Redemption shall be in Authorized Denominations or any integral multiples thereof.

So long as the Book-Entry-Only System is in effect, notice of redemption will be sent to DTC by the method required by DTC. If the Book-Entry-Only System is discontinued, the Trustee shall give notice of any redemption of this Obligation as provided above no more than 60 nor less than 30 calendar days prior to the redemption date to the registered owner at its address shown on the registration books maintained by the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes. The Trustee shall also send notice of any redemption to the Municipal Securities Rulemaking Board, currently through its Electronic Municipal Market Access system, by the method required by the Municipal Securities Rulemaking Board.

If at the time of mailing of the notice of redemption there has not been deposited with the Trustee moneys or eligible securities sufficient to redeem all Obligations called for redemption and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the redemption and satisfaction of such conditions. If Obligations or portions thereof are called for redemption and if on the redemption date moneys for the redemption thereof are held by the Trustee and those other conditions are met, thereafter those Obligations or portions thereof to be redeemed shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement. The failure to receive any notice of redemption, or any defect in such notice in respect of any Obligation, shall not affect the validity of redemption of any Obligation.

ENFORCEMENT

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

AMENDMENTS

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate value of the Obligations then outstanding, and may be amended without such consent under certain circumstances but in no event such that the interests of the owners of the Obligations are adversely affected, provided that no such amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Payment thereof in accordance with such owner's Obligation.

TRANSFER

So long as the Book-Entry-Only System is in effect, this Obligation shall not be transferred except to a successor securities depository. If the Book-Entry-Only System is not in effect, this Obligation is transferable by the registered owner, in person or by its attorney duly authorized in writing, at the office designated by the Trustee, upon surrender of this Obligation to the Trustee for cancellation. Upon the transfer, a new Obligation or Obligations in Authorized Denominations of the same aggregate principal amount will be executed and delivered to the transferee at the same office. This Obligation may also be exchanged at the office designated by the Trustee for a new Obligation or Obligations in Authorized Denominations of the same aggregate principal amount without transfer to a new registered owner. Exchanges and transfers will be without expense to the owner except for applicable taxes or other governmental charges, if any. The Trustee will not be required to make an exchange or transfer of this Obligation (i) if this Obligation (or any portion hereof) has been selected for redemption, or (ii) during the 15 days before the mailing of a notice of redemption of Obligations.

The City and the Trustee may treat the registered owner as the absolute owner of this Obligation for all purposes, notwithstanding any notice to the contrary.

EXHIBIT B

PAYMENT REQUEST FORM

Application No. _____

The Trustee is hereby requested to pay from the Acquisition Fund, as defined in the Trust Agreement, dated as of _____ 1, 2015 (the "Trust Agreement"), among the City of Chandler, Arizona (the "City") and _____, as trustee (the "Trustee"), to the person or corporation designated below as Payee, the sum set forth below such designation, in payment of the Project Costs (as defined in the Trust Agreement) described below. The amount shown below is due and payable under a purchase order or contract with respect to the Project Costs described below and has not formed the basis of any prior request for payment.

Payee: _____

Address: _____

Amount: _____

Description of Project Costs or portion thereof authorized to be paid to the Payee:

_____.

The City acknowledges that it has received and inspected each item of the Project described above and has found each item of the Project so described to be in good condition, in conformity with the City's specifications and satisfactory for the City's purposes and in accordance with the applicable Construction Contract and the plans for the Project. Accordingly, the City hereby accepts each item of the Project so described. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released the Contractor or Vendor named herein from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item of the Project described above.

By execution of this Payment Request Form, the City requests and approves the payment of the amount stated above to the Payee set forth above.

DATED: _____.

CITY OF CHANDLER, ARIZONA

By _____
City Representative

Please forward payment to Payee at the following address:

EXHIBIT C

REIMBURSEMENT REQUEST FORM

Application # _____

The Trustee is hereby requested to pay from the Acquisition Fund established by the Trust Agreement, dated as of _____ 1, 2015 (the "Trust Agreement"), between the City of Chandler, Arizona (the "City"), and _____, as trustee (the "Trustee"), to the City, the sum set forth below as reimbursement of all of the Project Costs (as defined in the Trust Agreement) described below. Payment of the amount, shown below was made by the City on _____, 20____, as evidenced by _____, attached hereto, as full/partial payment of invoice No. _____ of _____, also attached hereto. The amount shown below was paid by the City as a Project Cost and has not formed the basis of any prior request for payment. The City hereby certifies that the statutorily prescribed period within which laborers', materialmen's or mechanics' lien may be filed has expired (or that an appropriate bond has been filed there against) with respect to the items covered by this Reimbursement Request Form and there are no such liens, other liens or security interest outstanding with respect to the Project.

The City acknowledges that it has received and has inspected each item of the Project described below and has found each item of the Project so described to be in good condition, in conformity with the City's specifications and satisfactory for the City's purposes. Accordingly, the City hereby accepts each item of the Project so described. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released the Contractor or Vendor named on the attached documentation, from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item of the Project described below.

Amount: _____

Description of Project Cost or portion thereof for which reimbursement is hereby requested:

_____.

Dated: _____, 20__.

By _____
City Representative

Date received: _____, 20__.

By _____
Trustee Representative

§ _____
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2015
evidencing a proportionate interest of the Owners
thereof in Payments under an Agreement
Dated: _____ 1, 2015

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP No. 158855)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is undertaken by the City of Chandler, Arizona (the "City") in connection with the execution and delivery of \$_____ Excise Tax Revenue Obligations, Series 2015 (the "Obligations"). In consideration of the initial sale and delivery of the Obligations, the City covenants as follows:

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

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.

"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 of the 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.

"Obligation Owners" shall mean any registered owners or beneficial owners of the Obligations.

"Official Statement" shall mean the final official statement dated _____, 2015 relating to the Obligations.

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

"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.

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

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, 2016, provide electronically to the MSRB, in a format prescribed by the 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, in a timely manner, send a notice to EMMA in substantially the form attached as Exhibit A not later than the 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, in a timely manner, 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.

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

(I) City of Chandler, Excise Tax Collections

(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 statements 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 Obligations. 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 Obligations, or other events affecting the tax status of the Obligations;
- (7) Modifications to rights of Obligation Owners, if material;
- (8) Obligations calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Obligations, 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.

“Materiality” will be determined in accordance with the applicable federal securities laws.

Note to paragraph (12) above: For the purposes of the event identified in paragraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the 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 Obligations. 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 Dissemination 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 Special Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Obligations, 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 Obligation Owners, as determined by Special 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 Obligation Owner 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 Obligations or the resolution authorizing the Obligations.

Section 12. Compliance by 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, Special Counsel or the City's financial advisor.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Obligation Owners, and shall create no rights in any other person or entity.

Section 14. Governing Law. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure 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: _____, 2015.

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 Issue: \$ _____ Excise Tax Revenue Obligations, Series 2015
Dated Date of Obligations: _____, 2015 CUSIP: 158855

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Obligations as required by Section 3(a) of the Disclosure Certificate dated _____, 2015. 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 Issue: \$ _____ Excise Tax Revenue Obligations, Series 2015
Dated Date of Obligations: _____, 2015 CUSIP: 158855

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 _____, 2015 with respect to the above-named Obligations. 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 _____

_____, 2015

U.S. Bank National Association,
as Trustee

Ladies and Gentlemen:

We have examined the proceedings relating to the execution and delivery by U.S. Bank National Association (the "Trustee") of \$70,000,000* aggregate principal amount of City of Chandler, Arizona, Excise Tax Revenue Obligations, Series 2015 (the "Obligations") dated _____, 2015*, pursuant to a Trust Agreement dated as of _____ 1, 2015* (the "Trust Agreement"), between the Trustee and the City of Chandler, Arizona (the "City"). Each of the Obligations evidence a proportionate, undivided interest in an Agreement dated as of _____ 1, 2015* (the "Agreement"), between the Trustee and the City, including certain payments (the "Payments") and all other amounts due and payable by the City under the Agreement over the period from the date hereof to July 1, 20__*. In accordance with the Trust Agreement and the Agreement the Trustee has contracted to facilitate the financing of certain improvements to the water and wastewater systems of the City (the "Project"). The Payments under the Agreement are secured by certain excise tax revenues pledged by the City pursuant to the Agreement and the Trust Agreement. We have also examined a form of the Obligations.

Based upon such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Obligations, Trust Agreement and Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.

2. The Payments and obligations of the City under the Agreement and the Obligations are payable from and are secured by a pledge of and lien on the Excise Taxes (as defined in the Agreement), as provided in the Agreement and the Trust Agreement. The Agreement and the Trust Agreement create the first lien on the Excise Taxes they purport to create. The rights of the owners of the Obligations to payment from the Payments secured by the Excise Taxes shall be on a parity with the rights to payment from such Excise Taxes of the holders of the Existing Parity Obligations and any Additional

* Preliminary, subject to change.

Parity Obligations (both as defined in the Trust Agreement). Additional obligations may be issued in the future on a parity with the Obligations with respect to the lien on Excise Taxes.

3. Under existing laws, regulations, rulings and judicial decisions, the portion of each Payment made by the City under the Agreement and denominated as and comprising interest pursuant to the Agreement and received by the owners of the Obligations is excluded from gross income for the purpose of calculating federal income taxes and is exempt from State of Arizona income taxes. Interest income on the Agreement is not an item of tax 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. Neither the Agreement nor the Obligations are private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). We express no opinion regarding other federal tax consequences arising with respect to either the Agreement or the Obligations.

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Agreement from gross income for federal income tax purposes, including a requirement that the City rebate to the federal government certain of the investment earnings with respect to the Agreement. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Agreement received by the owners of the Obligations being included as gross income for federal income tax purposes from the date of issuance of the Obligations. The City has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the interest income on the Agreement received by the owners of the Obligations. For purposes of this opinion, we have assumed continuing compliance by the City with such restrictions, conditions and requirements.

As to questions of fact material to our opinion, we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certificates, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Obligations to be and remain excluded from gross income for federal income tax purposes.

GUST ROSENFELD P.L.C.

Timothy A. Stratton
Special Counsel

PRELIMINARY OFFICIAL STATEMENT DATED AS OF _____

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: Fitch: “Applied For”
Moody’s: “Applied For”
S&P: “Applied For”
See “RATINGS” herein

In the opinion of Gust Rosenfeld P.L.C. Phoenix, Arizona, Special Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain restrictions, conditions and requirements by the City as described under “TAX EXEMPTION” herein, interest income on the portion of each Payment and Prepayment, if any, made by the City under the Agreement and denominated as and comprising interest income pursuant to the Agreement and received by the Owners of the Obligations will be excluded from gross income for federal income tax purposes and exempt from Arizona income taxes. Interest income on the Agreement is not an item of preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to alternative minimum tax. See “TAX EXEMPTION”, “ORIGINAL ISSUE DISCOUNT” and “ORIGINAL ISSUE PREMIUM” herein.

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2015

Dated: Date of Initial Delivery

Due: July 1, as shown below

The Excise Tax Revenue Obligations, Series 2015 (the “Obligations”) will be executed and delivered to (i) pay costs associated with various capital improvements to the City of Chandler, Arizona’s (the “City”) water and wastewater system (the “System”) and (ii) to pay costs of execution and delivery of the Obligations. See “PLAN OF FINANCE” and “PLAN OF REFUNDING” herein.

Interest on the Obligations will accrue from the date of initial delivery thereof and be payable semiannually on each January 1 and July 1, commencing July 1, 2016 (each an “Interest Payment Date”). The Obligations will be dated the date of initial delivery and will be issuable as fully registered bonds without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial interests in the Obligations will be available to purchasers in amounts of \$5,000 of principal due on a single maturity date and any integral multiple thereof only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Obligations. See “THE OBLIGATIONS – Book-Entry-Only-System” herein.

The Obligations will be subject to optional redemption prior to their stated maturities as described herein.

The Obligations will be payable from payments (“Payments”) or prepayments, if any, (the “Prepayments”) to be made by the City pursuant to a Agreement, dated as of December 1, 2015*, between the City and U.S. Bank National Association, as Trustee (the “Trustee”). The Payments and Prepayments, if any, to be made by the City will be secured by a pledge of the City’s Excise Taxes (as defined herein). Such pledge is and will be on a parity with the City’s pledge of such Excise Taxes made in connection with the Existing Parity Obligations and any Additional Parity Obligations executed and delivered on a parity (together, the “Parity Obligations”) See “SECURITY AND SOURCES OF PAYMENT” herein.

THE OBLIGATIONS WILL BE SPECIAL REVENUE OBLIGATIONS OF THE CITY AND WILL BE PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF AND THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE OBLIGATIONS.

See Maturity Schedule on Inside Front Cover

The Obligations are offered when, as and if issued by the City and received by the Purchaser, subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, as to validity and tax exemption. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about December 9, 2015*.

This cover page contains certain information for quick reference only. It is not a summary of this issue of which the Obligations 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 Obligations.

[UNDERWRITERS?]

* Preliminary, subject to change.

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2015

Maturity Date (July 1)	Principal Amount*	Interest Rate	Yield	CUSIP No. 158855 (a)
2016	\$1,320,000	%	%	
2017	2,330,000			
2018	2,400,000			
2019	2,500,000			
2020	2,600,000			
2021	2,730,000			
2022	2,865,000			
2023	3,005,000			
2024	3,155,000			
2025	3,315,000			
2026	3,480,000			
2027	3,655,000			
2028	3,835,000			
2029	4,030,000			
2030	4,230,000			
2031	4,440,000			
2032	4,665,000			
2033	4,900,000			
2034	5,145,000			
2035	5,400,000			

(a) Copyright 2015, 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. The City takes no 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

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

SPECIAL COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

FINANCIAL ADVISOR

Piper Jaffray & Co.[®]
Phoenix, Arizona

TRUSTEE, BOND REGISTRAR AND PAYING AGENT

U.S. Bank National Association
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") Excise Tax Revenue Obligations, Series 2015 (the "Obligations"), 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 Obligations by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth in this Official Statement has been provided by the City, Maricopa County, 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 Piper Jaffray & Co. (the "Financial Advisor"). The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the 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 thereof.

The issuance and sale of the Obligations 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 Obligations. The Obligations 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 Obligations or the accuracy or adequacy of this Official Statement or approved the Obligations for sale.

The City has undertaken to provide continuing disclosure with respect to the Obligations as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" and APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

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OFFICIAL STATEMENT

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2015

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover and the appendices hereto, provides certain information concerning the Excise Tax Revenue Obligations, Series 2015 (the "Obligations"), to be executed and delivered in the aggregate principal amount of \$70,000,000*. The Obligations are payable solely from payments (the "Payments") or prepayments, if any, (the "Prepayments") to be made by the City of Chandler, Arizona, (the "City") pursuant to an Agreement, dated as of December 1, 2015* (the "Agreement"), between the City and U.S. Bank National Association in its capacity as trustee (the "Trustee"), as seller. The Obligations are being executed and delivered for the purpose of providing funds (i) to pay costs associated with certain capital improvements (the "Improvements") to the City's Water and Wastewater System (the "Project") and (ii) to pay the costs and expenses relating to the issuance of the Obligations. The Obligations will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2015* (the "Trust Agreement"), between the City and the Trustee. All of the Trustee's interest under the Agreement, including, without limitation, the right to receive and collect the Payments and Prepayments, if any, and the amounts payable under the Trust Agreement and the right to enforce the payment of Payments and Prepayments, if any, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX B – "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS" herein.

The City will be required under the Agreement to pay the Trustee the Payments for the acquisition of the Project, which will be equal to the principal and interest payable with respect to the Obligations. The Payments and Prepayments, if any, to be made by the City under the Agreement are payable from and secured by a lien on and pledge of the Excise Taxes (hereinafter defined). The pledge of Excise Taxes under the Agreement is on a parity with the pledge of Existing Parity Obligations and any Additional Parity Obligations (herein defined). See "SECURITY AND SOURCES OF PAYMENT" herein.

A brief description of the security for the Obligations and of the City are included in this Official Statement together with a summary of select provisions of the Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of which are available for inspection at the designated corporate trust office of the Trustee.

THE OBLIGATIONS

General Provisions

The Trustee is authorized to prepare, execute and deliver the Obligations in the aggregate principal amount of \$70,000,000* evidencing proportionate ownership interest in the Payments and Prepayments, if any, in accordance with Resolution No. ____ adopted by the Mayor and Council of the City on _____, 2015 (the "Resolution").

Proceeds from the Obligations will be used to provide funds for (i) capital improvements to the City's water and wastewater system (the "System") and (ii) to pay the costs associated with the issuance of the Obligations.

The Obligations are available only in fully registered certificated form. The Obligations will bear interest, at the rates and will mature on the dates and in the amounts, all as set forth on the inside cover page hereof.

* Preliminary, subject to change.

As described under the section “Book-Entry-Only System”, the Obligations will be registered in the name of Cede & Co., as registered Owner and nominee of The Depository Trust Company (“DTC”), New York, New York. So long as DTC, or its nominee, Cede & Co., is registered Owner of all of the Obligations, all payments on the Obligations will be made directly to DTC in immediately available funds, by wire transfer on or before the date due.

So long as Cede & Co. is the registered Owner of the Obligations, as nominee for DTC, references herein to “Owners” or registered owners of the Obligations (other than under the caption “TAX EXEMPTION”) shall mean Cede & Co., as aforesaid, and shall not mean the actual purchasers of beneficial interest in the Obligations (the “Beneficial Owners”). When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City or the Trustee to DTC only, as registered Owner.

The Obligations initially will be dated their date of initial delivery. Interest on the Obligations will be payable on each January 1 and July 1 (each such date is referred to herein as an “Interest Payment Date”), commencing July 1, 2016, and will accrue from their dated date.

Redemption Provisions

Optional Redemption: The Obligations maturing on or before July 1, 2025* are not subject to call for redemption prior to maturity from Prepayments. The Obligations maturing on or after July 1, 2026* are subject to call for redemption prior to their stated maturity dates, at the option of the City, as directed by a certificate of the City Representative received by the Trustee at least ten (10) business days prior to the notice of redemption provisions described herein, in whole or in part, on any date on or after July 1, 2025* at the redemption price of the principal amount being refunded, plus accrued and unpaid interest, if any, to the date fixed for redemption, but without premium.

Notice of Redemption: So long as the Book-Entry-Only System is in effect, the Trustee shall give notice to DTC by the method required by DTC. If the Book-Entry-Only System is discontinued, the Trustee shall cause notice of any redemption of Obligations to be mailed to the Owners of all Obligations to be redeemed to the address listed in the Trustee’s register no more than sixty (60) and no less than thirty (30) days prior to the date fixed for redemption. The Trustee shall also provide notice of any redemption to the Municipal Securities Rulemaking Board (the “MSRB”), currently through the MSRB’s Electronic Municipal Market Access system (“EMMA”) by the method required by the MSRB.

Registration, Transfer and Exchange

The Obligations will be registered on the books of the Trustee located at the Trustee’s designated corporate trust office. So long as the Book-Entry-Only System is in effect the Obligations will be registered in the name of Cede & Co. (See “THE OBLIGATIONS – Book-Entry-Only System”).

SECURITY AND SOURCES OF PAYMENT

General

The Obligations are special revenue obligations of the City, payable solely from Payments and Prepayments, if any, to be paid by the City to the Trustee pursuant to the Agreement. The Trustee will hold its right, title and interest in the Agreement, the Payments, Prepayments, if any, and amounts payable under the Trust Agreement in trust for the benefit of the Owners of the Obligations pursuant to the Trust Agreement. The Obligations, the Agreement, Trust Agreement and the obligation to make the payments do not represent or constitute a general obligation of the City, the State of Arizona or any of its political subdivisions.

Under the terms of the Trust Agreement, the Obligations are payable by the Trustee from the Payments and Prepayments, if any, received by the Trustee from the City under the Agreement, amounts from time to time deposited in the funds created under the Trust Agreement, and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States in order to continue the exclusion of the interest payable on the Obligations from gross income for federal income tax purposes). See “APPENDIX C – SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS.”

The Payments to be made by the City are secured by a pledge by the City of Excise Taxes (as defined below) on a parity with the Existing Parity Obligations (as defined herein) and any Additional Parity Obligations executed and delivered on a parity (together, the “Parity Obligations”). Currently, the City’s existing parity obligations are the \$137,430,000 in aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2009, currently outstanding in the aggregate principal amount of \$21,255,000, Series 2011, currently outstanding in the aggregate principal amount of \$12,175,000, and Series 2013, currently outstanding in the aggregate principal amount of \$104,000,000 (the “Existing Parity Obligations”). The major categories of revenues which comprise the Excise Taxes are discussed more fully below. See “EXCISE TAXES.”

Payment of the Obligations is not secured by the Project, and the Owners of the Obligations have no claim or lien on the Project or any part thereof.

Additional Parity Obligations

In the Agreement, the City covenants and agrees that, so long as any of the Obligations remain outstanding and the principal and interest thereon shall be unpaid or unprovided for or any other amounts remain unpaid or unprovided for thereunder, it will not further encumber the Excise Taxes on a basis equal to the pledge thereunder unless the Excise Taxes received by the City in the immediately preceding fiscal year shall have amounted to at least three (3) times the highest combined Debt Service (as defined below) for the current year or any succeeding fiscal year for all outstanding Parity Obligations. Subject to the foregoing and the other terms and conditions of the Agreement, the City shall have the right to issue future Parity Obligations payable from and secured by the Excise Taxes on parity with the Obligations.

“Debt Service” means with respect to any Parity Obligations, as of any date of calculation and with respect to any fiscal year, the sum of (1) the interest falling due during such fiscal year (except to the extent that such interest is payable from proceeds of the Parity Obligations or other amounts set aside for such purposes at the time such Parity Obligations are incurred), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similarly denoted principal payment obligation) payments or deposit required with respect to such Parity Obligations during such period; such sum to be computed on the assumption that no portion of such Parity Obligations shall cease to be outstanding during such fiscal year except by reason of the application of such scheduled payments. If interest on Parity Obligations is payable pursuant to a variable interest rate formula, the interest rate on such Parity Obligations for fiscal years when the actual interest rate on such Parity Obligations cannot yet be determined shall be assumed to be equal to the higher of: (a) the average annual interest rate on such Parity Obligations over the last five fiscal years or since the date of issuance of such Parity Obligations if less than five years, or (b) if the terms of such Parity Obligations provide for conversion of the interest rate payable on such obligations to a fixed interest rate for the remainder of their term to maturity, an interest rate per annum determined in accordance with the provisions of such obligations as if the interest rate payable thereon were being converted to a fixed interest rate for the remainder of their term to maturity.

Reserve Fund; Funding Conditional

The Trust Agreement establishes a reserve fund (the “Reserve Fund”), to secure payment of the Obligations, but provides that no deposits need to be made into the Reserve Fund for the Obligations if the Excise Taxes pledged and received by or on behalf of the City in the immediately preceding fiscal year are at least two (2) times the highest combined Debt Service requirement on all outstanding Parity Obligations for the current or any future fiscal year. In the event that the Excise Taxes collected for the immediately preceding fiscal year are less than two (2) times the highest combined Debt Service on all outstanding Parity Obligations for the current or any future fiscal year, the City in addition to the other Payments provided under the Agreement is required to deposit into the Reserve Fund, on the first day of each month commencing the first month after the Excise Taxes actually received in

such fiscal year are below the required amount, one-thirty-sixth (1/36th) of such highest combined annual Debt Service in any fiscal year on the outstanding Parity Obligations (the "Reserve Fund Requirement"), except for any Additional Parity Obligations for which a separate reserve fund is established or for which no reserve fund is required, until the amount in the Reserve Fund equals the Reserve Fund Requirement.

In lieu of, or in combination with, funding, the City may deliver a Reserve Fund Guaranty (hereinafter defined). Reserve Fund Guaranty means a letter of credit, surety bond, or similar arrangement representing the irrevocable obligation of a Reserve Fund Guarantor to pay the amount stated in the Reserve Fund Guaranty. The Reserve Fund Guarantor shall be rated AA or higher by the rating agencies rating the Obligations.

Junior Lien Obligations

Under the Trust Agreement, the City may make pledge of and permit liens on the Excise Taxes which are subordinate to the pledge and lien securing the Obligations.

EXCISE TAXES

The Excise Taxes pledged to payment of the Debt Service on the Obligations and any Additional Parity Obligations include all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state-revenue sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose ("Excise Taxes"). Excise Taxes include, without limitation, all fines and forfeitures. The City may impose taxes for restricted purposes, the revenues from which will not be Excise Taxes thereunder and will not be pledged to the payment of the amounts due pursuant to the Agreement and Trust Agreement. Notwithstanding the pledge herein, the City intends to pay the Payments and Prepayments, if any, from the revenues available in the City's Water and Wastewater Funds.

From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocate state-shared sales taxes and state-shared income taxes. The possibility of changes in this respect are more likely to be adverse to the City when the State is experiencing financial difficulties. The City cannot determine whether any such measures will become law or how they might affect the revenues which comprise state-shared revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which would repeal or modify state sales taxes, state income taxes (the major source of funds for state revenue sharing) and vehicle license taxes. The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election. See "State-Shared Sales Taxes" and "State-Shared Income Taxes."

Add TPT Update

The following table sets forth the City's Excise Tax collections for fiscal years 2008-09 through 2013-14 as provided by the City.

**City of Chandler
Excise Tax Collections
FY 2008-09 to FY 2013-14 (to Update)**

	<u>2008-09 (a)</u>	<u>2009-10 (a)</u>	<u>2010-11 (a)</u>	<u>2011-12 (a)</u>	<u>2012-13 (b)</u>	<u>Adopted 2013-14</u>
City Transaction Privilege (Sales) and Use Tax (c)	\$ 85,897,335	\$ 83,019,726	\$ 86,523,295	\$ 97,485,387	\$ 102,200,517	\$ 95,200,000
State-Shared Sales Taxes	18,620,758	18,436,531	17,695,102	18,450,722	19,327,102	19,400,000
State-Shared Income Taxes	34,459,502	29,804,513	22,468,783	19,928,955	24,119,457	26,343,000
Franchise Fees	3,264,093	3,174,390	2,795,127	2,977,482	2,925,559	2,875,000
Fee for Licenses and Permits	2,937,068	3,134,755	3,653,993	7,146,427	5,064,455	3,653,400
Fines and Forfeitures	3,589,920	3,455,169	3,028,053	2,896,943	2,984,049	2,829,800
Totals	\$ 148,768,676	\$ 141,025,083	\$ 136,164,353	\$ 148,885,916	\$ 156,621,139	\$ 150,301,200

- (a) Amounts are actual collections provided by the City's Budget Division (cash basis).
- (b) Unaudited 2012-13 revenues.
- (c) Includes City Transaction Privilege Sales Tax, Privilege Audit Assessments, Privilege License Fees and Privilege Tax Interest.

Source: City of Chandler Management Services Department.

[Remainder of page intentionally left blank]

City Transaction Privilege (Sales) and Use Taxes. The City’s transaction privilege (sales) tax is levied by the City upon persons based on their business activities within the City. The amount of taxes are calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in the table below. Transaction privilege (sales) taxes are collected by the City on a monthly basis.

**City of Chandler (to Update)
Transaction Privilege (Sales) Tax Rates by Category**

<u>Taxable Activities</u>	<u>Chandler Tax Rate</u>
Advertising	1.50%
Amusements	1.50%
Construction Contracting	1.50% of 65% of gross
Jet Fuel Sales (and Use)	\$0.02300/gallon
Job Printing	1.50%
Manufactured Housing	1.50%
Timber & Extraction	1.50%
Mining	0.10%
Publishing	1.50%
Hotel/Motel	1.50%
Transient Lodging	4.40% (1.50% + 2.9%)
Rentals – Real Property	
Residential	1.50%
Commercial	1.50%
Tangible Personal Property Rentals	1.50%
Car Rentals	1.50%
Restaurants/Bars	1.80%
Retail Sales	1.50%
Telecommunications	2.75%
Transportation for Hire	1.50%
Utilities	2.75%
Use Tax	1.50%

Source: The City.

State-Shared Sales Taxes. Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business activity as the City’s transaction privilege (sales) tax with the exception of food sales, which the State exempts from tax. As the table below indicates, the rate of taxation varies among the different types of business activities taxed, with the most common rate being 5% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution share” of revenues attributable to each category of taxable activity. The allocation of each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns. **In addressing State budgetary deficiencies, the Governor and members of the State legislature have occasionally proposed certain adjustments that would reduce the distribution of State-Shared Sales Taxes to cities and towns. The City cannot determine whether such measures will become law or how they might affect the City’s receipt of State-Shared Sales Taxes.**

STATE SALE TAX
Taxable Activities, Tax Rates and Distribution Share

Taxable Activities	State Transaction Privilege (Sales) Tax Rates			
	State Tax Rate	Distribution Share	Education Tax Rate (a)	Combined Tax Rate
Transporting	5.000%	20.000%	0.600%	5.600%
Utilities	5.000%	20.000%	0.600%	5.600%
Telecommunications	5.000%	20.000%	0.600%	5.600%
Pipeline	5.000%	20.000%	0.600%	5.600%
Private car line	5.000%	20.000%	0.600%	5.600%
Publication	5.000%	20.000%	0.600%	5.600%
Job printing	5.000%	20.000%	0.600%	5.600%
Prime contracting	5.000%	20.000%	0.600%	5.600%
Owner builder sales	5.000%	20.000%	0.600%	5.600%
Amusement	5.000%	40.000%	0.600%	5.600%
Restaurant	5.000%	40.000%	0.600%	5.600%
Personal property rental	5.000%	40.000%	0.600%	5.600%
Retail (excluding food sales)	5.000%	40.000%	0.600%	5.600%
Transient lodging	5.500%	50.000%	N/A	5.500%
Mining - non-metal, oil/gas	3.125%	32.000%	N/A	3.125%
Commercial lease	0.000%	53.330%	N/A	0.000%
Severance - metal liferous mining	2.500%	80.000%	N/A	2.500%
Use tax utilities	5.000%	20.000%	0.600%	5.000%
Jet fuel use tax	(b)	40.000%	N/A	(b)

(a) Represents the State Transaction privilege (sales) tax rate approved by the voters of the State in November 2000 (the “Education Tax”) on certain of the categories of business activity at six-tenths of one percent (0.6%). **The education Tax Collections are dedicated exclusively to education and are not distributed to the City or pledged to the payment of debt service with respect to the Obligations.** The effective dates for the Education Tax are June 1, 2001 through June 30, 2021.

(b) Does not include the \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchaser in each calendar year.

State-Shared Income Taxes. Under current State law, Arizona cities and towns are preempted by the State from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to typically receive 15% of State personal and corporate income tax collections. Distribution of such funds is made monthly based on the proportion of each city’s population to the total populations of all incorporated cities and towns in the State as determined by the latest census. **In addressing State budgetary deficiencies, the Governor and members of the State legislature have occasionally proposed certain adjustments that would reduce the distribution of State-Shared Income Taxes to cities and towns. The City cannot determine whether any such proposals will occur in the future and become law or how they might affect the City’s receipt of State-Shared Income Taxes.**

State-Shared Vehicle License Tax. Approximately twenty percent of the revenues collected for the licensing of motor vehicles is distributed to incorporated cities and towns. A city or town receives its share of the vehicle license tax collections based on its population in relation to the total incorporated population of the county. These monies are distributed on a monthly basis. The only stipulation on the use of this revenue is that it must be expended for a public purpose.

Franchise Fee Revenues. Cities and towns in the State have exclusive control over public rights of way dedicated to the municipality, and may grant franchise agreements to and impose franchise taxes on utilities using those rights of way. A franchise may be granted only with voter approval and the term of franchises is limited to 25 years. The City has granted franchises to and imposed franchise taxes on utility and cable television providers.

Other Excise Tax Revenues. The City also imposes and collects fees for licenses and permits to engage in certain activities within the City and for the right to utilize certain City property and imposes and collects fines and forfeitures for violations of State laws or City ordinances relating to traffic, parking, animal control and other offenses.

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(To Update)
SCHEDULE OF ESTIMATED DEBT SERVICE COVERAGE ON OBLIGATIONS (a)*

Date (July 1)	Excise Tax Revenues (b)	Outstanding Parity Obligations Debt Service	Plus:		Estimated Annual Debt Service Requirements	Projected Debt Service Coverage	Less: Water & Wastewater Revenue Supported Excise Tax Obligation Debt Service (e)		Net Debt Service Requirements
			The Obligations Principal*	Interest (c)*			Revenue Supported Excise Tax Obligation Debt Service (e)	Revenue Supported Excise Tax Obligation Debt Service (e)	
2016		\$8,713,725		\$1,925,413 (d)	\$10,639,138	0.00x	\$10,639,138	\$0	
2017		9,417,825	\$1,320,000	3,338,400	14,076,225		14,076,225		
2018		9,434,675	2,330,000	3,268,500	15,033,175		15,033,175		
2019		10,501,438	2,400,000	3,172,500	16,073,938		16,073,938		
2020		10,717,988	2,500,000	3,072,500	16,290,488		16,290,488		
2021		10,938,938	2,600,000	2,942,500	16,481,438		16,481,438		
2022		11,112,838	2,730,000	2,806,000	16,648,838		16,648,838		
2023		11,022,638	2,865,000	2,662,750	16,550,388		16,550,388		
2024		11,448,438	3,005,000	2,512,500	16,965,938		16,965,938		
2025		11,449,238	3,155,000	2,354,750	16,958,988		16,958,988		
2026		11,542,363	3,315,000	2,189,000	17,046,363		17,046,363		
2027		11,317,188	3,480,000	2,015,000	16,812,188		16,812,188		
2028		11,003,250	3,655,000	1,832,250	16,490,500		16,490,500		
2029		13,875,000	3,835,000	1,640,500	19,350,500		19,350,500		
2030		13,415,000	4,030,000	1,439,000	18,884,000		18,884,000		
2031		13,455,000	4,230,000	1,227,500	18,912,500	0.00x	18,912,500		
2032		12,975,000	4,440,000	1,005,500	18,420,500		18,420,500		
2033		12,495,000	4,665,000	772,250	17,932,250		17,932,250		
2034		-	4,900,000	527,250	5,427,250		5,427,250		
2035		-	5,145,000	270,000	5,415,000		5,415,000		
Total		\$204,835,538	\$70,000,000	\$40,974,063	\$315,809,601		\$315,809,601		\$0

(a) Prepared by Piper Jaffray & Co. (the "Financial Advisor"). Columns may not add up due to rounding.

(b) Excise Tax revenues shown represent collections for Fiscal Year 2014-15.

(c) Interest is estimated at 5.00%.

(d) The first interest payment on the Obligations will be due July 1, 2016. Thereafter, the interest payments will be made semiannually on each Interest Payment Date until maturity or prior redemption.

(e) The City intends to pay amounts representing debt service on the Obligations and the outstanding Parity Obligations from revenues available in the City's water and wastewater enterprise funds (the "Water and Wastewater Funds"). In the event that these revenues prove insufficient to pay such amounts due for debt service on the Obligations, or if the City decides not to pay such amounts from the revenues of the Water and Wastewater Funds, amounts due for debt service on the Obligations will then be paid from Excise Taxes. See "Security and Sources of Payment" and "EXCISE TAXES" herein.

* Preliminary, subject to change.

TAX EXEMPTION

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona (“Special 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, the portion of each Payment and Prepayment, if any, made by the City under the Agreement and denominated as and comprising interest income pursuant to the Agreement and received by the Owners of the Obligations will be excluded from gross income for federal income tax purposes and will be exempt from State of Arizona income taxes. The opinion of Special Counsel will be dated as of the date of delivery of the Obligations. The form of such opinion is included as APPENDIX C attached hereto.

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 Agreement 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 Obligations. 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 Agreement being included as gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The Obligations 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 Obligations. The opinion of Special Counsel assumes continuing compliance with such restrictions, conditions and requirements.

The Code also imposes an “alternative minimum tax” upon certain corporations and individuals. A taxpayer’s “alternative minimum taxable income” (“AMTI”) is its taxable income with certain adjustments. Interest income on the Agreement is not an item of tax preference to be included in the AMTI of individuals or corporations.

Notwithstanding the preceding sentence, one of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess (if any) of the corporation’s “adjusted current earnings” over the corporation’s AMTI for the taxable year (determined without regard to such adjustment for excess book income and the alternative tax net operating loss deduction). A corporation’s “adjusted current earnings” includes all tax-exempt interest, including the portion of each Payment and Prepayment, if any, made by the City under the Agreement and denominated as and comprising interest income pursuant to the Agreement received by the owners of the Obligations for federal income purposes.

Although Special Counsel will render an opinion that, as of the delivery of the Obligations, interest income on the Agreement will be excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Agreement may otherwise affect the federal tax liability of a Beneficial Owner of the Obligations. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Obligations, including, without limitation, corporations subject to 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 Beneficial Owner. The nature and extent of these other tax consequences will depend upon the Beneficial Owner’s particular tax status and the Beneficial Owner’s other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

The Agreement and the Obligations will not be “private activity bonds” within the meaning of Section 141 of the Code.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal tax matters referred to above or adversely affect the market value of the Obligations. It cannot be predicted whether or in what form any such proposal may be enacted and there can be no assurance that any such proposal would not apply to obligations (such as the Obligations) issued prior to enactment of such proposal.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Obligations maturing on _____ through and including _____ (collectively, the “Discount Obligations”), are less than the respective amounts payable at maturity. As a result, the Discount Obligations will be considered to be issued with original issue discount. The difference between the initial public offering price (the “Issue Price”) of the Discount Obligations, and the amount payable at maturity of the Discount Obligations will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Obligation in the initial public offering at the Issue Price and who holds the Discount Obligation to maturity, the full amount of original issue discount will constitute interest which is not includible in the gross income of the Beneficial Owner of the Discount Obligation for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Obligation at maturity.

The original issue discount on each of the Discount Obligations is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Obligation 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 accreting each period will be added to the Beneficial Owner's tax basis for the Discount Obligation. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Obligation. An initial Beneficial Owner of a Discount Obligation who disposes of the Discount Obligation prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accreted over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Obligation prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Obligations. Beneficial Owners who do not purchase the Discount Obligations in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Obligations.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Obligation may result in certain collateral federal income tax consequences as described in “TAX EXEMPTION” herein.

Beneficial Owners of Discount Obligations in states other than Arizona should consult their own tax advisors with respect to the state and local taxes. 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 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.

ORIGINAL ISSUE PREMIUM

The initial public offering price of the Obligations maturing on _____ through and including _____ (collectively, the “Premium Obligations”) are greater than the amount payable on such Obligations at maturity. An amount equal to the difference between the initial public offering price of a Premium Obligation and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Obligations. The basis for federal income tax purposes of a Premium Obligation in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner's yield to maturity. Beneficial Owners of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Obligations.

LEGAL MATTERS

Certain legal matters incident to the authorization, sale and execution and delivery of the Obligations and with regard to the tax-exempt status of the interest on the Obligations are subject to the legal opinion of Special Counsel. (See "TAX EXEMPTION"). The signed legal opinion dated and premised on facts existing and law in effect as of the date of original execution and delivery of the Obligations, will be delivered to the Purchaser at the time of original execution and delivery of the Obligations.

The proposed form of the legal opinion is set forth as APPENDIX B. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Special Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Special Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Special Counsel will not have independently verified.

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.

CANCELLATION OF CONTRACTS

The provisions of Arizona Revised Statutes Section 38-511, as amended, provide that certain public bodies, including the City, may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the public body if any person significantly involved in the initiating, negotiating, securing, drafting or creating of the contract on behalf of the public body is, at any time while the contract or any extension thereof is in effect, an employee 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 thereof. The cancellation shall be effective when written notice from the governing body of the public body is received by all other parties to the contract unless the notice specifies a later time. The City is a party to several contracts which are material to the payment of the Obligations, including the Trust Agreement and the Agreement. Exercise of a remedy under A.R.S. Section 38-511, as amended, would adversely affect the repayment of the Obligations.

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2015 and for its fiscal year then ended, which are included as APPENDIX D of this Official Statement, have been audited by Heinfeld, Meech & Co., P.C., as stated in their opinion which appears in APPENDIX D. The City neither requested nor obtained the consent of Heinfeld, Meech & Co., P.C., to include their report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering their opinion on the financial statements.

CONTINUING DISCLOSURE

The City will enter into a Continuing Disclosure Undertaking, dated the date of delivery of the Obligations (the "Undertaking"), the form of which is included in APPENDIX F – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." Pursuant to the Undertaking, the City will agree for the benefit of the owners of the Obligations

to provide certain financial information and operating data in each year and to provide notices of the occurrence of certain enumerated events. The Undertaking by the City will only apply so long as the Obligations remain outstanding under the Resolution. The Undertaking will be delivered in order to assist the Underwriter in complying with the Rule. A failure by the City to comply with the Undertaking 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 Obligations in the secondary market. The City has been and is now in material compliance with all of its prior undertakings for purposes of the Rule.

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 Obligations. 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 Obligations.

POLITICAL DONATIONS

Neither the Special Counsel nor the Financial Advisor 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.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

Documents delivered with respect to the Obligations will include a certificate to the effect that to the knowledge of the Management Services Director of the City after appropriate review, this Official Statement is true, correct and complete in all material respects and does not include any untrue statement of a material fact or omit to state any material fact necessary to make such statements and information herein, in light of the circumstances under which they were made, not misleading and that no event has occurred since date of this Official Statement that should be disclosed herein in order to make the statements and information herein not misleading in any material respect.

CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents. For further information, reference should be made to the complete documents, copies of which are available as described under “INTRODUCTORY STATEMENT.”

To extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the City from official records and other sources and is believed to be reliable. Information other than that obtained from the official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. 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 or other information, will necessarily continue or be repeated in the future.

Neither this Official Statement or any statement that may have been or that may be made orally or in writing is to be construed as part of a contract or agreement between the City and the purchasers or holders of any Obligations.

The attached Appendices A through E are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been prepared on direction of the City and has been approved by and executed for and on behalf of the City by its authorized representative indicated below.

CITY OF CHANDLER, ARIZONA

By: _____
Jay Tibshraeny, Mayor

CITY OF CHANDLER, ARIZONA, GENERAL AND FINANCIAL 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

<u>Year</u>	<u>City of Chandler</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2014 Estimate	249,423	4,008,651	6,667,241
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
1980 Census	29,673	1,509,175	2,716,546

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 (To Update?)

<u>Year</u>	<u>Square Miles</u>
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 [to Update]

<u>Calendar Year</u>	<u>City of Chandler</u>	<u>Maricopa County</u>	<u>State of Arizona</u>	<u>United States</u>
2015 (a)	4.9%	5.7%	6.8%	5.2%
2014	5.1	5.9	6.9	5.4
2013	6.0	7.1	8.5	7.8
2012	5.9	7.1	8.3	8.1
2011	7.0	8.4	9.4	8.3

(a) Data through August 2015.

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	Chandler Office Center	Parkside Professional Plaza
Airpark Professional Village	Chandler Office Park	Presidio
Aquila at Ocotillo	Chandler Square I, II & III	Price Corporate Center
Arizona Corporate Park North	Chandler Technology Center	Price Road Industrial Park
Arizona Corporate Park South	Continuum	Price Warner Medical Office
AZ202	Dividend Center	Promenade Commons
Bogle Business Park	Dobson Business Park	Regency Office Park
CC&F Industrial Center	Dobson Professional Plaza	Rockefeller Chandler Crossroads
Carmel Professional Plaza	Eastpoint Business Park	Ryan Chandler Freeways Business Park
Center Pointe Industrial Park	Fairview Corporate Park	Ryan Commerce Center
Chandler Airpark Area	First Chandler Business Park	San Tan Corporate Center I & II
Chandler Airport Business Center	Focus Corporate Center	San Tan Crossing Professional Plaza
Chandler Center	Fountains at Ocotillo	San Tan Technology Park
Chandler Commerce Center	Frye Road Industrial Park	Southgate Park Ten Business Center
Chandler Corporate Center	Gila Springs Industrial Park	Southpark Business Center
Chandler Echelon	Kyrene 202	Stellar Industrial Airpark
Chandler Freeway Business Park	Kyrene Crossing	Warner Commerce Park
Chandler Freeway Crossing	Kyrene Industrial Park	Westech Corporate Center
Chandler Gateway Medical Center	McClintock Professional Building	Williams Field Road Business Park
Chandler Airport Center	Paloma Kyrene Business Park	10 Chandler
Chandler Gateway Office Park	The Park at Santan	
Chandler Hamilton Plaza	Allred Park Place	

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 [to update]
City of Chandler, Arizona**

<u>Employer (a)</u>	<u>Description</u>	<u>Employees</u>
Intel	Microprocessors	11,900
Freescale Semiconductor	Semiconductors/Satellite Systems	2,200
Orbital Sciences	Aerospace Launch Systems	1,650
Microchip Technology	Microprocessors	1,626
Avnet	Computer Group	1,000
Marvell	Electronics & Semiconductor Products	750
Tri-City Mechanical	Air Conditioning Contractors and Service	580
Rogers Circuit Materials Units	Flexible Circuit Materials	370
Amkor	Electronics & Semiconductor Products	350
Advanced Integration Technologies	Integrated Engineering & Mfrg.	350
Rogers Corporation	Microwave Substrates	330
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 Trusses	250
Goodrich Turbo Resources	Aerospace Components	228
Craftco (including Headquarters)	Asphalt Paving Compound	125

Source: The City's Economic Development Division.

- (a) Some of the major manufacturing employers are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected 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. None of the City, the Underwriters or 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.

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 [to update]
City of Chandler, Arizona**

<u>Employer (a)</u>	<u>Description</u>	<u>Approximate Number of Employees</u>
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
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.

- (a) Some of the major non-manufacturing employers are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file the Filings with the Commission. 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. None of the City, the Underwriters or 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.

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

<u>Fiscal Year</u>	<u>Sales Tax Collections</u>
2014/15	\$
2013/14	103,880,801
2012/13	99,263,090
2011/12	95,151,159
2010/11	83,971,941

(a) Unaudited

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 2012 total enrollment was approximately 73,373 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 is locating a satellite site in downtown Chandler beginning in 2013. The Center for Technology & Innovation will focus 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

2015/16 Fiscal Year – Assessed and Estimated Net Full Cash Values (a)

Limited Assessed Valuation	\$2,380,457,981 (b)
Full Cash Assessed Valuation	2,819,744,770(b)
Estimated Net Full Cash Value	25,007,474,066 (c)

- (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) 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.
- (c) Valuations for the 2015/2016 Fiscal Year, provided by the Maricopa County Assessor.

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

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds Outstanding and to be Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2003	\$ 16,265,000	7-1-10/16	\$ 1,050,000
2006	30,905,000	7-1-07/17	11,675,000
2007	111,045,000	7-1-08/26	25,800,000
2007REF	22,960,000	7-1-09/20	15,735,000
2009	252,000,000	7-1-10/28	56,430,000
2011A	9,925,000	7-1-15/20	9,425,000
2011B	10,360,000	7-1-12/15,17-18	1,630,000
2014REF	214,540,000	7-1-15/26,28	<u>211,125,000</u>
Total General Obligation Bonds Outstanding			\$ 332,870,000
Less: Airport Revenue Supported General Obligation Bonds (b)			(76,000)
Less: Water and Wastewater Funds Supported General Obligation Bonds (c)			<u>(127,706,000)</u>
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)			<u>\$ 205,088,000</u>

- (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: \$76,000 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: \$10,700,000 aggregate principal amount of the City’s General Obligation Bonds, Series 2007 and \$32,000,000 aggregate principal amount of the Series 2009 GO Bonds, Series 2007 and \$84,906,000 aggregate principal amount of the Series 2014 GO Refunding 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 Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2005	\$ 10,000,000	7-1-12/20	\$ 1,975,000
2005	15,485,000	7-1-09/17	7,475,000
2014REF	15,400,000	7-1-16/18-20	<u>15,400,000</u>
Total Water and Wastewater Revenue Bonds Outstanding			\$ 24,850,000
Plus: Water and Wastewater Funds Supported General Obligation Bonds (b)			127,706,000
Plus: Water and Wastewater Funds Supported Excise Revenue Tax Obligations (c)			<u>207,430,000</u> *
Total Water and Wastewater Revenue Bonds Outstanding and to be Outstanding			<u>\$ 359,986,000</u> *

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- (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: \$21,255,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2009, \$12,175,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2011, \$104,000,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2013 and the Obligations (together, the “Water and Wastewater Funds Supported Obligations”).

Street and Highway User Revenue Bonds Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2003	\$ 5,000,000	7-1-16/19	\$ 2,000,000
2010	10,450,000	7-1-11/19	2,620,000
2014	8,660,000	7-1-15/19	<u>5,435,000</u>
Total Street and Highway User Revenue Bonds Outstanding			<u><u>\$ 10,055,000</u></u>

(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 and to be Outstanding

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
2009	\$ 34,040,000	7-1-10/28	\$ 21,255,000
2011	15,000,000	7-1-12/28	12,175,000
2013	104,500,000	7-1-15/33	<u>104,000,000</u>
Total Excise Tax Revenue Obligations Outstanding			\$ 137,430,000
Plus: The Obligations			70,000,000 *
Less: Water and Wastewater Funds Supported Excise Tax Revenue Obligations (a)			<u>(207,430,000) *</u>
Total Net Excise Tax Revenue Supported Obligations Outstanding and to be Outstanding			<u><u>\$0</u></u> *

(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.

* Preliminary, subject to change.

**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.

<u>General Municipal Purpose Bonds</u>		<u>Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire and Emergency Services, Park, Street, and Transportation Bonds</u>	
Total 6% General Obligation Bonding Capacity	\$ 169,184,686	Total 20% General Obligation Bonding Capacity	\$ 563,948,954
Less: 6% General Obligation Bonds Outstanding	<u>(9,427,250) (a)</u>	Less: 20% General Obligation Bonds Outstanding	<u>(323,442,750)</u>
Net 6% General Obligation Bonding Capacity	<u>\$ 159,757,436</u>	Net 20% General Obligation Bonding Capacity	<u>\$ 240,506,204</u>

Direct and Overlapping General Obligation Bonded Debt to be Outstanding

<u>Overlapping Jurisdiction</u>	<u>Overlapping General Obligation Bonded Debt</u>	<u>Proportion Applicable to City of Chandler</u>	
		<u>Approximate Percent</u>	<u>Net Debt Amount</u>
State of Arizona	None	5.094%	None
Maricopa County	None	6.856%	None
Maricopa County Community College District	\$ 654,190,000	6.856%	\$ 44,854,024
Chandler Unified School District No. 80	176,680,000	71.872%	126,982,672
Kyrene Elementary School District No. 28	176,750,000	21.065%	37,231,625
Mesa Unified School District No. 4	249,810,000	5.235%	13,077,315
Gilbert Unified School District No. 41	101,545,000	1.826%	1,854,459
East Valley Institute of Technology District No. 401	None	13.517%	None
City of Chandler (a) (b)	332,870,000	100.000%	332,870,000
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			<u>\$ 556,870,095</u>

(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. Does not include authorized but unissued general obligation bonds of such other jurisdictions as follows or which may be authorized in the future:

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonds Authorized but Unissued</u>
State of Arizona	None
Maricopa County	None
Maricopa County Community College District	\$ 3,000
Maricopa County Spedal Health Care District	829,000,000
Chandler Unified School District No. 80	None
Tempe Union High School District No. 213	None
Kyrene Elementary School District No. 28	33,975,000
Mesa Unified School District No. 4	99,000,000
Gilbert Unified School District No. 41	None
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	\$24,850,000
Street and Highway User Revenue Bonds	10,055,000
Excise Tax Revenue Obligations	207,430,000 ^{(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 \$4,440,000 City improvement district bonds outstanding.

* Preliminary, subject to change.

Direct and Overlapping General Obligation Bonded Debt Ratios

	Per Capita Bonded Debt Population @ 249,423 (a)	As % of City's 2015/16 Full Cash Assessed Valuation	As % of City's 2015/16 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt (\$332,870,000)	\$1,334.56	11.80 %	1.33 %
Direct and Overlapping General Obligation Bonded Debt Outstanding (\$564,137,902)	\$2,261.77	20.01 %	2.26 %

(a) Arizona Department of Administration-Employment and Population Statistics as of July 31, 2014.

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 (to Update)

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 2012/13 were 11.14% (10.9% 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, 2013, the City’s annual contribution rates are 11.54% (11.3% retirement and 0.24% long-term disability) for fiscal year 2013/14 for both employees and employers. The City has not received its revised annual contribution rate for fiscal year 2014/15 from the System yet.

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, 2013 were 21.58% of annual covered payroll for police and 18.52% of annual covered payroll for firefighters. The City’s contribution to the PSPRS for the fiscal year ended June 30, 2013 was \$5,075,489 for police and \$2,840,396 for firefighters, equal to the required contributions.

Effective July 1, 2013, the City’s annual contribution rates are 23.55% for police and 20.54% 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.

The actuarially determined contribution rates for the fiscal year ended June 30, 2013 was 36.44%. The City’s contribution to the EORP for the fiscal year ended June 30, 2013 was \$60,215, equal to the required contribution.

Effective July 1, 2013, the City’s annual contribution rate is 39.62% for fiscal year 2013/14 for employer and 13% for employees.

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, 2012 is \$8,799,334 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, 2012 at \$33,009,726 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)	Assessment as Percentage of Full Cash Value				
	2011	2012	2013	2014	2015
Mining, Utility, Commercial and Industrial (b)	20.0%	20.0%	19.5%	19.0%	18.5%
Agriculture and Vacant Land (b)	16.0%	16.0%	16.0%	16.0%	16.0%
Owner Occupied Residential	10.0%	10.0%	10.0%	10.0%	10.0%
Leased or Rented Residential	10.0%	10.0%	10.0%	10.0%	10.0%
Railroad, Private car Company and Airline Flight Property (c)	15.0%	15.0%	15.0%	16.0%	15.0%

-
- (a) Additional property classifications exist, but seldom amount to a significant portion of a municipal body's total valuation.
- (b) For tax year 2015, full cash values up to \$146,973 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at the applicable rate. The assessment ratio for mining, utilities, commercial and industrial property will be reduced to 18% for tax year 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

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

Primary Taxes

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are primary taxes. These taxes are levied against the assessed valuation of the property (taxable property value multiplied by the appropriate property classification assessment ratio).

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the prior year's levy plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the limited value of such property.

Secondary Taxes

Taxes levied for debt retirement (e.g., debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts are secondary taxes. These taxes are also levied against the assessed valuation of the property (taxable property value multiplied by the appropriate property classification assessment ratio) as described above. There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and special district assessments.

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that these tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer 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 owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the tax levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

Delinquent Tax Procedures

The property taxes due the County are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (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.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest 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 County. 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 is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of 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 the payment 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 County, the Underwriter or their respective agents or consultants has 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 County’s tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

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

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Collected to June 30 of Initial Fiscal Year</u>		<u>Cumulative Collection to October 15, 2013</u>	
			<u>Amount</u>	<u>% of Levy</u>	<u>Amount</u>	<u>% of Levy</u>
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 [to update]

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**

<u>Overlapping Jurisdiction</u>	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
State of Arizona	\$ -	\$ -	\$ 0.5054 (a)
Maricopa County	41,125,604,014	34,623,670,323	1.3609
Maricopa County Community College District	41,125,604,014	34,623,670,323	1.4940
Maricopa County Library District	41,125,604,014	N/A	0.0556
Maricopa County Flood Control District	37,592,457,651	N/A	0.1592
Maricopa County Fire District	41,125,604,014	N/A	0.0116
Maricopa County Hospital District	41,125,604,014	N/A	0.3021
Central Arizona Water Conservation District	41,125,604,014	N/A	0.1400
East Valley Institute of Technology District No. 401 (b)	18,129,009,499	N/A	0.0500
Chandler Unified School District No. 80	2,676,036,592	2,261,486,516	6.6113
Tempe Union High School District No. 213	3,553,208,050	3,033,283,201	2.8747
Kyrene Elementary School District No. 28	2,078,252,514	1,782,453,770	4.0063
Mesa Unified School District No. 4	3,176,443,884	2,585,940,158	7.3646
Gilbert Unified School District No. 41	1,926,108,014	1,583,134,273	6.4567
City of Chandler	2,819,744,770	2,380,457,981	1.1792

(a) Includes the State Equalization Assistance Property tax. This rate has been set at \$0.5054 for fiscal years 2015/16 and is adjusted annually pursuant to Arizona Revised Statutes, 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 Techonlogy and:

Inside Gilbert Unified School District No. 41	<u>\$ 11.7647</u>
Inside Mesa Unified School District No. 4	<u>\$ 12.6726</u>
Inside Tempe Union High School District No. 213 and Kyrene Elementary School District No. 28	<u>\$ 12.1890</u>
Inside Chandler Unified School District No. 80	<u>\$ 11.9193</u>

Source: *Maricopa 2015 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.

	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
	Full Cash	Annual				
	Assessed	Assessed	Assessed	Assessed	Assessed	Percent
	Valuation	Valuation	Valuation	Valuation	Valuation	Change
Mining, Utility, Commercial and Industrial	\$ 883,096,623	\$ 786,423,233	\$ 711,755,414	\$ 708,750,488	\$ 784,201,124	10.65%
Agriculture and Vacant Land	106,064,124	88,266,812	69,631,063	68,493,825	80,816,673	17.99%
Owner-Occupied Residential	1,172,234,257	1,053,618,418	950,951,406	1,072,861,945	1,316,995,223	22.76%
Leased or Rented Residential	233,796,110	207,161,750	279,862,096	368,427,295	474,177,840	28.70%
Railroad, Private Car Company and Airline Flight Property	2,562,757	2,126,795	2,143,818	2,037,360	1,910,025	-6.25%
Historical Property	70,620,951	117,312,742	160,779,486	160,702,435	161,203,221	0.31%
Commercial Historic Property	251,795	269,551	253,394	316,735	440,664	39.13%
	<u>\$2,468,626,617</u>	<u>\$2,255,179,301</u>	<u>\$2,175,376,677</u>	<u>\$2,381,590,083</u>	<u>\$2,819,744,770</u>	18.40%

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

Full Cash Assessed Valuation of Major Taxpayers (to update)

<u>Taxpayer (a)</u>	<u>Description</u>	<u>2013/14 Secondary Assessed Valuation</u>	<u>As % of City's Total 2013/14 Secondary Assessed Valuation</u>
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		<u>\$ 127,633,140</u>	<u>5.87%</u>
Total City Net Secondary Assessed Valuation		\$ 2,175,376,677	

Source: County Treasurer's Office and *Maricopa 2015 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 \$40,797,710 which represents approximately 1.875% 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

<u>Fiscal Year</u>	<u>City of Chandler</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2015/16	\$ 2,819,744,770	\$ 41,125,604,014	N/A
2014/15	2,381,590,083	35,079,646,593	55,352,051,074
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

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)

<u>Fiscal Year</u>	<u>City's Estimated Full Cash Value</u>
2015/16	\$ 25,007,403,208
2014/15	21,004,441,911
2013/14	18,955,691,992
2012/13	18,800,428,297
2011/12	19,943,235,487

(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 2015 Levy*, Maricopa County.

SUMMARIES OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF CHANDLER, ARIZONA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The following audited Financial Statements for the fiscal year ended June 30, 2015. 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.

\$70,000,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2013
evidencing a proportionate interest of the Owners
thereof in Payments under an Agreement
Dated: December 1, 2015

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP No. 158855)

BOOK-ENTRY-ONLY SYSTEM

The description set forth below of the procedures and record-keeping with respect to beneficial ownership interests in the Obligations, payment of principal of, and interest on, the Obligations to Direct Participants, Indirect Participants and Beneficial Owners (as hereinafter defined), and other information concerning DTC and the book-entry-only system of registration and transfer of beneficial ownership interests in the Obligations 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, or the Financial Advisor make any representations as to the accuracy or completeness thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers, and dealers, banks, trust companies, and clearing corporations, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com or www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC records only the identity of the Direct Participants to whose accounts such Obligations are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and payments on the Obligations 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 or the Bond Registrar and Paying Agent, on payable 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 Participants or Indirect Participant and not of DTC nor its nominee, the Bond Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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