



**Chandler · Arizona**  
*Where Values Make The Difference*

#7  
JUL 28 2016  
Chandler  
All-America City  
2010

**MEMORANDUM**

**Management Services Memo No. 17-003**

**DATE:** JULY 28, 2016  
**TO:** MAYOR AND COUNCIL  
**THRU:** MARSHA REED, CITY MANAGER *MFR*  
**FROM:** DAWN LANG, MANAGEMENT SERVICES DIRECTOR *DL*  
**SUBJECT:** RESOLUTION NO. 4970 AUTHORIZING THE ISSUANCE AND SALE OF, NOT TO EXCEED, \$40,000,000 IN EXCISE TAX REVENUE REFUNDING OBLIGATIONS, SERIES 2016

**RECOMMENDATION**

Staff recommends City Council pass and adopt Resolution No. 4970 prepared by the City's bond counsel firm of Gust Rosenfeld, authorizing the issuance and sale of, not to exceed, \$40,000,000 in Excise Tax Revenue Refunding Obligations, Series 2016.

**BACKGROUND**

The City's Financial Advisor, Piper Jaffray, & Co., works with City staff to identify refunding opportunities based on current market conditions and potential present value savings. Current low interest rates offer an opportunity to refinance a portion of the City's Excise Tax Revenue Obligations (ETROs) debt by refunding bonds previously issued and outstanding; specifically ETROs, Series 2009, allowing the City to realize debt service savings. When completed, the refunding will reduce the amount of debt service expenses paid by the Water and Wastewater Operating Funds, helping minimize future rate changes.

The final interest rates, which will be determined at the time of the sale, will also determine the final principal amount that can/should be refunded. Therefore, to provide flexibility under varying market conditions, the resolution authorizes a maximum principal amount that may be sold.

**FINANCIAL IMPLICATIONS**

The refunding obligations 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 obligations first pledge is excise taxes, the debt service on the obligations will be paid from water and wastewater operating funds. 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 the payments. Depending upon the final issue size, this refunding is expected to generate debt service savings to the City of approximately \$1,500,000-\$4,000,000 in net present value dollars.

**PROPOSED MOTION**

Move City Council pass and adopt Resolution No. 4970 prepared by the City's bond counsel firm of Gust Rosenfeld, authorizing the issuance and sale of, not to exceed, \$40,000,000 in Excise Tax Revenue Refunding Obligations, Series 2016.

Attachments: Resolution No. 4970  
Agreement - Draft  
Depository Trust Agreement - Draft  
Continuing Disclosure Certificate – Draft  
Preliminary Official Statement - Draft

**RESOLUTION NO. 4970**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE AGREEMENT, A TRUST AGREEMENT, A DEPOSITORY TRUST AGREEMENT, A CONTINUING DISCLOSURE CERTIFICATE, AND AN OBLIGATION PURCHASE CONTRACT; AUTHORIZING THE PREPARATION OF AN OFFICIAL STATEMENT; APPROVING THE SALE, EXECUTION AND DELIVERY OF NOT TO EXCEED \$40,000,000 EXCISE TAX REVENUE REFUNDING OBLIGATIONS, SERIES 2016, EVIDENCING A PROPORTIONATE INTEREST OF THE OWNERS THEREOF IN SUCH PURCHASE AGREEMENT; AUTHORIZING THE EXECUTION OF AN OBLIGATION PURCHASE CONTRACT; AUTHORIZING THE REDEMPTION IN ADVANCE OF MATURITY OF CERTAIN OUTSTANDING OBLIGATIONS AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.**

**WHEREAS**, the City of Chandler, Arizona (the "City") has outstanding its Excise Tax Revenue Obligations, Series 2009 (the "2009 Obligations"), its Excise Tax Revenue Obligations, Series 2011 (the "2011 Obligations") and its Excise Tax Revenue Obligations, Series 2013 (the "2013 Obligations") and, together with the 2009 Obligations and the 2011 Obligations, the "Prior Obligations"); and

**WHEREAS**, the 2009 Obligations were executed and delivered by The Bank of New York Mellon Trust Company, N.A. (the "2009 Trustee"), as trustee under the Trust Agreement, dated as of February 1, 2009 (the "2009 Trust Agreement"), by and between the City and the 2009 Trustee, to pay a portion of the City's costs associated with a project (the "2009 Project"); and

**WHEREAS**, the 2011 Obligations were executed and delivered by U.S. Bank National Association (the "2011 Trustee") as trustee under the Trust Agreement, dated as of May 1, 2011 (the "2011 Trust Agreement" ), by and between the City and the 2011 Trustee, to pay a portion of the City's costs associated with a project (the "2011 Project"); and

**WHEREAS**, the 2013 Obligations were executed and delivered by U.S. Bank National Association (the "2013 Trustee" and together with the 2009 Trustee and the 2011 Trustee, the "Prior Trustees") as trustee under the Trust Agreement, dated as of October 1, 2013 (the "2013 Trust Agreement" and together with the 2009 Trust Agreement and the 2011 Trust Agreement, the "Prior Trust Agreements"), by and between the City and the 2011 Trustee, to pay a portion of the City's costs associated with a project (the "2013 Project" and, together with the 2009 Project and the 2011 Project, the "Prior Projects"); and

**WHEREAS**, the City desires to refinance a portion of the costs of the Prior Projects through the execution and delivery of Excise Tax Revenue Refunding Obligations, Series 2016 (the "Obligations"), in an amount sufficient to refund the all or a portion of the Prior

Obligations (the "Obligations Being Refunded"), and to pay the costs of issuance of the Obligations, to be dated not earlier than August 1, 2016, by Zions Bank, a division of ZB, National Association, (the "Trustee") pursuant to a Trust Agreement, to be dated no earlier than August 1, 2016 (the "Trust Agreement") by and between the Trustee and the City, evidencing a proportionate interest of the owners thereof in a Purchase Agreement, to be dated no earlier than August 1, 2016 (the "Purchase Agreement"), by and between the Trustee and the City; and

**WHEREAS**, the proceeds of the Obligations will be deposited with a bank or trust company selected by the Management Services Director as depository trustee (the "Depository Trustee") pursuant to a Depository Trust Agreement to be dated no earlier than August 1, 2016 by and between the City and the Depository Trustee, and used to defease some or all of the Prior Obligations and redeem the same in advance of maturity as further set forth herein; 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**, the City will authorize the Trustee to sell the Obligations to 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 be hereafter approved by the Management Services Director and agreed to by the Underwriter and pursuant to an Obligation Purchase Contract (the "Obligation Purchase Contract") that will be substantially similar to the obligation purchase contracts the City has previously entered into; and

**WHEREAS**, by this resolution the Mayor and City Council will authorize the execution, issuance, sale and delivery of the Obligations to the Underwriter in accordance with the Purchase Agreement and 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, and agreed to by the Underwriter; and

**WHEREAS**, proposed forms of the following documents have been filed or are on file with the City Clerk for this meeting:

- (i) the Purchase Agreement;
- (ii) the Trust Agreement;
- (iii) the Depository Trust Agreement;
- (iv) the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"); and
- (v) the Preliminary Official Statement.

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

**Section 1. Project Refinancing.** It is hereby found and determined that the refinancing of a portion of the costs of the Prior Obligations at fixed interest rates pursuant to the terms of the Purchase Agreement, the Trust Agreement and the Obligation Purchase Contract is in the best interest of and in furtherance of the purposes of the City and in the public interest.

**Section 2. Approval and Terms.** The City hereby approves the execution and delivery of the Obligations, as hereinafter described, by the Trustee. The Obligations shall be executed in the aggregate principal amount sufficient to refund the Obligations Being Refunded and pay the cost of executing and delivering the Obligations as set forth in the Obligation Purchase Contract. The Obligations shall be in the minimum denomination of \$5,000 of principal or any integral multiples thereof, shall be dated date of initial delivery of the Obligations, and shall bear interest from such date payable on the dates provided in the Trust Agreement, and shall be fully registered without coupons as provided in the Trust Agreement. The Obligations shall bear interest at the rates per annum and mature on the dates and in the amounts as set forth in the Trust Agreement and the Obligation Purchase Contract; provided, however, that the Obligations shall mature on July 1 in some or all of the years 2017 through and including 2033. The yield on the Obligations for federal tax purposes shall not exceed 5.00% per annum. It is estimated that the refinancing of the Obligations Being Refunded will result in a net present value savings of not less than 3.00% of the principal amount of the Obligations Being Refunded and not less than \$1,000,000.

The forms, terms, interest payment dates, 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 Trust Agreement.

**Section 3. Award.** The Management Services Director is authorized to sell the 2016 Obligations to the Underwriter pursuant to an Obligation Purchase Contract.

**Section 4. Approval of Documents.** The Mayor, any member of the City Council and the Management Services Director are each hereby authorized and directed to determine and approve the Obligations Being Refunded and the provisions for redemption therefor, the interest rates, dated dates, interest payment dates, maturity dates, maturity amounts, purchase price, redemption provisions and any provisions necessary in connection with the purchase of credit enhancement pursuant to Section 5 hereof, and cause the same to be set forth in the documents. The form, terms and provisions of the Purchase Agreement, the Trust Agreement, the Depository Trust Agreement, the Obligation Purchase Contract, the Continuing Disclosure Certificate and the Preliminary Official Statement in substantially the forms of such documents (including the Obligations and other exhibits thereto) presented or described at this meeting are hereby approved, with such final provisions, insertions, deletions and changes as shall be approved by the Mayor, any member of the City Council or the Management Services Director, the execution of each such document being conclusive evidence of such approval, and the Mayor, any member of the City Council, the Management Services Director and the City

Clerk are hereby authorized and directed to execute and deliver, where applicable, or approve the Purchase Agreement, the Trust Agreement, the Depository Trust Agreement, the Obligation Purchase Contract and the Continuing Disclosure Certificate and to take all action to carry out and comply with the terms of such documents.

**Section 5. Obligation Insurance.** The Mayor, any member of the City Council, the Management Services Director and City Clerk are hereby authorized and directed to purchase municipal bond insurance, surety bonds or other credit enhancement as may be deemed 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 6. Official Statement.** In the event of a negotiated sale to the Underwriter as provided in Section 3, the preparation of the Preliminary Official Statement is hereby authorized and approved with such changes as are deemed necessary by the Management Services Director of the City and the distribution of the Preliminary Official Statement as so modified is hereby authorized and approved. The Preliminary Official Statement shall ultimately be in a form that is approved and deemed "final" for all purposes of Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934 (the "Rule"), by the Mayor, any member of the City Council or the Management Services Director of the City. The City will cause a final official statement (the "Official Statement") in substantially the form of the Preliminary Official Statement to be prepared and distributed with the Obligations upon initial execution and delivery. The Mayor, any member of the City Council or the Management Services Director of the City is authorized to approve, execute and deliver the Official Statement on behalf of the City and the execution by such officer shall be deemed conclusive evidence of such approval.

**Section 7. Trustee, Prior Trustee, and Depository Trustee.** The City hereby requests the Trustee, the Prior Trustee and the Depository Trustee, as applicable, to take any and all action necessary in connection with the execution and delivery of the Purchase Agreement, the Trust Agreement, and the Depository Trust Agreement; the execution, delivery and sale of the Obligations; and the defeasance and redemption of the Obligations Being Refunded; 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 8. Pledge of Excise Taxes.** Pursuant to the Purchase 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 9. Imposition and Collection.** Pursuant to the Purchase Agreement, the City shall impose Excise Taxes, shall collect and receive the proceeds of the 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 of the Purchase Agreement) 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 Purchase Agreement.

**Section 10. Resolution Irrepealable.** After any of the Obligations are delivered by the Trustee to the Underwriter 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 11. Execution of Documents.** The Mayor, any member of the City Council, 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 City 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.

**Section 12. 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 sale, execution and delivery of the Obligations as contemplated by this resolution whether heretofore or hereafter taken are hereby ratified, confirmed and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this resolution.

**Section 13. Severability.** If any section, paragraph, clause or phrase of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or phrase shall not affect any of the remaining provisions of this resolution.

**Section 14.** **Waiver.** All orders, resolutions and ordinances or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any order, resolution or ordinance or any part thereof.

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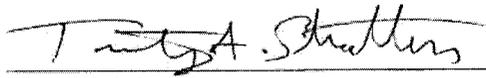
**PASSED AND ADOPTED** by the City Council of the City of Chandler, Arizona,  
this \_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Special Counsel

**CERTIFICATE OF CLERK**

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. \_\_\_\_\_ was duly passed by the City Council of the City of Chandler, Arizona, at a regular meeting held on \_\_\_\_\_, 2016, and the vote was \_\_\_\_ aye's and \_\_\_\_ nay's and that the Mayor and \_\_\_\_ Council Members were present thereat.

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City Clerk

**PURCHASE AGREEMENT**

Between

**[ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION]**  
as Payee

and

**CITY OF CHANDLER, ARIZONA**

Dated as of \_\_\_\_\_ 1, 2016

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**EXHIBIT A - PAYMENT SCHEDULE**

## PURCHASE AGREEMENT

**THIS PURCHASE AGREEMENT** (hereinafter referred to as this "2016 Agreement") dated as of \_\_\_\_\_ 1, 2016 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 [**ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION**], a national banking association (hereinafter referred to as "Payee" or "Trustee"), in its capacity as trustee under the Trust Agreement dated as of even date herewith by and between the Payee and the City (the "Trust Agreement");

### WITNESSETH:

1. **Definitions.** All terms not otherwise defined herein are as defined in the Trust Agreement.

2. **Terms and Payments.**

(a) For the purpose of the prepayment and refinancing the Obligations Being Refunded, the City shall hereby agree to make the 2016 Payments (as defined herein) to the Payee, and the Payee shall hereby agree to accept the 2016 Payments from the City.

(b) In connection with the prepayment and refinancing of the Obligations Being Refunded and in order to provide the funds necessary therefor, the Trustee, pursuant to the Trust Agreement, will execute and deliver the 2016 Refunding Obligations and apply the proceeds of the 2016 Refunding Obligations as provided for in the Trust Agreement.

(c) The City agrees to pay the 2016 Payments to the Payee at the address specified pursuant to Section 22 hereof (or such other address as the Payee may designate in writing) one Business Day in advance of the Payment Dates set forth (or on the same day as the Payment Dates set forth, if permitted by the Trustee), and in the amounts set forth, in the payment schedule attached hereto as Exhibit A and incorporated herein (the "2016 Payments"). The City's obligation to make such 2016 Payments shall be limited to the City's revenues from Excise Taxes and State Shared Revenues pledged to the 2016 Payments by the City in accordance herewith. The City shall transfer funds from its City of Chandler Excise Tax Fund; a separate and special fund of the City created specifically for receipt of Excise Taxes and State Shared Revenues, to the City of Chandler 2016 Payment Fund established pursuant to the Trust Agreement, for purposes of making the 2016 Payments pursuant hereto.

(d) The obligations of the City to make the 2016 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 Payee of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Payee. Until such time as all of the 2016 Payments shall have been fully paid or provided for, the

City (i) will not suspend or discontinue any 2016 Payments provided for in this Section 2, (ii) will perform and observe all other agreements contained in this 2016 Agreement, and (iii) will not terminate the term of this 2016 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 capital facilities financed by the Obligations Being Refunded, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the capital facilities financed by the Obligations Being Refunded, the taking by eminent domain of title to or temporary use of any or all of the capital facilities financed by the Obligations Being Refunded, commercial frustration of purpose, abandonment of the capital facilities financed by the Obligations Being Refunded 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 the Payee 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 2016 Agreement. Nothing contained in this Section shall be construed to release the Payee from the performance of any of the agreements on its part herein or in the Trust Agreement and in the event the Payee shall fail to perform any such agreements on its part, the City may institute such action against the Payee as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the first sentence of this paragraph (d). This 2016 Agreement shall not terminate so long as any payments are due and owing under the 2016 Refunding Obligations.

(e) In the event that the City expects that it will not make a 2016 Payment when due hereunder, the City shall, at least five (5) Business Days before the date such 2016 Payment is due, notify the Trustee in writing of such expectation.

3. **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, \$19,955,000 outstanding), the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2011 (\$15,000,000 principal amount issued, \$11,420,000 outstanding), the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2013 (\$104,500,000 principal amount issued, \$103,250,000 outstanding), and the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2015 (\$66,660,000 principal amount issued, \$66,660,000 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.

4. **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.

5. **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 6 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.

**6. 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.

**7. 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.

**8. 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.

9. **Reserved.**

10. **Reserved.**

11. **Reserved.**

12. **Indemnification.**

(a) To the extent permitted by law, including the State "budget law," (and except to the extent caused by or resulting from the Payee's fraud, deceit, bad faith, willful misconduct or negligence), the City shall indemnify, protect, save and keep harmless the Payee and its agents, employees, officers and directors for, from and, at the City's expense, defend the Payee and its agents, employees, officers and directors against any and all liability, obligations, losses, damages, penalties, claims, actions, costs and expenses (including but not limited to reasonable attorneys' fees) of whatsoever kind and nature imposed on, incurred by or asserted against the Payee or its agents, employees, officers and directors which in any way relate to or arise out of this 2016 Agreement or the reasonable and necessary actions or omissions of the Payee relating to this 2016 Agreement.

(b) The Payee, 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 Payee 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 the City hereunder. The City shall give the Payee 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 Payee 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 Payee thereafter, the Payee 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 Payee without the written approval of the Payee, except to the extent that the City shall pay all losses and the Payee shall be fully released from such claim or action. The City shall be subrogated to the Payee's rights with respect to such events or conditions for which the City indemnifies the Payee hereunder. If the City either fails to timely give its notice or notifies the Payee that the City will not represent and defend the Payee, then the Payee may defend, settle, compromise or admit liability as it or they shall determine in the reasonable exercise of their discretion and in an effort to minimize any claims for indemnity made hereunder. If the Payee determines it is necessary to retain separate counsel, it may do so at the City's expense.

(c) All amounts which become due from the City under this Section 12 shall be payable by the City within thirty (30) days following demand therefor by the Payee or on the earliest date thereafter on which the amount due may be lawfully included with the budget of the City and allocated for payment. The termination or expiration hereof for any reason shall not terminate the obligations of the City under this Section 12, and such obligations shall continue in

effect after termination or expiration hereof, in respect of acts, omissions or other events occurring prior to such termination or expiration.

**13. Representations, Warranties and Covenants.**

(a) Except with respect to its power and authority to enter into this 2016 Agreement and to perform its covenants hereunder, the Payee has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the capital facilities originally financed by the Obligations Being Refunded. All such risks shall be borne by the City without in any way excusing the City from its obligations under this 2016 Agreement and the Payee shall not be liable to the City for any damages on account of such risks. Except with respect to any acts by the Payee which are not undertaken either (i) at the City's request, or (ii) with the City's prior approval, the City agrees to waive all claims against the Payee growing out of the capital facilities originally financed with the Obligations Being Refunded.

(b) The City represents, warrants and covenants that it has the power to enter into this 2016 Agreement, that this 2016 Agreement is a 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; and that all 2016 Payments hereunder will be paid when due out of funds which are legally available for such purposes.

(c) The City represents, warrants and covenants that it has disclosed in writing to the Payee all facts that do or will materially adversely affect the properties, operations or financial condition of the City and that any financial statements, notices or other written statements provided by the City to the Payee pursuant hereto will not contain any untrue statement of a material fact or omit any material fact necessary to make such statements or information not misleading.

**14. Prepayment Permitted; Providing for the 2016 Payments.**

a. The City may prepay any 2016 Payments in order to cause the redemption or purchase of the 2016 Refunding Obligations as provided in Article IV of the Trust Agreement.

b. The City may provide for the payment of any 2016 Payment in any one or more of the following ways:

1. by paying such 2016 Payment as provided herein as and when the same becomes due and payable at its scheduled due date pursuant to Section 2 hereof;

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 Payee and available for such 2016 Payment is fully sufficient to make, or cause to be made, such 2016 Payment; or

3. by depositing with a Depository Trustee, in trust for such purpose, any United States Obligations which are noncallable, in such amount as shall be certified to the Payee and the City, by a national firm of certified public accountants acceptable to both the Payee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Payee and available for such 2016 Payment, to make, or cause to be made, such 2016 Payment, as and when the same becomes due and payable at or before maturity.

A Depository Trustee shall be any bank or trust company, including the Payee, 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 who holds money and securities in trust for the purposes set forth in subparagraphs (2) or (3) above.

**15. Reserved.**

**16. Defaults and Remedies.**

(a) (i) Upon (A) the nonpayment of the whole or any part of any 2016 Payment or other amount due at the time when the same is to be paid on the 2016 Refunding Obligations or any Parity Obligations, (B) the violation by the City of any other covenant or provision of this 2016 Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect the 2016 Refunding Obligations or any Parity Obligations heretofore or hereafter issued or incurred by the City, or (D) 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

(ii) if such default has not been cured (A) in the case of nonpayment of any payment of principal and interest due on the 2016 Refunding Obligations or any Parity Obligations on their respective due dates; (B) in the case of nonpayment of the Rebate Amount on the due date; (C) in the case of the breach of any other covenant or provision of this 2016 Agreement or the Trust Agreement or the Parity Obligations not cured within sixty (60) days after notice in writing of such default from the Payee to the City; and (D) in the case of any other default under any Outstanding 2016 Refunding Obligations and any Parity Obligations heretofore or hereafter issued or incurred by the City after any notice and passage of time provided for under the proceedings under which such 2016 Refunding Obligations and any Parity Obligations were issued then:

(1) The Payee may, take whatever action at law or in equity may appear necessary or desirable to collect the amounts payable by the City under the 2016 Refunding Obligations and Parity Obligations, then due, or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under

this 2016 Agreement, the Trust Agreement or any Parity Obligations, and

(2) The Payee may, with respect to the revenues from the Excise Taxes, without notice and without giving any bond or surety to the City or anyone claiming under the City, have a receiver pursue any other remedy at law or in equity, including the remedy of specific performance.

(b) The City's obligations under this 2016 Agreement, the Trust Agreement and any Parity Obligations, including, without limitation, its obligation to make the required payments hereunder, shall survive any remedies exercised as provided in this Section 16, and the City shall continue to pay the 2016 Payments due hereunder and perform all other obligations provided in this 2016 Agreement, the Trust Agreement and any Parity Obligations.

**17. Reserved.**

**18. Assignment.** Except as otherwise provided herein, without the prior written consent of the Payee, the City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this 2016 Agreement, or any interest therein,

**19. Reserved.**

**20. Reserve Fund.** The Trustee shall create a separate and special fund to be held in the custody of the Trustee under the Trust Agreement. Said fund shall be designated the "City of Chandler 2016 Reserve Fund" (and which shall also be known as the "Reserve Fund").

The Reserve Fund may contain any of the following: cash, an insurance policy, Reserve Fund Guaranty or other form of security.

If required to be funded under the terms of the Trust Agreement, moneys in the Reserve Fund shall be maintained in an amount not less than the Reserve Fund Requirement in accordance with 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 the 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 Reserve Fund Guaranty, surety bond or other form of security, restoration of the Reserve Fund shall include payment to the provider of the Reserve Fund Guaranty, 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.

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 the 2016 Payments hereunder. 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 2016 Payments and to pay amounts due as reimbursement of any amounts drawn on any Reserve Fund Guaranty, surety bond or other form of security and any interest thereon.

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, 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 the Payment Fund or to any other payment fund for Outstanding Parity Obligations for which a separate reserve fund is not established.

**21. Miscellaneous.**

(a) No covenant or obligations herein to be performed by the City may be waived except by the written consent of the Payee 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 Payee from invoking such remedy at any later time prior to the City's cure of the condition giving rise to such remedy.

(b) This 2016 Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time.

(c) This 2016 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 Payee and the City.

(d) Any term or provision hereof found to be prohibited by law or unenforceable or which would cause this 2016 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 2016 Agreement to be invalid, prohibited by law or unenforceable.

(e) The Payee 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 Payee for any purposes hereunder.

(f) 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.

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

(h) Except as otherwise provided herein, this 2016 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 Payee's right, title or interest herein shall be and have the rights of a third party beneficiary hereunder.

**22. 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 the Payee: [Zions Bank, a division of ZB, National Association]  
[6001 N 24th St]  
[Phoenix, AZ 85016]  
Attn: Corporate Trust Services

If to the City: City of Chandler, Arizona  
P.O. BOX 4008  
Chandler, Arizona 85225  
Attn: City Manager  
(480) 782-2000

with a copy to: Gust Rosenfeld P.L.C.  
One East Washington Street, Suite 1600  
Phoenix, Arizona 85004  
Telecopy No. (602) 340-1538  
Attn: Mr. Timothy A. Stratton  
(602) 257-7465

**23. Tax Covenants.** In consideration of the acceptance and execution of this 2016 Agreement by the Payee and the purchase of the 2016 Refunding Obligations by the Owners thereof, from time to time, and in consideration of retaining the exclusion of interest income from gross income on this 2016 Agreement and the 2016 Refunding Obligations for federal income tax purposes, the City covenants with the Payee and the 2016 Refunding 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 2016 Agreement or the 2016 Refunding 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 2016 Agreement or the 2016

Refunding 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 tax-exempt 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 Code, or any succeeding sections. The City shall cause to be prepared each completed Form 8038-T as may be required pursuant to the Trust Agreement and direct the Trustee to file it and remit such payment all as may be necessary to comply with Section 148(f)(3) of the Code, or any succeeding sections as may be applicable.

24. **Reserved.**

25. **Reserved.**

26. **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.

27. **Reserved.**

28. **Payee as Trustee.** The Payee is at times acting hereunder in its capacity as Trustee pursuant to the Trust Agreement and the term "Payee," when used herein, shall also mean the Trustee as defined in the Trust Agreement.

29. **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 2016 Agreement and the 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 employee who work on this 2016 Agreement or the 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 by the City during the Trustee's 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 2016 Agreement as of the first day of \_\_\_\_\_ 1, 2016.

**PAYEE:**

**[ZIONS BANK, A DIVISION OF ZB,  
NATIONAL ASSOCIATION]**

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

STATE OF ARIZONA  
COUNTY OF MARICOPA

On this \_\_\_\_\_ day of \_\_\_\_\_, 2016, before me personally appeared \_\_\_\_\_, the \_\_\_\_\_ of [Zions Bank, a division of ZB, National Association], a national banking association, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he/she signed the above/attached document on behalf of the Payee.

I certify under PENALTY OF PERJURY under the laws of the State of Arizona that the foregoing paragraph is true and correct.

(Seal and Expiration Date)

\_\_\_\_\_  
Notary Public in and for the State of Arizona

**CITY:**

**CITY OF CHANDLER, ARIZONA**

By \_\_\_\_\_  
Jay Tibshraeny, Mayor

**ATTEST:**

By \_\_\_\_\_  
Marla Paddock, City Clerk

STATE OF ARIZONA  
COUNTY OF MARICOPA

On this \_\_\_ day of \_\_\_\_\_, 2016, before me personally appeared Jackie A. Meck, the Mayor of the City of Chandler, Arizona, a municipal corporation and political subdivision under the laws of the State of Arizona, whose identity was proven to me on the basis of satisfactory evidence to be the person who he or she claims to be, and acknowledged that he/she signed the above/attached document on behalf of the City.

I certify under PENALTY OF PERJURY under the laws of the State of Arizona that the foregoing paragraph is true and correct.

(Seal and Expiration Date)

\_\_\_\_\_  
Notary Public in and for the State of Arizona

**EXHIBIT A**

**PAYMENT SCHEDULE**

Payment Date

Principal

Interest

Total Payment

**TOTAL**

DSC:dsc 2714905.2 6/17/2016

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**TRUST AGREEMENT**

**by and between**

**[ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION],  
as Trustee**

**and**

**THE CITY OF CHANDLER, ARIZONA**

**Dated as of \_\_\_\_\_, 2016**

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**TRUST AGREEMENT**

**THIS TRUST AGREEMENT**, made and entered into as of \_\_\_\_\_, 2016 (this "Trust Agreement" or "Agreement"), by and between **[ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION]**, a national banking association, as trustee (the "Trustee"), and **THE CITY OF CHANDLER, ARIZONA**, a municipal corporation organized under the laws of the State of Arizona (the "City");

**W I T N E S S E T H:**

**WHEREAS**, the City previously pledged certain of its revenues (the "Excise Taxes," which term is inclusive of the City's "State Shared Revenues", as each term is further defined herein) to the payments due under certain agreements related to obligations, of which the following are currently Outstanding (as defined herein):

(i) \$ \_\_\_\_\_ (of \$ \_\_\_\_\_ originally executed and delivered) of the City's Excise Tax Revenue Obligations, Series \_\_\_\_\_ (the "\_\_\_\_ Obligations");

**WHEREAS**, the City now desires to prepay and refinance the Obligations Being Refunded in full in advance of its maturity; and

**WHEREAS**, the City used the proceeds of the Obligations Being Refunded to finance or refinance the acquisition, construction, improvement, equipping and operation of certain capital facilities of the City; and

**WHEREAS**, the City has authorized the execution and delivery of \$ \_\_\_\_\_ aggregate principal amount of its Excise Tax Revenue Refunding Obligations, Series 2016 (the "2016 Refunding Obligations" and, individually, each a "2016 Refunding Obligation"), in order to provide monies to (i) prepay and refinance the Obligations Being Refunded in advance of their maturity (the "Refunding"), and (ii) pay all or a portion of the Costs of Issuance (as defined herein) of the 2016 Refunding Obligations; and

**WHEREAS**, the City has determined that all acts and things have been done and performed which are necessary to make this Trust Agreement a valid and binding agreement for the security for the 2016 Refunding Obligations authenticated and delivered pursuant hereto;

**NOW, THEREFORE**, in consideration for the 2016 Refunding Obligations executed, delivered and outstanding in accordance with this Trust Agreement, the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the 2016 Refunding Obligations by the Owners (as defined herein), and to secure the payment of principal thereof and interest thereon (to the extent provided herein), the rights of the Owners of the 2016 Refunding Obligations and the performance and the observance of the covenants and conditions contained in the 2016 Refunding Obligations, the 2016 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. The Purchase Agreement, the Payments and Prepayments (both as hereinafter defined) and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all 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 Seller is or may become entitled to do thereunder,

B. Amounts on deposit from time to time in the funds and accounts created pursuant hereto, subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, and

C. All rights declared in trust by the Trustee shall be administered by the Trustee according to the provisions of this Trust Agreement 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 2016 Agreement.

**IN TRUST**, however, for the equal and proportionate benefit and security of the Owners from time to time of the 2016 Refunding Obligations authenticated 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.

*"Additional Parity Obligations"* means any obligations executed and delivered on a parity with respect to Excise Taxes pursuant to the provisions of Section 6.3 hereof.

*"Annual Current Principal Requirement"* means, for any Fiscal Year, the amount of principal coming due during such Fiscal Year on the 2016 Refunding Obligations and any Parity Obligations.

*"Annual Debt Service Requirement"* means, for any Fiscal Year, the Annual Current Principal Requirement for that Fiscal Year and the amount required to be deposited to pay interest on any Parity Obligations and the 2016 Refunding Obligations in that Fiscal Year. For the purpose of compliance with the requirements of Section 6.4 of this Trust Agreement with respect to the proposed issuance of any Parity Obligations, such proposed Parity Obligations shall be treated as Outstanding for the determination of the Annual Debt Service Requirement. For the computation of Annual Debt Service Requirement, (i) debt service on Credit Enhanced Indebtedness shall be deemed to include any periodic fees payable to the issuer of any liquidity or credit facility as a condition to such issuer's commitment to purchase such obligations upon tender or to provide moneys necessary for payment of principal of and interest on such obligations when due, and (ii) debt service on Credit Enhanced Indebtedness shall not be based upon the terms of any reimbursement obligation to the issuer of any liquidity or credit facility except to the extent and for periods during which payments are required to be made pursuant to such reimbursement obligation as a result of the issuer's unreimbursed advances of funds thereunder.

*"Authorizing Resolution"* means Resolution No. 4970, passed, adopted and approved by Mayor and Council of the City on \_\_\_\_\_, 2016.

*"Bond Insurance Policy"* means any irrevocable Municipal Bond Insurance Policy issued by the 2016 Insurer insuring the payments of the principal of and interest on all or any of the 2016 Refunding Obligations in accordance with the terms thereof.

*"Book-Entry-Only System"* means, as to the 2016 Refunding Obligations, a system under which (i) physical 2016 Refunding Obligation certificates in fully registered form are issued only to the DTC or its nominee as Owner, or any successor to DTC, and (ii) the ownership of beneficial interests in the 2016 Refunding Obligations and principal of, premium, if any, and interest thereon may be transferred only through a book entry made by others than the City or the Trustee. The records maintained by entities other than the City or the Trustee constitute the written record that identifies the owners, and records the transfer of beneficial interests in those

2016 Refunding Obligations for purposes of payment of principal, premium, if any, and interest thereon.

"Business Day" means a day of the year other than Saturday, Sunday or a day on which banks in the State are authorized by law or executive order to close or on which the New York Stock Exchange is closed.

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

"City Representative" means the City Manager or Director of Management Services or any other person authorized by the City Manager or Mayor and Council of the City to act on behalf of the City with respect to this Trust Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means the first Business Day in June and December.

"Closing Date" means, with respect to the 2016 Refunding Obligations, April 5, 2016.

"Costs of Issuance" means the costs incurred by the City with respect to the issuance of the 2016 Refunding Obligations. Such costs may include, without limitation, the fees and costs of financial advisors, bond counsel, underwriter's counsel, disclosure counsel, financial feasibility studies, rating agencies, registrars and paying agents initial fees, and publication of preliminary official statements and official statements related to the initial sale of the 2016 Refunding Obligations.

"Credit Enhanced Indebtedness" means (i) any series of Parity Obligations payment when due of the principal of and interest on which is fully secured by an irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement pursuant to which the City is obligated to reimburse the issuer thereof for advances made thereunder to pay such principal or interest, or (ii) any series of Parity Obligations, a feature of which is an option on the part of the owners thereof to tender, or a requirement that such owners tender, all or a portion of such Parity Obligations to the City, or a trustee or other fiduciary for such owners, or another party, for payment of a purchase price or similar payment prior to their specified maturity or due date, if and to the extent that a party other than the City has undertaken to provide the monies necessary for such payment, or (iii) if applicable, the 2016 Refunding Obligations.

"Default Rate" shall mean the rate per annum equal to the lower of the maximum rate permitted by law or the rate that [Zions Bank, a division of ZB, National Association] announces from time to time at its principal office as its prime lending rate for domestic commercial loans, such rate to change on the effective date of each change in the announced rate.

"Defeasance Obligations" means:

1. Cash but only if legal tender of the United States of America.
2. U.S. Treasury certificates, notes and bonds (including State and Local Government Series – "SLGS").
3. U.S. Treasury bills, notes and bonds, as traded on the open market that comply with federal tax law.
4. Such other obligations or investments as described in the 2016 Depository Trust Agreement.

"Depository Trustee" means any bank or trust company, which may include the Trustee, meeting the requirements of, and designated to act as, Depository Trustee pursuant to Section 13.1 of this Trust Agreement.

"DTC" means 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, DTC shall mean the successor to DTC. DTC is a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book-Entry-Only System to record ownership of beneficial interests in the 2016 Refunding Obligations

"Electronically" or "Electronic" 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 2016 Agreement, or with respect to any Parity Obligations, an event of default specified thereunder.

"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 Obligations" means the amounts Outstanding of the Obligations Being Refunded, on a parity with City's pledge of and lien on the Excise Taxes for the payment of the 2016 Payments in connection with the 2016 Refunding Obligations. It is anticipated that upon

the execution and delivery of the 2016 Refunding Obligations the Obligations Being Refunded shall no longer be included as an Existing Obligation.

"F.A.S.T." shall mean DTC's fast automated securities transfer procedures, wherein the 2016 Refunding Obligations are fully paid for by the Underwriter and are deemed delivered to DTC notwithstanding that the Trustee, as registrar, continues to hold such 2016 Refunding Obligations in custody for DTC.

"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 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, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by written notice to the Trustee.

"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.

"Insurance Trustee" means the trustee designated by the 2016 Insurer as provided in Section 5.10.

"Interest Payment Date" means each of the dates specified in Section 2.4 hereof on which interest is due and payable with respect to the 2016 Refunding Obligations.

"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.

"Maximum Annual Debt Service Requirement" means the greatest Annual Debt Service Requirement required to be paid in any Fiscal Year ending then or thereafter on or under the Outstanding Parity Obligations and the 2016 Refunding 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 designated by the City by notice to the Trustee.

"Notification" means the indemnification notification from the Trustee to the City as described in Section 11.3 hereof.

"Outstanding", when used as of any particular time with respect to 2016 Refunding Obligations, means (subject to the provisions of Section 9.3 hereof) all 2016 Refunding Obligations theretofore executed and delivered by the Trustee hereunder except:

(1) 2016 Refunding Obligations theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) 2016 Refunding Obligations for the payment of which funds or noncallable United States Obligations in the necessary amount shall have theretofore been deposited with a Depository Trustee (whether upon or prior to the maturity of such 2016 Refunding Obligations); and

(3) 2016 Refunding Obligations in lieu of or in exchange for which other 2016 Refunding Obligations shall have been executed and delivered by the Trustee pursuant to Section 2.9 hereof.

When used as of any particular time with respect to Parity Obligations, Outstanding means all such Parity Obligations theretofore executed and delivered under the applicable authorizing documents except (i) those which have been cancelled or surrendered for cancellation; (ii) those for which payment has been irrevocably provided for with funds or noncallable United States Obligations in the necessary amount and all other actions have been taken as required under the authorizing documents for the payment thereof; and (iii) those in lieu of or in exchange for which other Parity Obligations shall have been executed and delivered pursuant to the authorizing documents therefor.

"Owner" means any person who shall be the registered owner of any Outstanding 2016 Refunding Obligation or Parity Obligation.

"Parity Obligations" means and includes the Existing Obligations, any Additional Parity Obligations and any bonds, lease purchase agreements, purchase agreements or other obligations authorized on a parity with the 2016 Refunding Obligations as to their lien on Excise Taxes in accordance with the terms and conditions of Section 6.4 hereof.

"Payee" means the Trustee in its trust capacity as Payee in accordance with the 2016 Agreement.

"Payment Date" means any date on which a 2016 Payment is due from the City pursuant to the 2016 Agreement.

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

"Permitted Investments" means investments that are permitted under Arizona Revised Statutes §§ 35-323 and 35-324:

1. Certificates of deposit in eligible depositories.

2. Deposits in one or more federally insured banks or savings and loan associations placed in accordance with the procedures prescribed in Arizona Revised Statutes § 35-323.01.

3. Interest bearing savings accounts in banks and savings and loan institutions doing business in this State whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible Depository to the same extent and in the same manner as required under Arizona Revised Statutes Title 35, Article 2.1.

4. Repurchase agreements with a maximum maturity of one hundred eighty days.

5. The pooled investment funds established by the State treasurer pursuant to Arizona Revised Statutes § 35-326.

6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.

7. Bonds, notes or other evidences of indebtedness of this State or any of its counties, incorporated cities or towns, school districts or special taxing districts, including registered warrants that shall bear interest pursuant to Arizona Revised Statutes § 11-635.

8. Bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district of any state that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment.

9. Bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. An investment shall not be made if:

- (a) The face value of all such obligations, and similar obligations outstanding, exceeds fifty per cent of the market value of the real property, and if improvements on which the Bonds or the assessments for the payment of principal and interest on the Bonds are liens inferior only to the liens for general ad valorem taxes.

- (b) A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.

10. Commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency. All commercial paper must be issued by corporations organized and doing business in the United States.

11. Bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry at a minimum an "A" or better rating, at the time of purchase, from at least two nationally recognized rating agencies.

12. Negotiable or brokered certificates of deposit issued by a nationally or state chartered bank or savings and loan association.

13. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by state law, registered under the investment company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended.

14. Fixed income securities of corporations organized and doing business in any state of the United States or the District of Columbia which carry one of the two highest ratings of Moody's and S&P or their successors. If only one of the above mentioned services rates the security, it must carry the highest rating of that service. If a rating change occurs after purchase, it is not mandatory to sell the security.

15. Investments in money-market funds rated, at the time of purchase, "AAAm" or "AAAm-G" by S&P and, if rated by Moody's, rated "AAA", "AA-1" or "AA-2".

"Prepayment" means any payment applied towards the prepayment of the 2016 Payments, in whole or in part, pursuant to Section 14 of the 2016 Agreement.

"Rebate Amount" means for the 2016 Refunding Obligations and the Existing Obligations, as of each Rebate Calculation Date for such 2016 Refunding Obligations and the Existing Obligations, an amount equal to the sum of (i) plus (ii) computed in accordance with Section 148(f) of the Code, where:

- (i) is the excess of:

(a) the aggregate amount earned from the date of issuance of such 2016 Refunding Obligations or the Existing Obligations on all nonpurpose investments in which gross proceeds of such 2016 Refunding Obligations or the Existing Obligations are invested (other than investments attributable to an excess described in this clause (i)) including any gain or deducting any loss from disposition of nonpurpose investments, over

(b) the amount that would have been earned if those nonpurpose investments (other than amounts attributable to an excess described in this clause (i)) had been invested at a rate equal to the yield on such 2016 Refunding Obligations or the Existing Obligations; and

(ii) is any income attributable to the excess described in clause (i) of this definition.

"Rebate Calculation Date" means, for each of the 2016 Refunding Obligations or the Existing Obligations (i) the last day of each annual period provided for the computation of Rebate Amount under Section 148(f) of the Code for such Series and (ii) the date of retirement of the last bond of such 2016 Refunding Obligations or Existing Obligations.

"Record Date" means the close of business of the Trustee on the fifteenth day of the month preceding an Interest Payment Date.

"Reserve Fund" means the fund of that name established and, if funded, held by the Trustee pursuant to Article V hereof.

"Reserve Fund Guarantor" shall mean any issuer of a Reserve Fund Guaranty.

"Reserve Fund Guaranty" shall mean a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of a 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 5.9 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 Requirement" means, if the Reserve Fund is required to be funded, an amount equal to the least 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 5.8, 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 Value" means the aggregate of (i) the Reserve Fund Guaranty Coverage, and (ii) moneys and investments credited to the Reserve Fund; and whereby the value of such investments is the Market Value of such investments.

"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 entity 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 designated by the City by notice to the Trustee.

"State" means the State of Arizona.

"State Shared Revenues" means all received amounts of excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State or any agency thereof and returned, allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes. Revenues received by the City from vehicle license taxes charged by the State are not deemed State Shared Revenues for purposes of this Trust Agreement or the 2016 Agreement.

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

"Trustee" means [Zions Bank, a division of ZB, National Association], or any successor thereto acting as Trustee pursuant to this Trust Agreement.

"Underwriter" means \_\_\_\_\_, as original purchaser of the 2016 Refunding Obligations.

"United States Obligations" means any bonds or other obligations which are direct obligations of or fully guaranteed as to timely payment of principal, interest and any premium by the United States of America (including Refcorp Strips).

"\_\_\_\_\_ *Obligations*" means the City's Excise Tax Revenue Refunding Obligations, Series \_\_\_\_\_.

"*2016 Agreement*" means that certain Agreement, dated as of \_\_\_\_\_, 2016, by and between the City and the Trustee, as Payee, together with any duly authorized and executed amendment thereto.

"*2016 Costs of Issuance Fund*" means the fund by that name established pursuant to Section 3.3 hereof and held by the Trustee.

"*2016 Depository Trust Agreement*" means the depository trust agreement dated as of \_\_\_\_\_, 2016, by and between the 2016 Depository Trustee and the City.

"*2016 Depository Trustee*" means [Zions Bank, a division of ZB, National Association] as depository trustee under the 2016 Depository Trust Agreement.

"*2016 Insurer*" means, if any, the issuer of the Bond Insurance Policy pertaining to the 2016 Refunding Obligations.

"*2016 Payments*" means all payments required to be paid by the City on any date pursuant to the 2016 Agreement, including but not limited to the payments set forth in Exhibit A to the 2016 Agreement.

"*2016 Refunding Obligations*" means the aggregate principal amount of Excise Tax Revenue Refunding Obligations, Series 2016, to be executed and delivered pursuant hereto.

**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.

**Section 1.3. Interpretation.**

(a) Unless the context otherwise indicates, defined terms shall include all variants thereof, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) References herein to DTC shall include both DTC and any securities depository nominee of DTC in whose name the 2016 Refunding Obligations may be registered.

(d) Unless otherwise indicated, references herein to Articles and Sections shall be to the Articles and Sections of this Trust Agreement. The words "herein," "hereof," "hereby," "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.

**ARTICLE II**  
**THE 2016 REFUNDING OBLIGATIONS**

**Section 2.1. Authorization of the 2016 Refunding Obligations.**

(a) The Trustee is hereby authorized and directed to execute and deliver to or hold in custody for DTC, the 2016 Refunding Obligations in an aggregate principal amount of \$12,620,000 evidencing proportionate, undivided ownership interests in the 2016 Agreement and all 2016 Payments and premiums, if applicable. The City is authorized to enter into this Trust Agreement pursuant to the Authorizing Resolution. The 2016 Refunding Obligations shall be issued as a single issue and shall be issued to prepay and refinance the Obligations Being Refunded in advance of its maturity and to pay a portion of the Costs of Issuance.

(b) The Trustee shall not, at any time while the 2016 Refunding Obligations are Outstanding, issue additional bonds or obligations payable from the 2016 Payments. The 2016 Refunding Obligations shall in no event be deemed an obligation or debt of the Trustee.

**Section 2.2. Date.** Each 2016 Refunding Obligation shall be dated the date of its initial execution and delivery, 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 2016 Refunding Obligations.

**Section 2.3. Maturities and Interest Rates.** The 2016 Refunding Obligations shall be in the denomination of \$5,000 or any integral multiple thereof, except that no 2016 Refunding Obligation may have principal maturing in more than one year. The 2016 Refunding 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>
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<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>
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\*Term Obligation

**Section 2.4. Interest on 2016 Refunding Obligations.** Interest on the 2016 Refunding Obligations shall be payable on July 1, 2016 and semiannually on January 1 and July 1 of each year thereafter to and including the date of maturity or prior redemption, if applicable, whichever is earlier (each, an "Interest Payment Date"). Other than the first Interest Payment Date, said interest shall represent the portion of the 2016 Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the 2016 Refunding Obligations.

The proportionate share of the portion of the 2016 Payments designated as interest with respect to any 2016 Refunding Obligation shall be computed by multiplying the portion of the 2016 Payments designated as principal with respect to such 2016 Refunding Obligation by the rate of interest applicable to such 2016 Refunding Obligation (on the basis of a 360-day year of twelve 30-day months).

**Section 2.5. Form.** The fully registered form of the 2016 Refunding Obligations and the assignment to appear thereon shall be substantially in the form set forth in Exhibit A, attached hereto and incorporated herein. If the Book-Entry-Only System is no longer in effect, the 2016 Refunding Obligations shall be in substantially the same form with such changes as may be necessary to provide for the execution and delivery of the 2016 Refunding Obligations to the beneficial owners thereof.

**Section 2.6. Execution.** The 2016 Refunding Obligations shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the

Trustee. If any officer representative whose signature appears on any 2016 Refunding Obligation ceases to be such officer before the Closing Date, such signature shall nevertheless be as effective as if the officer representative had remained in office until the Closing Date. Any 2016 Refunding Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such 2016 Refunding Obligation shall be the proper officer representative of the Trustee although at the nominal date of such 2016 Refunding Obligation such person shall not have been such officer representative of the Trustee.

No 2016 Refunding 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 2016 Refunding Obligation shall be conclusive evidence that the 2016 Refunding Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

**Section 2.7. Book-Entry-Only System.** The 2016 Refunding Obligations shall be initially issued to DTC or its nominee for holding in a Book-Entry-Only System, without further action by the City. There shall be a single 2016 Refunding Obligation representing the entire aggregate principal amount of each maturity of the 2016 Refunding Obligations and such 2016 Refunding Obligations shall be registered in the name of DTC or its nominee, as Owner, and immobilized initially in the custody of the DTC or the Trustee.

The Trustee, pursuant to a request by the City for the removal or replacement of DTC, and upon 30 days' notice to DTC, may remove or replace DTC. The Trustee agrees to remove or replace DTC at any time at the request of the City. No other action by the City shall be required to effect such a removal or replacement. DTC may determine not to continue to act as depository for the 2016 Refunding 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 2016 Refunding Obligations.

Notwithstanding any other provision of this Trust Agreement or the 2016 Refunding Obligations, so long as the 2016 Refunding Obligations are in a Book-Entry-Only System and DTC or its nominee is the Owner of the 2016 Refunding Obligations:

(i) **Presentation.** Presentation of 2016 Refunding Obligations to the Trustee at redemption or at maturity, shall be deemed made to the Trustee when the right to exercise ownership rights in the 2016 Refunding Obligations through DTC or DTC's participants is transferred by DTC on its books.

(ii) **Fractionalized Representation.** DTC may present notices, approvals, waivers, votes or other communications required or permitted to be made by Owners under this Trust Agreement on a fractionalized basis on behalf of some or all of those persons entitled to exercise ownership rights in the 2016 Refunding Obligations through DTC or its participants.

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 beneficial interests in the 2016 Refunding Obligations by appropriate notice to the then depository, the City and the Trustee shall permit withdrawal of the 2016 Refunding Obligations from DTC, and authenticate and deliver 2016 Refunding Obligation certificates in fully registered form and in denominations authorized by this Section 2.7 to the assignees of DTC 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 2016 Refunding Obligation certificates) of the City.

Subject to any arrangements made by the Trustee with a depository with respect to the 2016 Refunding 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 2016 Refunding Obligation as provided in this Trust Agreement.

**Section 2.8.**      **Intentionally Omitted.**

**Section 2.9.**      **Transfer and Exchange.**

A.      Transfer of 2016 Refunding Obligations. Any 2016 Refunding Obligation may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.13 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2016 Refunding Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any 2016 Refunding Obligation or 2016 Refunding Obligations shall be surrendered for transfer, the Trustee shall execute and deliver a new 2016 Refunding Obligation or 2016 Refunding Obligations in fully registered form of the same series, maturity and interest rate and for a like aggregate principal amount.

B.      Exchange of 2016 Refunding Obligations. The 2016 Refunding Obligations may be exchanged at the designated corporate trust office of the Trustee for a like aggregate principal amount of 2016 Refunding Obligations of authorized denominations of the same series, maturity and interest rate. In connection with any such exchange or transfer of the 2016 Refunding Obligations, the Owner requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay any tax, or other governmental charge required to be paid, other than one imposed by the City, or any fee or expense of the Trustee or the City with respect to such exchange or transfer.

C.      Transfer of 2016 Refunding Obligations Called for Redemption. The Trustee may, but shall not be required to, exchange or register the transfer of a 2016 Refunding Obligation (i) if the 2016 Refunding Obligation has been called, or selected for call, for redemption, in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of redemption. If a 2016 Refunding Obligation is transferred after having been called or selected for redemption, any notice of redemption which has been given to the transferor shall be binding on the transferee and a copy of the notice of redemption shall be delivered by the

Trustee to the transferee along with the duly registered 2016 Refunding Obligation or 2016 Refunding Obligations.

**Section 2.10.** **2016 Refunding Obligations Mutilated, Lost, Destroyed or Stolen.** If any 2016 Refunding Obligation shall become mutilated, the Trustee, at the expense of the Owner of said 2016 Refunding Obligation, shall execute and deliver a new 2016 Refunding Obligation of like tenor, series, maturity and amount in exchange and substitution for the 2016 Refunding Obligation so mutilated, but only upon surrender to the Trustee of the 2016 Refunding Obligation so mutilated. Any mutilated 2016 Refunding Obligation so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the 2016 Refunding Obligation Owner. If any 2016 Refunding 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 2016 Refunding Obligation Owner, shall execute and deliver a new 2016 Refunding Obligation of like tenor, series, maturity and amount and numbered as the Trustee shall determine in lieu of and in substitution for the 2016 Refunding Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new 2016 Refunding Obligation delivered under this Section 2.10 and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.10. Any 2016 Refunding Obligation issued under the provisions of this Section 2.10 in lieu of any 2016 Refunding Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other 2016 Refunding Obligations secured by this Trust Agreement. The Trustee shall not be required to treat both the original 2016 Refunding Obligation and any replacement 2016 Refunding Obligation as being Outstanding for the purpose of determining the principal amount of 2016 Refunding Obligations which may be executed and delivered hereunder or for the purpose of determining any percentage of 2016 Refunding Obligations Outstanding hereunder, but both the original and replacement 2016 Refunding Obligation shall be treated as one and the same. Notwithstanding any other provision of this Section 2.10, in lieu of delivering a new 2016 Refunding Obligation for a 2016 Refunding Obligation which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such 2016 Refunding Obligation upon receipt of the aforementioned indemnity.

**Section 2.11.** **Payment.** Payment of interest due with respect to any 2016 Refunding 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 Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed by first class mail to such Owner at his or her address as it appears on such registration book. However, if the Book-Entry-Only System is in effect, then interest payable to any registered Owner of \$1,000,000 or more in principal amount of 2016 Refunding Obligations shall be paid by wire transfer in immediately available funds to an account in the United States of America if the Owner makes a written request of the Trustee at least twenty (20) days before the Interest Payment 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. The principal and redemption price, if any, with respect to the 2016 Refunding Obligations shall

be payable in lawful money of the United States of America upon surrender when due at the designated office of the Trustee.

Principal, interest and premium, if any, payable to any securities depository shall be paid by wire transfer.

**Section 2.12. 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 2016 Refunding 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 2016 Refunding Obligations. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of 2016 Refunding 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 2016 Refunding Obligations by any person and the amount, the maturity and the numbers of such 2016 Refunding Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.13 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 2016 Refunding Obligation shall bind every future Owner of the same 2016 Refunding Obligation in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

**Section 2.13. 2016 Refunding Obligation Register.** The Trustee will keep or cause to be kept, at its designated office, sufficient books for the registration and transfer of the 2016 Refunding 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, the 2016 Refunding Obligations as hereinbefore provided.

**Section 2.14. Payment of Unclaimed Amounts.** In the event any check for payment of interest on a 2016 Refunding Obligation is returned to the Trustee unendorsed or is not presented for payment within two (2) years from its Interest Payment Date or any 2016 Refunding Obligation is not presented for payment of principal at the maturity date, if funds sufficient to pay such interest or principal due upon such 2016 Refunding 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 2016 Refunding Obligation who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such 2016 Refunding Obligation or amounts due thereunder. The Trustee's obligation to hold such funds shall continue for two years and six months following the date on which such interest or principal payment became due, at maturity, 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 2016 Refunding Obligation arising under such 2016 Refunding Obligation shall be made upon the City.

**Section 2.15. Issuance and Delivery of Parity Obligations.** Subject to compliance with the provisions of Article VI hereof, the City may authorize the issuance, execution and delivery of Parity Obligations from time to time.

**Section 2.16. F.A.S.T. Closing.** The Trustee may agree to hold the 2016 Refunding Obligations for DTC under F.A.S.T. If F.A.S.T. is used to close the sale of the 2016 Refunding Obligations, the 2016 Refunding Obligations will be deemed fully issued, delivered, and enforceable according to their terms, even though the Trustee, as registrar, retains physical custody of the 2016 Refunding Obligations after receiving full payment therefore.

**ARTICLE III  
APPLICATION OF PROCEEDS**

**Section 3.1. Application of Proceeds.** The proceeds received by the Trustee from the sale of the 2016 Refunding Obligations, net of the Underwriter's discount, shall forthwith be set aside by the Trustee in the following respective funds and accounts:

- (1) The Trustee shall deposit the amount of [\$\_\_\_\_\_ received from the City as a cash contribution, together with] \$\_\_\_\_\_ of the proceeds of the Obligations, to the 2016 Costs of Issuance Fund; and
- (2) The Trustee shall transfer the remainder of the proceeds in the amount of \$\_\_\_\_\_ to the 2016 Depository Trustee for application in accordance with the 2016 Depository Trust Agreement to prepay and refinance in full the Obligations Being Refunded in advance of its maturity.

**Section 3.2. 2016 Depository Trust Agreement.** At the date of issuance of the 2016 Refunding Obligations, the 2016 Depository Trustee and the City shall enter into the 2016 Depository Trust Agreement, pursuant to which the proceeds of the 2016 Refunding Obligations identified in Section 3.1(2) above shall be deposited into the depository trust created in accordance with the 2016 Depository Trust Agreement. Sufficient amounts of the proceeds of the 2016 Refunding Obligations shall be deposited with the 2016 Depository Trustee and used to purchase Defeasance Obligations and create a beginning cash balance, sufficient to pay all amounts needed to discharge the Obligations Being Refunded on or before \_\_\_\_\_, 2016.

**Section 3.3. Establishment and Application of 2016 Costs of Issuance Fund.**

(a) The Trustee shall establish and maintain in trust a separate fund designated as the "2016 Costs of Issuance Fund." Money deposited in said fund shall be used to pay Costs of Issuance with respect to the 2016 Refunding Obligations as provided in this Section.

(b) The Trustee shall make payments from the 2016 Costs of Issuance Fund, except payments and withdrawals pursuant to subsection (e) of this Section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2016 Costs of Issuance Fund shall be made, there shall be filed with the Trustee a requisition therefore in substantially the form set forth as Exhibit B attached hereto, signed by a City Representative. Each such requisition shall state, in respect of the payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost to be paid and that such payment in the stated amount is a proper charge against the 2016 Costs of Issuance Fund and that no part of such payment shall be applied to any item which has previously been

paid as a Costs of Issuance of the 2016 Refunding Obligations. The Trustee shall promptly issue its check, or transmit a wire transfer to the City or to the person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such requisition, shall by wire transfer, interbank transfer or other method, as specified in the respective requisition, or arrange to promptly make each payment required by such requisition. The City shall apply, or cause to be applied, all such moneys received from the 2016 Costs of Issuance Fund to the payment of the Costs of Issuance of the 2016 Refunding Obligations identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by a City Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

(c) Upon the earlier of (i) [November] 1, 2016 or (ii) the receipt by the Trustee of a certificate of a City Representative requesting the Trustee to close the 2016 Costs of Issuance Fund, and after payment from the 2016 Costs of Issuance Fund of all amounts included in requisitions submitted by the City pursuant to this Section 3.3, the Trustee shall transfer any moneys remaining in the 2016 Costs of Issuance Fund to the Payment Fund or such other fund as directed by a City Representative. Upon such transfer the Trustee shall close the 2016 Costs of Issuance Fund.

(d) Moneys held in the 2016 Costs of Issuance Fund may, subject to the tax covenants in Article VII herein, be invested and reinvested to the fullest extent practicable in any investment directed by the City in writing, in which the City can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the 2016 Costs of Issuance Fund. Any investment earnings on moneys on deposit in the 2016 Costs of Issuance Fund shall be deposited in the 2016 Costs of Issuance Fund and be used in the same manner as other amounts on deposit in the 2016 Costs of Issuance Fund.

(e) Notwithstanding any of the other provisions of this Section, to the extent that other moneys are not available therefor, amounts in the 2016 Costs of Issuance Fund shall be applied to the payment of principal of and interest on the 2016 Refunding Obligations when due.

**ARTICLE IV**  
**REDEMPTION OF THE 2016 REFUNDING OBLIGATIONS**

**Section 4.1. Redemption or Purchase of the 2016 Refunding Obligations.** Under the terms of the 2016 Agreement money may be paid or credited for the purpose of redeeming 2016 Refunding Obligations when redeemable or purchasing 2016 Refunding Obligations when permitted hereunder. The City covenants that any and all money received by the City which, pursuant to the 2016 Agreement, is to be used to redeem or purchase the 2016 Refunding Obligations or a portion thereof in advance of the stated maturity date shall be paid to the Trustee under this Trust Agreement, and in such event, the Trustee shall deposit the same in the Payment Fund and shall use any and all such money to prepay and redeem or purchase 2016 Refunding Obligations in accordance with their terms and the provisions of this Article.

**Section 4.2. Terms of Redemption of the 2016 Refunding Obligations.**

**Optional Redemption.** The 2016 Refunding Obligations maturing on or before July 1, 20\_\_, will not be subject to redemption prior to their stated maturity dates. The 2016 Refunding Obligations maturing on or after [July 1, 2028], will be subject to redemption prior to their stated maturity dates, at the option of the City, in whole or in part from maturities selected by the City on July 1, 20\_\_, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each such 2016 Refunding Obligation redeemed, plus interest accrued to the date fixed for redemption, without premium.

**[Mandatory Redemption.]** The 2016 Refunding Obligations maturing on July 1, [Year] will be subject to mandatory redemption prior to their stated maturity, at random or such other manner, as selected by the Trustee, as shown below, and in the following principal amounts, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption without premium:

Redemption Date <u>(July 1)</u>	Principal <u>Amount</u>
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Whenever 2016 Refunding Obligations subject to mandatory redemption are redeemed or are delivered to the registrar for cancellation, the principal amount of the 2016 Refunding Obligations of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity as designated by the City.]

**Section 4.3. City's Election to Redeem.** The Trustee, at the direction of the City, will redeem any 2016 Refunding Obligations subject to redemption. The Mayor and Council of the City shall adopt a resolution to redeem such 2016 Refunding Obligations and shall thereupon give written notice to the Trustee at least forty-five (45) days prior to the redemption date. In the event that notice of redemption shall have been given by the Trustee to

the Owners as provided in Section 4.4 hereof, if there has not been deposited with the Trustee prior to the redemption date, funds which, in addition to any other moneys available therefor and held by the Trustee, will be sufficient to redeem at the redemption price thereof, plus interest accrued to the redemption date, all of the redeemable 2016 Refunding Obligations for which notice of redemption has been given then such redemption shall be cancelled and of no effect and notice of cancellation shall be sent in the manner and to the persons that notice of redemption had been sent.

The City may redeem an amount which is included in a 2016 Refunding Obligation in the denomination in excess of, but divisible by, \$5,000. In that event, if the Book-Entry-Only System is discontinued, the Owner shall submit the 2016 Refunding Obligation for partial redemption and the Trustee shall make such partial payment and the Trustee shall cause a new 2016 Refunding Obligation in a principal amount which reflects the redemption so made to be executed and delivered to the Owner thereof.

**Section 4.4. Notice of Redemption.** The notice of redemption of 2016 Refunding Obligations shall identify (i) by designation, letters, numbers or other distinguishing marks, the 2016 Refunding Obligations or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, and (iv) the place or places where the amounts due upon redemption are payable. The notice shall be given by the Trustee on behalf of the City by mailing a copy of the redemption notice by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) calendar days prior to the date fixed for redemption, to the Owner of each 2016 Refunding Obligation subject to redemption in whole or in part at the address of the Owner shown on the 2016 Refunding Obligation register maintained by the Trustee on the 15th day preceding that mailing; provided, that failure to receive notice by mailing, or any defect in that notice, as to any 2016 Refunding Obligation shall not affect the validity of the proceedings for the redemption of any 2016 Refunding Obligation. The notice will also state whether the funds necessary for the redemption are on deposit with the Trustee or whether the redemption is conditional on such funds being deposited, on or prior to, the date set for redemption. The Trustee is not required to provide a notice of redemption of 2016 Refunding Obligations pursuant to mandatory redemption.

Notwithstanding the foregoing, notice of redemption may be given to DTC or any securities depository by electronic means, or in any other manner permitted by the depository.

Notice of redemption will also be sent 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, no more than sixty (60) and no fewer than thirty (30) calendar days prior to the redemption date, but no defect in such notice to the MSRB or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

**Section 4.5. Effect of Call for Redemption of 2016 Refunding Obligations.**

(a) If notice is mailed as provided in Section 4.4 hereof, the 2016 Refunding Obligations and portions thereof to be redeemed shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice and shall be paid at the redemption price, plus interest accrued to the redemption date.

(b) If moneys for the redemption of all of the 2016 Refunding Obligations and portions thereof to be redeemed, together with interest accrued thereon to the redemption date, are held by the Trustee, a Depository Trustee or any paying agent on the redemption date, so as to be available therefor on that date and, if notice of redemption shall have been deposited in the mail as aforesaid, then from and after the redemption date those 2016 Refunding Obligations and portions thereof to be redeemed 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 as aforesaid, the redemption shall be cancelled and of no effect and those 2016 Refunding 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.

(c) All moneys deposited in the Payment Fund and held by the Trustee, Depository Trustee or a paying agent for the redemption of particular 2016 Refunding 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 2016 Refunding Obligations.

**Section 4.6. Purchase of 2016 Refunding Obligations.** Notwithstanding the foregoing, if at any time there is money in the Payment Fund and any of the Outstanding 2016 Refunding Obligations payable from such Payment Fund may be purchased in the open market at a net cost to the City which would be less than the cost of redeeming such 2016 Refunding Obligations under the provisions of this Article (or, prior to the time such 2016 Refunding Obligations may be redeemed, at a price equal to or below par), the City, from time to time, may cause the Trustee to purchase so many of such 2016 Refunding Obligations as the City shall designate and to pay therefor from the Payment Fund, to the extent of the funds in the Payment Fund. The 2016 Refunding Obligations so purchased shall be cancelled by the Trustee in accordance with the provisions hereof.

**ARTICLE V**  
**PAYMENTS; PAYMENT FUND; RESERVE FUND**

**Section 5.1. Trustee's Rights in the 2016 Agreement.** The Trustee, as Payee under the 2016 Agreement, holds in trust hereunder all of its rights and duties in the 2016 Agreement, including but not limited to all of the Payee's rights to receive and collect all of the 2016 Payments, Prepayments and all other amounts required to be deposited in the Payment Fund pursuant to the 2016 Agreement or pursuant hereto. All the 2016 Payments, Prepayments and such other amounts to which the Payee may at any time be entitled shall be paid directly to the Trustee in trust, and all of the 2016 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 2016 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 2016 Refunding Obligations. So long as any 2016 Refunding 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.** There shall be deposited in the Payment Fund all the 2016 Payments received by the Trustee.

**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 on the 2016 Refunding Obligations as the same shall become due and payable, in accordance with the provisions of Articles II and IV hereof.

**Section 5.5. Transfers of Investment Earnings to Payment Fund.** Subject to Section 7.7 hereof 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 or accounts created pursuant to this Trust Agreement, after payment of all 2016 Refunding 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 for the Reserve Fund or moneys drawn on a Reserve Fund Guaranty, and the Owners of the 2016 Refunding 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 5.8. Reserve Fund.** The Trustee shall establish a special fund designated as the "City of Chandler 2016 Reserve Fund" (which shall also be known 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 5.9. 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 2016 Refunding 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. To the extent the City directs the Trustee to enter into any Reserve Fund Guaranty and Reserve Fund Guaranty Agreement, the City shall be deemed to have determined that such Reserve Fund Guaranty and Reserve Fund Guaranty Agreement meet the requirements of this Trust Agreement.

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 2016 Refunding 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 the initial completed funding of 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 5.9 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 2016 Refunding 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 2016 Refunding 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 2016 Refunding 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 5.9. Reserve Fund Guaranty.** If at any time the City shall deliver to the Trustee (i) a Reserve Fund Guaranty, (ii) an opinion of bond 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, at the time of initial delivery, rated "AA" or better by S&P, and (iv) evidence satisfactory to the Trustee that Moody's, S&P or Fitch, to the extent the 2016 Refunding Obligations are rated by any or all of those rating agencies, has reviewed the proposed Reserve Fund Guaranty and determined that (A) the issuance of the Reserve Fund Guaranty to the Trustee or (B) the substitution of the proposed Reserve Fund Guaranty for the Reserve Fund Guaranty then in effect, will not, in either case, result in a reduction or withdrawal of the respective rating on the 2016 Refunding Obligations. If such rating shall be in effect on the date of such issuance of the Reserve Fund Guaranty or, as applicable, substitution of the Reserve Fund Guaranty, then the Trustee shall accept such Reserve Fund Guaranty or, as applicable, promptly surrender the previously held Reserve Fund Guaranty to the issuer thereof for cancellation.

**Section 5.10. Payment Pursuant to Bond Insurance Policy.** As long as any Bond Insurance Policy shall be in full force and effect with respect to the 2016 Refunding Obligations, the City and the Trustee agree to comply with the following provisions or similar procedures agreed to between the Trustee, the 2016 Insurer and the City:

(a) At least one Business Day prior to each Interest Payment Date, the Trustee will determine whether there will be sufficient funds in the Payment Fund and Reserve Fund to pay the principal of or interest on the 2016 Refunding Obligations on such Interest Payment Date. If the Trustee determines that there will be insufficient funds, the Trustee shall so notify the 2016 Insurer. Such notice shall specify the amount of the anticipated deficiency, the 2016 Refunding Obligations or Parity Obligations to which such deficiency is applicable and whether

such 2016 Refunding Obligations or Parity Obligations will be deficient as to principal or interest, or both. If the Trustee has not so notified, the 2016 Insurer, if applicable, at least one Business Day prior to an Interest Payment Date, the 2016 Insurer will make payments of principal or interest due on the 2016 Refunding Obligations or Parity Obligations on or before the first Business Day next following the date on which the 2016 Insurer shall have received notice of nonpayment from the Trustee.

(b) If the Book-Entry-Only System is no longer in effect, the Trustee shall, after giving notice to the 2016 Insurer as provided in (a) above, make available to the 2016 Insurer and, at the 2016 Insurer's direction, to a trustee designated by the 2016 Insurer (the "Insurance Trustee"), the registration books of the City maintained by the Trustee and all records relating to the funds and accounts maintained under this Trust Agreement. If the Book-Entry-Only System is in effect, all notices given to the 2016 Insurer shall also be given to DTC, or any successor depository.

(c) If the Book-Entry-Only System is no longer in effect, the Trustee shall provide the 2016 Insurer and the Insurance Trustee, if applicable, with a list of Owners entitled to receive principal or interest payments from the 2016 Insurer under the terms of any Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners entitled to receive full or partial interest payments from the 2016 Insurer and (ii) to pay principal upon the 2016 Refunding Obligations, or other Parity Obligations surrendered to the Insurance Trustee by the Owners entitled to receive full or partial principal payments from the 2016 Insurer.

(d) The Trustee shall, at the time it provides notice to the 2016 Insurer pursuant to (a) above, notify Owners entitled to receive the payment of principal of or interest on the 2016 Refunding Obligations or other Parity Obligations from the 2016 Insurer (i) as to the fact of such entitlement, (ii) that the 2016 Insurer will remit to them all or a part of the interest payments next coming due upon proof of Owners entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the 2016 Insurer, they must surrender their 2016 Refunding Obligations (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such 2016 Refunding Obligations or other Parity Obligations to be registered in the name of the 2016 Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the 2016 Insurer, they must surrender their 2016 Refunding Obligations for payment thereon first to the Trustee who shall note on such 2016 Refunding Obligations or other Parity Obligations the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a 2016 Refunding Obligation or other Parity Obligation which has become Due for Payment as defined in a Bond Insurance Policy and which is made to an Owner by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its Owner

pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the 2016 Insurer is notified pursuant to (a) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the 2016 Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the 2016 Insurer its records evidencing the payments of principal of and interest on the 2016 Refunding Obligations or other Parity Obligations which have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(f) In addition to those rights granted to the 2016 Insurer under this Trust Agreement, the 2016 Insurer shall, to the extent it makes payment of principal of or interest on 2016 Refunding Obligations or other Parity Obligations, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the 2016 Insurer's rights as subrogee on the registration books of the City maintained by the Trustee, upon receipt from the 2016 Insurer of proof of the payment of interest thereon to the Owners of the 2016 Refunding Obligations or other Parity Obligations, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the 2016 Insurer's rights as subrogee on the registration books of the City maintained by the Trustee upon surrender of the 2016 Refunding Obligations or other Parity Obligations by the Owners thereof, together with proof of the payment of principal thereof.

**Section 5.11. Notice of Anticipated Deficiency.** If the Trustee is notified in writing by the City of the City's expectation that it will not make a 2016 Payment when due, the Trustee shall immediately give notice thereof to any Insurer by facsimile transmission. Failure to give such notice shall not excuse performance by the Insurer under the Bond Insurance Policy.

**ARTICLE VI  
PLEDGE AND LIEN**

**Section 6.1.**     **Pledge.** Payments and all other amounts due under the Purchase 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 Purchase Agreement for the prompt and punctual payment of amounts due under the Purchase Agreement according to its terms, and to create and maintain the funds as hereinafter specified therein and herein. None of the Obligations shall be entitled to priority or distinction one over the other in the application of the Excise Taxes thereby pledged to the payment thereof, regardless of the delivery of any of the Obligations prior to the delivery of any other of the Obligations, or regardless of the time or times the Obligations mature or are called for redemption prior to maturity. All of the Obligations are co-equal 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 of Excise Taxes shall be on parity with the pledge thereof with respect to the Outstanding Obligations Being Refunded and any Additional Parity Obligations.

**Section 6.2.**     **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 hereof 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 hereunder will be issued by either except in lieu of, or upon transfer of registration or exchange of, any 2016 Refunding Obligation as provided herein and except for Parity Obligations.

**Section 6.3.**     **Existing Parity Pledge.** The pledge of Excise Taxes under the 2016 Agreement is on a parity with the pledge of the Excise Taxes to payment due on or with respect to the Existing Obligations.

**Section 6.4.**     **Parity Obligations.** Parity Obligations may be issued by the City on a parity with the 2016 Refunding Obligations herein authorized if all of the following conditions are met:

A.     The Excise Taxes available for payment of the 2016 Payments and any Parity Obligations for the completed Fiscal Year immediately preceding the issuance of the Parity Obligations must have been at least equal to two (2) times Maximum Annual Debt Service Requirement on all Outstanding 2016 Refunding Obligations and Parity Obligations immediately after the issuance of new Parity Obligations as shown by a certificate signed by City Representative.

B.     The payments required to be made into each fund created pursuant hereto must then be current;

C. No Parity Obligations may be issued without the prior written consent of any Reserve Fund Guarantor whose Reserve Fund Guaranty costs are past due and owing or the 2016 Insurer whose reimbursements are past due and owing.

D. The obligation to make payments on the Parity Obligations from Excise Taxes shall not be subject to acceleration for any reason and such payments shall not be made immediately due and payable prior to their scheduled due date.

E. Parity Obligations may include any long-term obligation or deferred payment for property including, without limitation, installment-purchase or lease-purchase agreements. For the purpose of this Section 6.4, payments on installment purchase or lease purchase agreements shall be deemed to include a principal component and an interest component and references in this Trust Agreement to the payment of principal, interest and premium shall include the payment of long-term obligations, including lease-purchase or installment-purchase payments.

F. The Parity Obligations or any part thereof may be refunded and the refunding Parity Obligations so issued shall enjoy complete equality of lien with the portion of the Parity Obligations which is not refunded, if any, and the refunding Parity Obligations shall continue to enjoy whatever priority of lien over subsequent issues that may have been enjoyed by the Parity Obligations refunded.

If Parity Obligations are executed and delivered to refund the 2016 Refunding Obligations or one or more series of other Parity Obligations by providing for payment of the amounts due thereon in advance of their maturity, then such refunded 2016 Refunding Obligations or Parity Obligations, to the extent they will no longer be Outstanding after the refunding, will be treated as not Outstanding for purposes of this Trust Agreement, including but not limited to, the purpose of determining the Maximum Annual Debt Service Requirement required by this Section 6.4.

**Section 6.5. Recordation and Filing.** The City shall file the 2016 Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the 2016 Refunding Obligation Owners to the extent possible.

**ARTICLE VII**  
**MONEYS IN FUNDS; INVESTMENTS; TAX COVENANTS**

**Section 7.1.**      **Held in Trust.** The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the 2016 Refunding Obligations, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City, the Trustee or any Owner of 2016 Refunding Obligations.

**Section 7.2.**      **Investments Authorized.** Upon written order of the City Representative, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee in Permitted Investments. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 7.2 and may invest in funds which are Permitted Investments to which the Trustee or any of its affiliates provide services as an investment advisor. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. Amounts in the Payment Fund may be invested only in Permitted Investments which (i) are rated no lower than the underlying rating on the 2016 Refunding Obligations or (ii) secured by obligations which are so rated. Absent written direction of the City, the Trustee shall invest monies held in accordance with this Trust Agreement in those investments described in clause (15) of Permitted Investments.

**Section 7.3.**      **Accounting.** The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 7.2 hereof.

**Section 7.4.**      **Allocation of Earnings.** Subject to Section 7.7 pertaining to arbitrage rebate, Section 5.5 pertaining to annual transfers to the Payment Fund and Section 5.8 pertaining to the Reserve Fund, any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein.

**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 best 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 that it will make no use of the proceeds of the 2016 Refunding Obligations or other moneys which would cause the obligations of the City under the 2016 Agreement to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code.

**Section 7.7. Tax Covenants.** In addition to Section 7.6 hereof, and in consideration of the acceptance and execution of the 2016 Agreement by the Trustee and the purchase by the 2016 Refunding Obligation Owners, from time to time, and in consideration of retaining the exclusion of interest income from gross income on the 2016 Agreement and the 2016 Refunding Obligations for federal income tax purposes, the City covenants with the Trustee and the 2016 Refunding 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 the 2016 Agreement or the 2016 Refunding 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 2016 Agreement or this Trust 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 2016 Agreement or the 2016 Refunding 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 2016 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 2016 Agreement and this Trust Agreement; and limiting the use of the proceeds of the 2016 Refunding Obligations.

In the event that the City is required to rebate its earnings and profits from the investment of the 2016 Refunding 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 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligation issuance, upon receipt from the City, the Trustee shall file a completed Form 8038-T, and remit the payment required by Code Section 148(f)(3), as directed by the City with the Internal Revenue Service Center, Ogden, Utah 842001-0027. Such payment shall be from moneys contained in the Arbitrage Rebate Fund. In addition, upon the redemption of the last

2016 Refunding Obligation of the issue, upon receipt from the City, the Trustee shall file, within sixty (60) days after the last redemption, a completed Form 8038-T and remit, as directed by the City, the final payment as required by 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.** [Zions Bank, a division of ZB, National Association] is hereby appointed Trustee by the City for the purpose of executing and delivering the 2016 Agreement, as Payee, and receiving all moneys required to be deposited with the Trustee pursuant hereto 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 of Arizona authority, so long as any 2016 Refunding 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 2016 Refunding Obligations when duly presented for payment at maturity and to cancel all 2016 Refunding Obligations upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all 2016 Refunding Obligations paid and discharged.

**Section 8.2.**      **Liability of Trustee.** The recitals of facts, covenants and agreements herein and in the 2016 Refunding 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 2016 Refunding Obligations or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the 2016 Refunding 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 of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement. 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 affairs.

**Section 8.3.**      **Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such 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 2016 Refunding Obligation or to take any action at his request unless such 2016 Refunding Obligation shall be deposited with the Trustee and satisfactory evidence of the ownership of such 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the 2016 Refunding Obligations then Outstanding.

The recitals, statements and representations by the City contained herein or in the 2016 Refunding 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 and accounts 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 which the Trustee has released in accordance with the terms hereof. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the 2016 Agreement or this Trust Agreement.

Notwithstanding any provision herein or in the 2016 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 16(a)(i) of the 2016 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 2016 Refunding Obligations then Outstanding.

**Section 8.5. Compensation of Trustee.** The City shall, from time to time and 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 and Resignation 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 2016 Refunding Obligations Outstanding, or the 2016 Insurer with respect to the 2016 Refunding Obligations actually insured, 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 doing business and having an office in the State, 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 of Arizona 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 2016 Refunding Obligation Owners at their respective addresses set forth on the 2016 Refunding Obligation registration books maintained pursuant 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 or accounts 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.

**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 2016 Refunding Obligations and the 2016 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 2016 Refunding Obligations then Outstanding, exclusive of 2016 Refunding Obligations disqualified as provided in Section 9.3 hereof, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any 2016 Refunding 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 2016 Refunding Obligation, or (2) reduce or have the effect of reducing the percentage of 2016 Refunding Obligations required for the affirmative vote or written consent to an amendment or modification of the 2016 Agreement, or (3) 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 Agreement and the rights and obligations of the Owners of the 2016 Refunding Obligations and the 2016 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 (1) 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, (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (3) to facilitate the issuance of additional Parity Obligations, (4) in connection with rating matters or (5) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the 2016 Refunding Obligations. Any such supplemental agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon an opinion of nationally recognized bond counsel as conclusive evidence that any such supplemental agreement complies with this Section 9.1.

**Section 9.2. Procedure for Amendment With Written Consent of 2016 Refunding Obligation Owners.** This Trust Agreement and the 2016 Agreement may be amended by supplemental agreement as provided in this Section 9.2 in the event the consent of the Owners of the 2016 Refunding Obligations are required pursuant to Section 9.1 hereof. A copy of such supplemental agreement, together with a request to the 2016 Refunding 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 2016 Refunding Obligation registration books maintained by the Trustee pursuant to Section 2.13 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 2016 Refunding Obligations then Outstanding (exclusive of 2016 Refunding 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 2016 Refunding Obligation shall be effective only if accompanied by proof of ownership of the 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligations shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the 2016 Refunding 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 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligations.** Any 2016 Refunding 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 2016 Refunding 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 2016 Refunding 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.

**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 2016 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 2016 Refunding 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 2016 Agreement, as the case may be, for any and all purposes.

The Trustee may require each 2016 Refunding Obligation Owner, before his consent provided for in this Article IX shall be deemed effective, to reveal whether the 2016 Refunding Obligations as to which such consent is given are disqualified as provided in Section 9.3 hereof.

**Section 9.5. Endorsement or Replacement of 2016 Refunding Obligations Delivered After Amendments.** The Trustee may determine that 2016 Refunding 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 2016 Refunding Obligation Outstanding at such effective date and presentation of his 2016 Refunding 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 2016 Refunding Obligations, so modified as in the opinion of the Trustee is necessary to conform to such 2016 Refunding Obligation Owners' action, which substitute 2016 Refunding Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any 2016 Refunding Obligation then Outstanding, such substitute 2016 Refunding Obligation shall be exchanged at the designated office of the Trustee, without cost to such Owner, for a 2016 Refunding Obligation of the same character then Outstanding, upon surrender of such Outstanding 2016 Refunding Obligation.

**Section 9.6. Amendatory Endorsement of 2016 Refunding Obligations.** The provisions of this Article IX shall not prevent any 2016 Refunding Obligation Owner from accepting any amendment as to the particular 2016 Refunding Obligations held by him, provided that proper notation thereof is made on such 2016 Refunding Obligations.

**Section 9.7. Notice to Rating Agencies.** Any rating agency rating the 2016 Refunding Obligations must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution and adoption.

**Section 9.8. Consent of the 2016 Insurer.** No provision hereof may be amended in any manner other than with respect to the issuance of Parity Obligations without the prior written consent of the 2016 Insurer (with respect to the 2016 Refunding Obligations actually insured) which consent will not be unreasonably withheld.

**ARTICLE X  
COVENANTS, NOTICES**

**Section 10.1. Compliance With and Enforcement of the 2016 Agreement.**

The City covenants and agrees with the Owners of the 2016 Refunding Obligations to perform all obligations and duties imposed on it under the 2016 Agreement and this Trust 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 2016 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. Further Assurances.** The Trustee 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 2016 Agreement, and for the better assuring and confirming unto the Owners of the 2016 Refunding Obligations the rights and benefits provided herein.

**Section 10.4. Notification to the City of Failure to Make the 2016 Payments.** The Trustee shall notify the City of any failure by the City to make any 2016 Payment or other payment required under the 2016 Agreement to be made to the Trustee, 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 2016 Agreement.

**Section 10.5. Notices to the 2016 Insurer.**

A. While any Bond Insurance Policy is in effect with respect to the 2016 Refunding Obligations or any Parity Obligations hereafter issued, the City shall furnish to the 2016 Insurer:

(a) as soon as practicable after the filing thereof, a copy of any financial statement of the City and a copy of any audit and annual report of the City;

(b) a copy of any notice to be given to the registered Owners of 2016 Refunding Obligations and any certificate rendered pursuant to this Trust Agreement relating to the security for the 2016 Refunding Obligations;

(c) prior written notice of resignation or the removal of the Trustee and the appointment of any successor thereto;

(d) if not presented in the audited financial statements, a statement of the Excise Tax Revenues pledged to payment of 2016 Refunding Obligations in each such Fiscal Year;

(e) official statement or other disclosure, if any, prepared in connection with the issuance of additional Parity Obligations or within thirty (30) days after the sale thereof;

(f) notice of the redemption, other than mandatory redemption, of any of the 2016 Refunding Obligations, or any advance refunding of any 2016 Refunding Obligations, including the principal amount, maturities and CUSIP numbers thereof, if applicable;

(g) a full transcript of all proceedings relating to the execution and delivery of any supplemental agreement amending, modifying or supplementing this Trust Agreement or the 2016 Agreement;

(h) any information required to be provided to any repository under any undertaking for continuing disclosure; and

(i) such additional information as the 2016 Insurer may reasonably request from time to time.

B. The Trustee shall notify the 2016 Insurer of any failure of the City to provide relevant notices or certificates required hereunder.

C. The City will permit the 2016 Insurer to discuss the affairs, finances and accounts of the City or any information the 2016 Insurer may reasonably request regarding the security for the 2016 Refunding Obligations with appropriate officers of the City. The Trustee or City, as appropriate, will permit the 2016 Insurer to have access to and to make copies of all books and records relating to the 2016 Refunding Obligations at any reasonable time during regular business hours.

D. Notwithstanding any other provision of this Trust Agreement, the Trustee shall immediately notify the 2016 Insurer if at any time the Trustee has actual knowledge that there are insufficient moneys to make any payments of principal and interest as required and immediately upon the occurrence of any payment default or other Event of Default hereunder.

E. If an Event of Default has occurred and is continuing, the 2016 Insurer shall have the right to direct an accounting at the City's expense, and the City's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the 2016 Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered Owner of the 2016 Refunding Obligations or any Parity Obligations.

**ARTICLE XI  
LIMITATION OF LIABILITY**

**Section 11.1. Limited Liability of the City.** Except for the payment of the 2016 Payments from Excise Taxes when due in accordance with the 2016 Agreement and the performance of the other covenants and agreements of the City contained in the 2016 Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the 2016 Refunding Obligations with respect to this Trust Agreement, or the terms, execution, delivery or transfer of the 2016 Refunding Obligations, or the distribution of the 2016 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 2016 Refunding 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 harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (a) the 2016 Refunding Obligations; (b) any breach or default on the part of the City in the performance of any of its obligations hereunder and under any other agreement made and entered into in connection with the 2016 Refunding Obligations; (c) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the 2016 Refunding Obligations or the Obligations Being Refunded; (d) the Trustee's exercise and performance of its powers and duties hereunder; or (e) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the 2016 Refunding Obligations, including the costs and expenses of defending itself against any claim of liability arising hereunder. 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 2016 Refunding 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 (a "Notification"). Upon giving of a 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, 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 2016 REFUNDING OBLIGATION OWNERS**

**Section 12.1.** **Payee's Rights Held in Trust.** As provided herein, the Trustee holds in trust hereunder all of the Payee's rights in and to the 2016 Agreement, including without limitation all of the Payee's rights to exercise such rights and remedies conferred on the Payee pursuant to the 2016 Agreement as may be necessary or convenient to enforce payment of the 2016 Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of Excise Taxes.

**Section 12.2.** **Remedy.** Subject to Section 12.7 hereof, if an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon request of the Owners of twenty-five percent (25%) in aggregate principal amount of the 2016 Refunding Obligations and indemnified to its satisfaction from any liability or expense shall, exercise one or more of the following remedies:

(a) The Trustee may proceed to protect and enforce its rights and the rights of the holders of the 2016 Refunding Obligations hereunder by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained herein or in the 2016 Agreement, or in aid of the execution of any power granted herein or in the 2016 Agreement or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the 2016 Refunding Obligations, this Trust Agreement and/or the 2016 Agreement. All rights of action hereunder or under any of the 2016 Refunding Obligations or under the 2016 Agreement may be enforced by the Trustee without the possession of any of the 2016 Refunding Obligations or the production thereof on any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, and any recovery of judgment shall be for the ratable benefit of the Owners of the 2016 Refunding Obligations.

(b) The Trustee, upon the bringing of a suit to enforce any of its rights hereunder or under the 2016 Agreement, as a matter of right without notice and without giving bond to the City or anyone claiming under them, may (i) have a receiver appointed of all of the property encumbered hereby and of the earnings, income, rents, issues and profits thereof, and of all the Excise Taxes which are pledged for the payment of the payments under the 2016 Agreement, pending such proceedings, with such powers as the court making such appointment shall confer, including such powers as may be necessary or usual in such cases for the collection and proper disbursement of the Excise Taxes pledged for the payment of the 2016 Payments under the 2016 Agreement, and the City does hereby irrevocably consent to such appointment and (ii) seek and obtain such injunctive relief as may be appropriate.

(c) The Trustee is hereby appointed, and the successive respective Owners by taking and owning the 2016 Refunding Obligations, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney-in-fact of the respective Owners, with

authority to make or file, in the respective names of the Owners or in behalf of all Owners as a class, any proof of debt, amendment to proof of debt, petition or other document; to receive payment of all sums becoming distributable on account thereof; to execute any and all acts and things for and in behalf of all Owners as a class, as may be necessary or advisable, in the opinion of the Trustee, in order to have the respective claims of the Owners against the City allowed in any equity receivership, insolvency, liquidation, bankruptcy or other proceedings to which the City shall be a party. The Trustee shall have full powers of substitution and delegation in respect of any such powers.

(d) Notwithstanding anything herein or in the 2016 Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the 2016 Refunding Obligations nor to declare any 2016 Payment not then past due or in default to be immediately due and payable.

**Section 12.3. Application of Funds.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XII and subject to Sections 16 and 17 of the 2016 Agreement shall be applied by the Trustee in the following order upon presentation of the 2016 Refunding Obligations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

**First,** to the payment of the costs and expenses of the Trustee and of the 2016 Refunding Obligation Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel; and

**Second,** to the payment of the whole amount then owing and unpaid with respect to the 2016 Refunding Obligations for principal and interest, with interest on the overdue principal and installments of interest at the Default Rate (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the 2016 Refunding Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

**Section 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 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligations shall affect or impair the

obligation of the City to pay the 2016 Payments as provided in the 2016 Agreement, or affect or impair the right of action, which is absolute and unconditional, of the 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the 2016 Refunding 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 2016 Refunding Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the 2016 Refunding 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 2016 Refunding Obligations Outstanding.

**Section 12.7. Limitation on 2016 Refunding Obligation Owners' Right to Sue.** No Owner of any 2016 Refunding Obligation issued 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 2016 Refunding 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 sixty (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 2016 Refunding Obligations of any remedy hereunder; it being understood and intended that no one or more Owners of 2016 Refunding 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 2016 Refunding Obligations.

The right of any Owner of any 2016 Refunding Obligation to receive payment of said Owner's proportionate interest in the 2016 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 hereof.

**Section 12.8.**     **The 2016 Insurer's Control of Proceedings.** Anything herein to the contrary notwithstanding, unless the 2016 Insurer is in bankruptcy, receivership, insolvency or similar proceedings or is in default or is contesting its obligations under the Bond Insurance Policy, (i) the 2016 Insurer shall be entitled to control and direct enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners hereunder, (ii) the 2016 Insurer shall also be entitled to approve all waivers of Events of Default, and (iii) for all purposes of this Article XII and Section 16 of the Agreement, except for the giving of notice to Owners, the 2016 Insurer shall be deemed to be the sole Owner of the respective 2016 Refunding Obligations.

**ARTICLE XIII  
MISCELLANEOUS**

**Section 13.1. Defeasance.** If and when all Outstanding 2016 Refunding 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 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligations (including all principal and interest) at or before their respective maturity dates, which deposit may be made in accordance with the provisions of Section 14 of the 2016 Agreement;

Notwithstanding that any 2016 Refunding Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to all Outstanding 2016 Refunding Obligations shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from the 2016 Payments paid by or on behalf of the City from funds deposited pursuant to paragraphs (b) or (c) of this Section and paid to the Trustee by the Depository Trustee, to the Owners of the 2016 Refunding 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 2016 Refunding Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such 2016 Payments under the 2016 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.

After provision for the 2016 Refunding Obligations has been made under (c) above, at the direction of the City, all or any part of the United States Obligations held by the Depository Trustee may be liquidated and the proceeds therefrom together with all or any portion

of the moneys held by the Depository Trustee may be used to acquire other United States Obligations which the Depository Trustee shall hold provided that thereafter the moneys and United States Obligations held by the Depository Trustee shall remain sufficient, as evidenced by a certificate of a national firm of certified public accountants to pay and discharge all 2016 Refunding Obligations (including all principal and interest) at their respective maturity dates.

No 2016 Payment or 2016 Refunding Obligation may be so provided for and no liquidation or acquisition may be made if, as a result thereof, or of any other action in connection with which the provisions for payment of such 2016 Payment or 2016 Refunding Obligation is made, the interest payable on any 2016 Refunding Obligation is thereby made includable in gross income for federal income tax purposes. The Trustee, the Depository Trustee, and the City may rely upon an opinion of nationally recognized bond counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any 2016 Payments or 2016 Refunding Obligations.

The Depository Trustee shall be any bank or trust company, which may be the Trustee, designated by the City, 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.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the 2016 Refunding Obligations or any Parity Obligations shall be paid by the 2016 Insurer pursuant to the Bond Insurance Policy, the 2016 Refunding Obligations or any Parity Obligations so paid, shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge hereunder and all covenants, agreements and other obligations of the City to the registered Owners shall continue to exist and shall run to the benefit of the 2016 Insurer, and the 2016 Insurer shall be subrogated to the rights of such registered Owners.

**Section 13.2.**     **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 and any Owner, or the agent of any of them, at any time during regular business hours.

**Section 13.3.**     **Notices.**     All written notices to be given under this Trust Agreement shall be given by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City:             City of Chandler, Arizona  
                                  P.O. Box 4008  
                                  Chandler, Arizona 85244  
                                  Attn: Director of Management Services

If to the Trustee: [Zions Bank, a division of ZB, National Association]  
[6001 N 24th St]  
[Phoenix, AZ 85016]  
Attn: Corporate Trust Services

**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.

**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 Trust Agreement.

**Section 13.8. Destruction of Cancelled 2016 Refunding 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 2016 Refunding Obligations, the Trustee may, in lieu of such cancellation and delivery, destroy such 2016 Refunding Obligations and 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 2016 Refunding Obligations, expressed or implied, is intended or shall be construed to confer upon, or go give or grant to, any person or entity, other than the City, the Trustee, and the Owners of the 2016 Refunding 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 2016 Refunding 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 2016 Refunding 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 2016 Refunding 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 employee 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 by the City during the Trustee's 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.

**Section 13.14 Default by the 2016 Insurer.** Any provision hereof to the contrary notwithstanding, if under any provision hereof any action is to be taken only with the consent or approval of the 2016 Insurer, if at the time such consent or approval would otherwise

be called for, the 2016 Insurer is in bankruptcy, receivership, insolvency or similar proceedings or is in default of or is contesting its obligations under the Bond Insurance Policy then the consent or approval of such 2016 Insurer shall not be required.

**IN WITNESS WHEREOF**, the parties have executed this Trust Agreement as of the day and year first above written.

**[Zions Bank, a division of ZB, National Association]**, as Trustee

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

**CITY OF CHANDLER, ARIZONA**, as City

By \_\_\_\_\_  
Jay Tibshraeny, Mayor

Attest:

\_\_\_\_\_  
Marla Paddock, City Clerk

**EXHIBIT A**

**FORM OF 2016 REFUNDING OBLIGATIONS**

Registered Number: R- \_\_\_\_\_

Denomination: \$ \_\_\_\_\_

Unless this 2016 Refunding Obligation is presented by an authorized representative of The Depository Trust Company, a New York corporation ("*DTC*"), to the Trustee, as registrar (or any successor registrar), for registration of transfer, exchange, or payment, and any 2016 Refunding Obligation issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**EXCISE TAX REVENUE REFUNDING OBLIGATION, SERIES 2016**

Evidencing a Proportionate Interest of the Owner  
Hereof in Payments to be Made by

**THE CITY OF CHANDLER, ARIZONA**

to

**[Zions Bank, a division of ZB, National Association],**  
as Trustee

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
_____%	July 1, 20__	April 5, 2016	118087__

Registered Owner: CEDE & CO.

Principal Amount:

**THIS IS TO CERTIFY THAT** the registered owner identified above, or registered assigns, as the registered owner (the "Owner") of this Excise Tax Revenue Refunding Obligation, Series 2016 (the "2016 Refunding Obligation") is the owner of an undivided proportionate interest in the right to receive certain 2016 Payments under and defined in that certain Agreement (the "2016 Agreement"), dated as of \_\_\_\_\_, 2016, by and between [Zions Bank, a division of ZB, National Association] (the "Trustee"), as payee, and the City of Chandler, Arizona (the "City"), a municipal corporation and a political subdivision existing under the laws of the State of Arizona, as payor, which 2016 Payments and other rights and interests under the 2016 Agreement are held by the Trustee in trust under a Trust Agreement dated as of \_\_\_\_\_, 2016 (the "Trust Agreement") by and between the City and the Trustee.

The Trustee maintains a corporate trust office for payment and transfer of the 2016 Refunding Obligations (the "Designated Office").

### **Payment Terms**

The registered owner of this 2016 Refunding Obligation is entitled to receive, subject to the terms of the 2016 Agreement, on the maturity date set forth above, the principal amount set forth above (the "Principal"), representing a portion of the 2016 Payments designated as principal coming due and to receive semiannually on January 1 and July 1 of each year commencing July 1, 2016 (the "Interest Payment Dates") until payment in full of said portion of principal, the registered owner's proportionate share of the 2016 Payments designated as interest coming due (the "Interest") during the period commencing on the last date on which Interest was paid and ending on the day prior to the Interest Payment Date or, if no Interest has been paid, from the Date of Original Issuance specified above. Said Interest is the result of the multiplication of the Principal by the interest rate per annum set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Principal of and interest on this 2016 Refunding Obligation are payable in lawful money of the United States of America to the registered owner or to any other registered owner hereof, as shown on the registration books maintained by the Trustee, at the address appearing therein at the close of business on the 15<sup>th</sup> day of the calendar month next preceding that interest payment date (the "Record Date").

### **Limitation on Trustee's Responsibility**

The Trustee has no obligation or liability to the registered owners of the 2016 Refunding Obligations for the payment of Interest or Principal pertaining to the 2016 Refunding Obligations. The Trustee's sole obligations are to administer, for the benefit of the registered owners of the 2016 Refunding Obligations, the various funds and accounts established pursuant to the Trust Agreement.

The recitals, statements and representations made in this 2016 Refunding 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.

### **Authorization**

This 2016 Refunding 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 2016 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 February 2, 2016. Reference is hereby made to the 2016 Agreement and the Trust Agreement (copies of which are on file at the Designated Office of the Trustee) for further definitions, a description of the terms on which the 2016 Refunding Obligations are delivered, the rights thereunder of the registered owners of the 2016 Refunding Obligations, the rights, duties and immunities of the Trustee and the rights and obligations of the City under the 2016 Agreement, to all of the provisions of which 2016 Agreement and Trust Agreement the registered owner of this 2016 Refunding Obligation, by acceptance hereof, assents and agrees.

### **Payment from Excise Taxes and State Shared Revenues**

The 2016 Refunding Obligations are payable from Excise Taxes and State Shared Revenues (as defined below), which 2016 Payments are sufficient to pay, when due, the annual principal and interest due with respect to the 2016 Refunding Obligations. "Excise Taxes" means unrestricted transaction privilege (sales) taxes, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures which the City imposes; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted at the discretion of such Council and which, if so restricted, will not be deemed Excise Taxes. "State Shared Revenues" means any amounts of excise taxes, transaction privilege (sales) and income taxes imposed by the State of Arizona or any agency thereof and returned, allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

### **Pledge of Excise Taxes and State Shared Revenues**

The 2016 Payments and all other amounts due under the 2016 Agreement for the 2016 Refunding Obligations 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 Purchase Agreement for the prompt and punctual payment of amounts due under the Purchase Agreement according to its terms, and to create and maintain the funds as hereinafter specified therein and herein. None of the Obligations shall be entitled to priority or distinction one over the other in the application of the Excise Taxes thereby pledged to the payment thereof, regardless of the delivery of any of the Obligations prior to the delivery of any other of the Obligations, or regardless of the time or times the Obligations mature or are called for redemption prior to maturity. All of the Obligations are co-equal 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 of Excise Taxes shall be on parity with the pledge thereof with respect to the Outstanding Obligations Being Refunded and any Additional Parity Obligations.

### **Limited Pledge**

THE 2016 REFUNDING OBLIGATIONS AND THE OBLIGATION OF THE CITY TO MAKE PAYMENTS THEREUNDER NEITHER REPRESENT NOR CONSTITUTE A GENERAL OBLIGATION OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF FOR WHICH THE CITY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OTHER THAN THE OBLIGATION OF THE CITY TO LEVY THE EXCISE TAXES AND STATE SHARED REVENUES NOR DO THE 2016 REFUNDING OBLIGATIONS OR THE OBLIGATION TO MAKE PAYMENTS THEREUNDER CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OR OTHERWISE.

This 2016 Refunding Obligation represents an interest in a limited obligation of the City (as described herein) and no Council member, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.

**Record Date**

The Record Date is the fifteenth day of the month preceding the month in which an interest payment is due.

**Optional Redemption**

The 2016 Refunding Obligations maturing on or before July 1, 20\_\_, will not be subject to redemption prior to their stated maturity dates. The 2016 Refunding Obligations maturing on or after July 1, 20\_\_, will be subject to redemption prior to their stated maturity dates, at the option of the City, in whole or in part from maturities selected by the City on July 1, 20\_\_, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each such 2016 Refunding Obligation redeemed, plus interest accrued to the date fixed for redemption, without premium.

**Mandatory Redemption**

The 2016 Refunding Obligations maturing on July 1, 20\_\_ will be subject to mandatory redemption prior to their stated maturity, at random or such other manner, as selected by the Trustee, as shown below, and in the following principal amounts, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption without premium:

Redemption Date	Principal
_(July 1)_	<u>Amount</u>

Whenever 2016 Refunding Obligations subject to mandatory redemption are redeemed or are delivered to the registrar for cancellation, the principal amount of the 2016 Refunding Obligations of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity as designated by the City.]

**Notice of Redemption**

Notice of redemption of the 2016 Refunding Obligations shall be mailed by first class mail to the registered owner of each 2016 Refunding Obligation to be redeemed in whole or in part at the registered owner's address shown on the registration books for the 2016 Refunding Obligations on the 15th day preceding that mailing at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date. Failure to properly give notice of redemption shall not affect the redemption of any 2016 Refunding Obligation for which notice was properly given. The Trustee is not required to provide a notice of redemption of 2016 Refunding Obligations pursuant to mandatory redemption.

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 the 2016 Refunding 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 the 2016 Refunding 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 2016 Refunding 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 2016 Refunding Obligation, shall not affect the validity of redemption of any 2016 Refunding Obligation.

### **Transfer**

This 2016 Refunding Obligation may be transferred on the registration books upon delivery hereof to the Trustee, as registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Trustee, as registrar, duly executed by the registered owner of this 2016 Refunding Obligation, or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this 2016 Refunding Obligation shall be effective until entered on such registration books.

In all cases upon the transfer of a 2016 Refunding Obligation, the Trustee shall enter the transfer of ownership in the registration books and shall authenticate and deliver, in the name of the transferee or transferees, a new fully registered 2016 Refunding Obligation of the denominations of \$5,000 or any integral multiple thereof (except that no 2016 Refunding Obligation shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Trust Agreement.

The registered owner of one or more 2016 Refunding Obligations may, upon request, and upon the surrender to the Trustee of such 2016 Refunding Obligations, exchange such 2016 Refunding Obligations for 2016 Refunding Obligations of other authorized denomination of the same maturity, series, and interest rate together aggregating the same principal amount as the 2016 Refunding Obligations so surrendered.

The City or the Trustee shall charge the registered owner of such 2016 Refunding Obligation, for every such transfer or exchange of a 2016 Refunding Obligation, an amount sufficient reimburse it for any tax, governmental fee or other governmental charge required to be paid with respect to such transfer, and may require that such charge be paid before any such new 2016 Refunding Obligation shall be delivered. The City shall pay all initial registration fees on the 2016 Refunding Obligation. Subsequent owners of 2016 Refunding Obligations will pay all transfer fees including governmental fees, taxes or charges. The registered owner of any 2016 Refunding Obligation shall be required to pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen or destroyed 2016 Refunding Obligation.

The City and the Trustee may, but are not required to, transfer or exchange any 2016 Refunding Obligations during the period (i) from the record date to and including the respective interest payment date or (ii) from fifteen days prior to the selection of 2016 Refunding Obligations to be redeemed and including the day on which notice of redemption is given. The Trustee may, but is not required to, transfer or exchange any 2016 Refunding Obligations within the periods referred to above, the interest payment on such 2016 Refunding Obligation will be made payable to and mailed to the registered owners shown on the bond register maintained by the Trustee as of the close of business on the respective Record Date.

### **Enforcement Pursuant to Trust Agreement**

The registered owner of this 2016 Refunding Obligation shall have no right to enforce the provisions of the Trust Agreement or the 2016 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.

**Acceleration**

The 2016 Refunding Obligations are not subject to acceleration for any reason.

This 2016 Refunding Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

**IN WITNESS WHEREOF**, this 2016 Refunding Obligation has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution: \_\_\_\_\_, 2016

**[Zions Bank, a division of ZB, National Association]**, as Trustee

By \_\_\_\_\_  
Authorized Representative

The following abbreviations, when used in the inscription on the face of this 2016 Refunding Obligation, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -	as tenants in common	UNIF GIFT/TRANS MIN ACT
TEN ENT -	as tenants by the entireties	_____Custodian_____
JT TEN -	as joint tenants with right of survivorship and not as tenants in common	(Cust) _____ (Minor) under Uniform Gifts/Transfers to Minors Act

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Insert Social Security or Other  
Identifying Number of Transferee

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Please Print or Typewrite Name and Address of Transferee)

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney to transfer the within certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated \_\_\_\_\_

\_\_\_\_\_  
Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered certificate in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

\_\_\_\_\_  
The signature(s) should be guaranteed by an eligible guarantor institution pursuant to Securities and Exchange Commission Rule 17Ad-15

**EXHIBIT B**

**FORM OF REQUISITION FOR MONEY  
FROM THE 2016 COSTS OF ISSUANCE FUND**

**REQUISITION NO. \_\_**

**2016 COSTS OF ISSUANCE FUND**

RE: City of Chandler, Arizona  
Excise Tax Revenue Refunding Obligations, Series 2016

The City of Chandler, Arizona (the "*City*") hereby requests [Zions Bank, a division of ZB, National Association], as trustee (the "*Trustee*"), under that certain Trust Agreement, dated as of \_\_\_\_, 2016, by and between the City and the Trustee, relating to the above-captioned 2016 Refunding Obligations to pay to the persons listed on Schedule I attached hereto the amounts shown for the purposes indicated from the 2016 Costs of Issuance Fund established pursuant to the Trust Agreement.

The City hereby certifies that each item in the amount set forth on Schedule I is a proper charge against the 2016 Costs of Issuance Fund and no part of such payment shall be applied to any item which has previously been paid as a Cost of ~~Issuan~~ance of the 2016 Refunding Obligations.

Dated: \_\_\_\_, 2016.

**CITY OF CHANDLER, ARIZONA**

By: \_\_\_\_\_  
Authorized Representative

**SCHEDULE I**

**2016 COSTS OF ISSUANCE FUND**

<u>TO*</u>	<u>AMOUNT**</u>	<u>PURPOSE</u>
1. [Zions Bank, a division of ZB, National Association] [6001 N 24th St] [Phoenix, AZ 85016]	\$ _____.00	Trustee's Initial Fees and Costs, 2016 Depository Trustee and Refunded Registrar Fees and Costs
2. Gust Rosenfeld P.L.C. One East Washington Street Suite 1600 Phoenix, Arizona 85004	\$ _____.00	Special Counsel Services
3. _____ _____	\$ _____.00	Financial Advisor Services
4. _____ _____	\$ _____.00	Official Statement Printing
5. _____ _____	\$ _____	Rating fee

\* See wire instructions or remittance address on the respective invoice.

\*\* Amounts in the maximum amounts shown above to be disbursed by the Trustee against an invoice presented to the Trustee for such purpose.

## DEPOSITORY TRUST AGREEMENT

This Depository Trust Agreement (the "*Agreement*") dated as of \_\_\_\_ 1, 2016, by and between the **CITY OF CHANDLER, ARIZONA** (the "*City*"), and [**ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION**], a national banking association authorized to do trust business in the State of Arizona, as depository trustee (the "*Depository Trustee*"); and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** as registrar of the 2009 Obligations Being Refunded (the "*2009 Registrar*") and **U.S. BANK NATIONAL ASSOCIATION**, as registrar of the 2011 Obligations Being Refunded and the 2013 Obligations Being Refunded (the "*2011 and 2013 Registrar*", and together with the 2009 Registrar, the "*Refunded Registrars*");

### WITNESSETH:

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

CUSIP (Base No. 158855)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Obligations Being Refunded (as a percentage of the principal)
AK2	02/04/2009	City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2009 (the "2009 Obligations")	\$ 1,420,000	2019	\$ 1,420,000	2018	100%
AL0			1,475,000	2020	1,475,000	2018	100
AM8			1,500,000	2021	1,500,000	2018	100
AN6			1,600,000	2022	1,600,000	2018	100
AP1			1,655,000	2023	1,655,000	2018	100
AQ9			1,735,000	2024	1,735,000	2018	100
AR7			1,820,000	2025	1,820,000	2018	100
AS5			1,910,000	2026	1,910,000	2018	100
AT3			2,010,000	2027	2,010,000	2018	100
AU0			2,120,000	2028	2,120,000	2018	100
BE5	05/11/2011	City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2011 (the "2011 Obligations")	\$ 870,000	2021	\$ 870,000	2020	100%
BF2			905,000	2022	905,000	2020	100
BG0			950,000	2023	950,000	2020	100
BH8			995,000	2024	995,000	2020	100
BJ4			1,045,000	2025	1,045,000	2020	100
BK1			1,100,000	2026	1,100,000	2020	100
BL9			1,150,000	2027	1,150,000	2020	100
BM7			1,210,000	2028	1,210,000	2020	100
BW5	11/13/2013	City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2013 (the "2013 Obligations")	\$ 3,900,000	2023	\$ 3,900,000	2022	100%
BX3			4,500,000	2024	4,500,000	2022	100
BY1			4,700,000	2025	4,700,000	2022	100
BZ8			5,000,000	2026	5,000,000	2022	100
CA2			5,000,000	2027	5,000,000	2022	100
CB0			4,900,000	2028	4,900,000	2022	100
CC8			11,500,000	2029	11,500,000	2022	100
CD6			11,500,000	2030	11,500,000	2022	100
CE4			12,000,000	2031	12,000,000	2022	100
CF1			12,000,000	2032	12,000,000	2022	100
CG9			12,000,000	2033	12,000,000	2022	100

**WHEREAS**, [Zions Bank, a division of ZB, National Association] is the bond registrar and paying agent for the Obligations Being Refunded; and

**WHEREAS**, by a resolution adopted on July 28, 2016, 2016 (the "*Authorizing Resolution*"), the Mayor and City Council of the City have authorized the execution, sale and delivery of \$ \_\_\_\_\_ in aggregate principal amount of the City's Excise Tax Revenue Refunding Obligations, Series 2016 (the "*2016 Refunding Obligations*"), which were issued to prepay and refinance the Obligations Being Refunded; and

**WHEREAS**, the Authorizing Resolution and that certain Trust Agreement, dated as of \_\_\_\_\_ 1, 2016 (the "*Trust Agreement*"), between the City and the Depository Trustee, in its separate capacity as trustee under the Trust Agreement, authorizes and directs the City and the Depository Trustee to enter into this Agreement for the safekeeping and handling of the moneys and securities to be held in trust to prepay and refinance the Agreement Being Refunded in advance of its maturity; and

**WHEREAS**, the Depository Trustee agrees to accept and administer the irrevocable trust created hereby; and

**WHEREAS**, all capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement; and

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

**Section 1. Deposit With Depository Trustee.** Pursuant to this Agreement, the Depository Trustee has received for deposit the following amounts to prepay and refinance the Agreement Being Refunded.

Obligation Proceeds	\$ _____
Net Premium	_____
Less: Underwriter's Discount	( _____ )
Less: Deposit to Costs of Issuance Fund held by Trustee	( _____ )
TOTAL	\$ _____

**Section 2. Trust Account.** The Depository Trustee shall hold the moneys so deposited, all investments made with such moneys and all earnings from investment and reinvestment of such moneys and all other moneys received by the Depository Trustee from the City hereunder in an irrevocable segregated and separate trust account that is separate from all other moneys, funds and investments deposited with the Depository Trustee (the "*Trust Account*").

**Section 3. Government Obligations.** On the date of initial delivery of the Obligations, the Trustee shall invest the Trust Account in United States Treasury Obligations, State and Local Government Series (the "*Government Obligations*") as follows: \$ \_\_\_\_\_ shall be applied to create a portfolio of Government Obligations as described in *Exhibit A* hereto (the "*Restricted Obligations*") and \$ \_\_\_\_\_ will be held uninvested as an initial cash deposit to the Trust Account.

The investment income from the Government Obligations shall be collected and received by the Trustee and credited to the Trust Account. The Trustee shall keep adequate records of such moneys, Government Obligations and investment earnings so as to permit the portfolio to be accounted for separately.

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

**Section 4.** Code Provisions. The parties recognize that amounts credited to the Trust Account and invested in the Restricted Obligations are, at the time of execution and delivery hereof, subject to restrictions as to investment under the Internal Revenue Code of 1986, as amended (the “Code”), in order for the interest on the Obligations and the Obligations Being Refunded to be, or continue to be, excluded from gross income for purposes of calculating federal income taxes. In order to comply with such currently applicable restrictions, and subject to the provisions of Section 5 hereof, the following provisions shall apply with respect to reinvestment of amounts credited to the Trust Account:

(a) Amounts received as maturing principal of or interest on the Government Obligations credited to the portfolio prior to the date such amounts are to be used to pay principal of or interest or redemption premium on the Obligations Being Refunded and are not to be reinvested.

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

(c) The purchase price of a Government Obligation used in determining its yield must be the market price of the Government Obligation on an established market. This means that a premium may not be paid to adjust the yield and that a lower interest rate than is usually paid may not be accepted. At the time of execution and delivery hereof, if a Government Obligation cannot be purchased on an established market or a *bona fide* bid price cannot be established at a yield that does not exceed the yield restriction applicable to the moneys to be invested, investments are limited to United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series which yield no more than the restricted yield.

(d) Notwithstanding the foregoing, any amounts held in the Trust Account may be invested in investments having any yield if the parties hereto receive an opinion in form and substance satisfactory to them of bond counsel experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds to the effect that such investment will not cause any of the Obligations or the Obligations Being Refunded to become arbitrage bonds within the meaning of Section 148 of the Code, and will not otherwise cause the interest on the Obligations or the Obligations Being Refunded to become included as gross income for purposes of calculating federal income taxes.

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

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

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

**Section 5.**     Investment Instructions. The Trustee may sell or redeem Trust Account investments in advance of their maturity dates and invest the proceeds of such sale or redemption or other moneys credited to the Trust Account in connection with such sale or redemption in Government Obligations only upon receipt of written instructions from the Director of Management Services to do so, and receipt by the parties hereto of:

(a) An opinion in form and substance satisfactory to them of bond counsel experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds to the effect that such action will not cause the interest on the Obligations Being Refunded or the Obligations to be included in gross income for federal income tax purposes and will not cause the Obligations Being Refunded or the Obligations to become “arbitrage bonds” within the meaning of Section 148 of the Code, and will not adversely affect the right of the City to issue obligations the interest on which is excluded from gross income for federal income tax purposes; and

(b) A report from a nationally recognized certified public accountant or firm of certified public accountants verifying the accuracy of the arithmetic computations of the adequacy of the proceeds from the liquidation together with any other moneys and the maturing principal of and interest on any Government Obligations to be credited to the Trust Account in accordance with the Director of Management Services’s instructions, to pay, when due, the principal of and interest and any redemption premiums on the Obligations Being Refunded as the same become due at maturity or upon prior redemption.

Upon any such sale or redemption of investments and reinvestment any amounts not needed in the Trust Account to provide for payment of the Obligations Being Refunded, as shown by the accountant’s report discussed above may be withdrawn from the Trust Account and returned to the Director of Management Services and applied for the benefit of the City in accordance with applicable law.

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

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

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

**Section 8. Notices.** (a) On the date of initial issuance of the Obligations, the 2009 Refunded Registrar shall mail a notice of advance refunding of the July 1, 2019 through and including July 1, 2028 maturities of the 2009 Obligations in substantially the form attached hereto as Exhibit B-1 to all registered owners of the 2009 Obligations and to the Municipal Securities Rulemaking Board (the “MSRB”), currently through the Electronic Municipal Market Access system (“EMMA”).

(b) On the date of initial issuance of the Obligations, the 2011 and 2013 Refunded Registrar shall mail a notice of advance refunding of the July 1, 2021 through and including July 1, 2028 maturities of the 2011 Obligations in substantially the form attached hereto as Exhibit B-2 to all registered owners of the 2011 Obligations and to the MSRB, currently through EMMA.

(c) On the date of initial issuance of the Obligations, the 2011 and 2013 Refunded Registrar shall mail a notice of advance refunding of the July 1, 2023 through and including July 1, 2033 maturities of the 2013 Obligations in substantially the form attached hereto as Exhibit B-3 to all registered owners of the 2013 Obligations and to the MSRB, currently through EMMA.

(d) The District hereby irrevocably instructs the 2009 Refunded Registrar that the 2009 Obligations shall be redeemed by the Refunded Registrar on July 1, 2018. Not more than sixty nor less than thirty days prior to the date set for redemption, the Refunded Registrar shall send via telecopy or other electronic means a notice of redemption of the 2009 Obligations in substantially the form attached hereto as Exhibit C-1 to DTC. Additionally, the 2009 Refunded Registrar shall send a notice of the redemption of the 2009 Obligations to the MSRB by the method required by the MSRB, currently through EMMA

(e) The District hereby irrevocably instructs the 2011 and 2013 Refunded Registrar that the 2011 Obligations shall be redeemed by the Refunded Registrar on July 1, 2020. Not more than sixty nor less than thirty days prior to the date set for redemption, the Refunded Registrar shall send via telecopy or other electronic means a notice of redemption of the 2011 Obligations in substantially the form attached hereto as Exhibit C-2 to DTC. Additionally, the 2011 and 2013 Refunded Registrar shall send a notice of the redemption of the 2011 Obligations to the MSRB by the method required by the MSRB, currently through EMMA.

(f) The District hereby irrevocably instructs the 2011 and 2013 Refunded Registrar that the 2013 Obligations shall be redeemed by the Refunded Registrar on July 1, 2022. Not more than sixty nor less than thirty days prior to the date set for redemption, the Refunded Registrar shall send via telecopy or other electronic means a notice of redemption of the 2013 Obligations in substantially the form attached hereto as Exhibit C-3 to DTC. Additionally, the 2011 and 2013 Refunded Registrar shall send a notice of the redemption of the 2013 Obligations to the MSRB by the method required by the MSRB, currently through EMMA.

(g) The City agrees to pay the expenses of the Refunded Registrars in giving all notices required hereunder pursuant to the registrar contract relative to the Obligations Being Refunded.

**Section 9.** Insufficient Funds. If at any time or times there are insufficient funds on hand in the Trust Account to pay the principal of and interest on the Obligations Being Refunded as the same becomes due, or for the payment of the fees and expenses of the Trustee, the Trustee shall promptly notify the City of such deficiency.

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

**Section 11.** Reports. On or before each January 15 and July 15 during the term hereof, the Trustee shall submit to the City a report covering all moneys it has received and all payments it has made under the provisions hereof during the six-month period ending on the preceding June 30 and December 31 (except for the first such report, due January 15, 2017 which will cover the period commencing with the date on which the Obligations were issued to and including December 31, 2016). Each such report shall also list all investments and moneys in the Trust Account as of the report date.

**Section 12.** Transfer Upon Full Payment. When all amounts payable on the Obligations Being Refunded have become due and the Trustee has on deposit all moneys necessary for the payment of such amounts, and in any event on the business day following the date the last of the Obligations Being Refunded matures or is to be redeemed, the Trustee shall transfer all moneys and investments credited to the Trust Account not required for payment of principal, interest and premium, if any, with respect to the Obligations Being Refunded to the Director of Management Services for the City's benefit.

**Section 13.** Agreement Irrevocable. The parties recognize that the owners of the Obligations Being Refunded have a beneficial vested interest in the moneys and investments held in the Trust Account and that the Obligations will be delivered to and accepted by the owners thereof in reliance upon the irrevocable character of the trust so created. Therefore, this Agreement shall not be revoked, and shall not be amended in any manner which may adversely affect the rights herein sought to be protected, until the provisions hereof have been fully carried out.

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

**Section 15.** Audit. The City shall have the right to audit the books, records and accounts of the Trustee insofar as they pertain to the trust created hereunder.

**Section 16.** Trustee Responsibility. In the event the Trustee is required or permitted hereby, or is requested hereunder, to take any action (or refrain from taking any action) as the Trustee, the performance (or nonperformance) of which would, in the Trustee's sole judgment, subject the Trustee to unreasonable risk of liability or expense, the Trustee shall have no duty to take (or refrain from taking) any such action until the Trustee has been furnished with indemnity adequate, in its sole judgment, to protect the Trustee, its directors, officers, employees, agents and attorneys for, from and against such

liability or expense, and all reasonable costs and expenses (including reasonable attorneys' fees) in connection therewith, or until its duty as to any such action (or inaction) shall have been finally adjudicated by a court of competent jurisdiction and all applicable periods in which to appeal or seek appellate review have expired.

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

The Trustee may consult with independent counsel, chosen by it with reasonable care, and shall not be liable for action taken or not taken in good faith in reliance upon the written advice or opinion of such counsel. The Trustee shall not be liable for the accuracy of any calculations provided by others to it under this Agreement as to the sufficiency of the moneys or Government Obligations deposited with it to pay the principal of and interest on the Obligations Being Refunded at the respective maturities or earlier redemption of the Obligations Being Refunded. Furthermore, the Trustee may conclusively rely in good faith as to the truth, accuracy and correctness of, and shall be protected and indemnified in acting or refraining from acting upon, any written opinion, calculation, notice, instruction, request, certificate, document or opinion furnished to the Trustee in accordance herewith and signed or presented by the proper party pursuant hereto and it need not investigate the truth or accuracy of any fact or matter stated in such opinion, calculation, notice, instruction, request, certificate or opinion.

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

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

become successor trustee and receive, accept and hold all property, rights, interests, powers, duties and obligations thereof without further actions or approvals of any other person.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Depository 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.

**Section 17.** Assignment; Merger. Neither this Agreement nor the Trust Account created hereunder may be assigned by the Trustee without the prior written consent of the City unless the Trustee is required by law to divest itself of its interest in its trust department or unless the Trustee sells or otherwise assigns all or substantially all of its corporate trust business in which event the trust shall be continued by the Trustee's successor in interest.

**Section 18.** Severability. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties declare that they would have executed this Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains an ambiguity which may be construed as either valid or invalid, the valid construction shall be adopted.

**Section 19.** Applicable Laws. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona and expresses the entire understanding of the parties hereto.

**Section 20.** Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute but one instrument.

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

**Section 22.** E-verify Requirements. To the extent applicable under A.R.S. § 41-4401, the Trustee and its subcontractors warrant compliance with all federal immigration laws and regulations that

relate to their employees and compliance with the E-verify requirements under A.R.S. § 23-214(A). The Trustee's, or a subcontractor's, breach of the above-mentioned warranty shall be deemed a material breach of this Agreement and may result in the termination of the Agreement by the City. The City retains the legal right to randomly inspect the papers and records of the Trustee and its subcontractors who works on the 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 the Trustee's 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 hereto have caused this Agreement to be executed as of the day and year first above written.

**CITY OF CHANDLER, ARIZONA**

By \_\_\_\_\_  
Dawn Lang, Director of Management Services

**[ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION]**, as Depository Trustee

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

**EXHIBIT B-1**

**NOTICE OF ADVANCE REFUNDING**

**CITY OF CHANDLER, ARIZONA  
EXCISE TAX REVENUE OBLIGATIONS  
SERIES 2009**

CUSIP (Base No. 158855)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Obligations Being Refunded (as a percentage of the principal)
AK2	02/04/2009	City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2009	\$ 1,420,000	2019	\$ 1,420,000	2018	100%
AL0			1,475,000	2020	1,475,000	2018	100
AM8			1,500,000	2021	1,500,000	2018	100
AN6			1,600,000	2022	1,600,000	2018	100
AP1			1,655,000	2023	1,655,000	2018	100
AQ9			1,735,000	2024	1,735,000	2018	100
AR7			1,820,000	2025	1,820,000	2018	100
AS5			1,910,000	2026	1,910,000	2018	100
AT3			2,010,000	2027	2,010,000	2018	100
AU0			2,120,000	2028	2,120,000	2018	100

Such obligations are hereinafter referred to as the "Obligations Being Refunded".

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

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

The Bank of New York Mellon Trust Company, N.A.

By \_\_\_\_\_

**THIS IS NOT A REDEMPTION NOTICE**

This notice shall be provided by registered mail to all registered owners of the Obligations Being Refunded and to the Municipal Securities Rulemaking Board, currently through the Electronic Municipal Market Access system, within thirty (30) days following the issuance of the obligations which refund the Obligations Being Refunded.

**EXHIBIT B-2**

**NOTICE OF ADVANCE REFUNDING**

**CITY OF CHANDLER, ARIZONA  
EXCISE TAX REVENUE OBLIGATIONS  
SERIES 2011**

CUSIP (Base No. 158855)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Obligations Being Refunded (as a percentage of the principal)
BE5	05/11/2011	City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2011	\$ 870,000	2021	\$ 870,000	2020	100%
BF2			905,000	2022	905,000	2020	100
BG0			950,000	2023	950,000	2020	100
BH8			995,000	2024	995,000	2020	100
BJ4			1,045,000	2025	1,045,000	2020	100
BK1			1,100,000	2026	1,100,000	2020	100
BL9			1,150,000	2027	1,150,000	2020	100
BM7			1,210,000	2028	1,210,000	2020	100

Such obligations are hereinafter referred to as the "Obligations Being Refunded".

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

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

U.S. Bank National Association, N.A.

By \_\_\_\_\_

THIS IS NOT A REDEMPTION NOTICE

This notice shall be provided by registered mail to all registered owners of the Obligations Being Refunded and to the Municipal Securities Rulemaking Board, currently through the Electronic Municipal Market Access system, within thirty (30) days following the issuance of the obligations which refund the Obligations Being Refunded.

**EXHIBIT B-3**

**NOTICE OF ADVANCE REFUNDING**

**CITY OF CHANDLER, ARIZONA  
EXCISE TAX REVENUE OBLIGATIONS  
SERIES 2013**

CUSIP (Base No. 158855)	Issue (Dated Date)	Name of Issue	Original Principal Amount	Maturities Being Refunded (July 1)	Principal Amount Being Refunded	Redemption Date (July 1)	Redemption Price on Obligations Being Refunded (as a percentage of the principal)
BW5	11/13/2013	City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2013 (the "2013 Obligations")	\$ 3,900,000	2023	\$ 3,900,000	2022	100%
BX3			4,500,000	2024	4,500,000	2022	100
BY1			4,700,000	2025	4,700,000	2022	100
BZ8			5,000,000	2026	5,000,000	2022	100
CA2			5,000,000	2027	5,000,000	2022	100
CB0			4,900,000	2028	4,900,000	2022	100
CC8			11,500,000	2029	11,500,000	2022	100
CD6			11,500,000	2030	11,500,000	2022	100
CE4			12,000,000	2031	12,000,000	2022	100
CF1			12,000,000	2032	12,000,000	2022	100
CG9			12,000,000	2033	12,000,000	2022	100

Such obligations are hereinafter referred to as the "Obligations Being Refunded".

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

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

U.S. Bank National Association, N.A.

By \_\_\_\_\_

THIS IS NOT A REDEMPTION NOTICE

This notice shall be provided by registered mail to all registered owners of the Obligations Being Refunded and to the Municipal Securities Rulemaking Board, currently through the Electronic Municipal Market Access system, within thirty (30) days following the issuance of the obligations which refund the Obligations Being Refunded.

**EXHIBIT C-1**

**NOTICE OF REDEMPTION**  
of the following obligations:

The City of Chandler, Arizona, Excise Tax Revenue Obligations Series 2009, dated May 4, 2009, maturing July 1, 2019 through July 1, 2028.

Notice is hereby given that the below-described principal amount of the above-referenced obligations outstanding have been called for redemption and will be redeemed on July 1, 2018. The maturity dates and amounts of the obligations to be redeemed are as follows:

CUSIP (158855)	Maturity Date (July 1)	Coupon	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date (July 1)	Redemption Price (as a Percentage of Principal)
AK2	2019	4.000%	\$1,420,000	\$1,420,000	2018	100%
AL0	2020	4.000	1,475,000	1,475,000	2018	100
AM8	2021	4.000	1,500,000	1,500,000	2018	100
AN6	2022	4.000	1,600,000	1,600,000	2018	100
AP1	2023	4.000	1,655,000	1,655,000	2018	100
AQ9	2024	4.000	1,735,000	1,735,000	2018	100
AR7	2025	4.125	1,820,000	1,820,000	2018	100
AS5	2026	4.250	1,910,000	1,910,000	2018	100
AT3	2027	4.375	2,010,000	2,010,000	2018	100
AU0	2028	4.375	2,120,000	2,120,000	2018	100

Owners of the above-described obligations called for redemption are notified to present the same at the corporate trust office of the Bank of New York Mellon Trust Company, N.A., on or after the date set for redemption, where redemption will be made by payment of the face amount of each such obligation plus accrued interest to the date set for redemption. All obligations so called for redemption must be surrendered and no interest will be paid on the above-described obligations from and after the redemption date.

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

DATED: \_\_\_\_\_

Bank of New York Mellon Trust Company, N.A.

By \_\_\_\_\_

The following is not part of this notice:

Not more than sixty nor less than thirty days prior to the date set for redemption, the Refunded Registrar shall cause a notice of any such redemption to be mailed to the registered owner of each obligation to be redeemed at the address shown on the registration book maintained by the Refunded Registrar. Additionally, the Trustee shall cause a notice of any such redemption to be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

**EXHIBIT C-2**

**NOTICE OF REDEMPTION**  
of the following obligations:

The City of Chandler, Arizona, Excise Tax Revenue Obligations Series 2011, dated May 4, 2009, maturing July 1, 2021 through July 1, 2028.

Notice is hereby given that the below-described principal amount of the above-referenced obligations outstanding have been called for redemption and will be redeemed on July 1, 2020. The maturity dates and amounts of the obligations to be redeemed are as follows:

CUSIP (158855)	Maturity Date (July 1)	Coupon	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date (July 1)	Redemption Price (as a Percentage of Principal)
BE5	2021	3.00%	\$870,000	\$870,000	2020	100%
BF2	2022	4.00	905,000	905,000	2020	100
BG0	2023	4.00	950,000	950,000	2020	100
BH8	2024	4.00	995,000	995,000	2020	100
BJ4	2025	4.00	1,045,000	1,045,000	2020	100
BK1	2026	4.00	1,100,000	1,100,000	2020	100
BL9	2027	4.00	1,150,000	1,150,000	2020	100
BM7	2028	5.00	1,210,000	1,210,000	2020	100

Owners of the above-described obligations called for redemption are notified to present the same at the corporate trust office of U.S. Bank, National Association, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such obligation plus accrued interest to the date set for redemption. All obligations so called for redemption must be surrendered and no interest will be paid on the above-described obligations from and after the redemption date.

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

DATED: \_\_\_\_\_

U.S. Bank, National Association

By \_\_\_\_\_

The following is not part of this notice:

Not more than sixty nor less than thirty days prior to the date set for redemption, the Refunded Registrar shall cause a notice of any such redemption to be mailed to the registered owner of each obligation to be redeemed at the address shown on the registration book maintained by the Refunded Registrar. Additionally, the Trustee shall cause a notice of any such redemption to be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

**EXHIBIT C-3**

**NOTICE OF REDEMPTION**  
of the following obligations:

The City of Chandler, Arizona, Excise Tax Revenue Obligations Series 2013, dated November, 13, 2013, maturing on July 1, 2023 through July 1, 2033.

Notice is hereby given that the below-described principal amount of the above-referenced obligations outstanding have been called for redemption and will be redeemed on July 1, 2022. The maturity dates and amounts of the obligations to be redeemed are as follows:

CUSIP (158855)	Maturity Date (July 1)	Coupon	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date (July 1)	Redemption Price (as a Percentage of Principal)
BW5	2023	5.000%	\$ 3,900,000	\$ 3,900,000	2022	100%
BX3	2024	5.000	4,500,000	4,500,000	2022	100
BY1	2025	5.000	4,700,000	4,700,000	2022	100
BZ8	2026	5.000	5,000,000	5,000,000	2022	100
CA2	2027	5.000	5,000,000	5,000,000	2022	100
CB0	2028	5.000	4,900,000	4,900,000	2022	100
CC8	2029	4.000	11,500,000	11,500,000	2022	100
CD6	2030	4.000	11,500,000	11,500,000	2022	100
CE4	2031	4.000	12,000,000	12,000,000	2022	100
CF1	2032	4.000	12,000,000	12,000,000	2022	100
CG9	2033	4.125	12,000,000	12,000,000	2022	100

Owners of the above-described obligations called for redemption are notified to present the same at the corporate trust office of U.S. Bank, National Association, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such obligation plus accrued interest to the date set for redemption. All obligations so called for redemption must be surrendered and no interest will be paid on the above-described obligations from and after the redemption date.

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

DATED: \_\_\_\_\_

U.S. Bank, National Association

By \_\_\_\_\_

The following is not part of this notice:

Not more than sixty nor less than thirty days prior to the date set for redemption, the Refunded Registrar shall cause a notice of any such redemption to be mailed to the registered owner of each obligation to be redeemed at the address shown on the registration book maintained by the Refunded Registrar. Additionally, the Trustee shall cause a notice of any such redemption to be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through the Electronic Municipal Market Access system, by the method required by the MSRB.

§ \_\_\_\_\_  
**CITY OF CHANDLER, ARIZONA**  
**EXCISE TAX REVENUE**  
**REFUNDING OBLIGATIONS, SERIES 2016**

**CONTINUING DISCLOSURE CERTIFICATE**  
**(CUSIP Base No. 158855)**

This Continuing Disclosure Certificate (the “*Disclosure Certificate*”) is undertaken by the City of Chandler, Arizona, an Arizona political subdivision (the “*City*”) in connection with the execution and delivery of the City’s \$ \_\_\_\_\_ principal amount of Excise Tax Revenue Refunding Obligations, Series 2016 (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 holders and in order to assist the Participating Underwriter 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 and the EMMA Continuing Disclosure Service of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

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

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

“*Obligation holder*” shall mean any registered owner or beneficial owner of the Obligations.

“*Official Statement*” shall mean the final official statement dated \_\_\_\_\_, 2016, 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 January 1 of each year (the “*Filing Date*”), commencing January 1, 2017, provide electronically to 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. Should the City’s fiscal year change to something other than July 1 to June 30, then the Annual Report will be provided not later than seven (7) months after the end of such fiscal year. Notice of any such change in the City’s fiscal year will be filed 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 by the Filing Date required in subsection (a), the City shall, in a timely manner, send a notice to EMMA in substantially the form attached as *Exhibit A* not later than such Filing Date.

(c) If the City’s audited financial statements are not submitted with the Annual Report and the City fails to provide to EMMA a copy of its audited financial statements within 30 days of receipt thereof by the City, then the City shall, 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.

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

(a) The Annual Report may be submitted as a single document or as separate documents comprising a 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 Section 4(a) hereof, annual audited financial statements for the City.

(B) Annually updated financial information and operating data of the type contained in the subsection “Excise Taxes” in the Official Statement.

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and

the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

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

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

#### **Section 5. Reporting of Listed Events.**

This Section 5 shall govern the giving of notices by the City of the occurrence of any of the following events with respect to the 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 holders, if material;
- (8) Obligation 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.

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

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

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

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

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

(b) This Disclosure Certificate, as amended, would, in the opinion of 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 holders, 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 the MSRB in a format prescribed by the MSRB. Currently, filings are required to be made 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 holder 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.

**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 Underwriters and Obligation holders, and shall create no rights in any other person or entity.

**Section 14. Governing Law and Interpretation of Terms.** 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: \_\_\_\_\_, 2016

**CITY OF CHANDLER, ARIZONA**

By \_\_\_\_\_  
Its Director of Business Management

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE**

Name of Issuer: City of Chandler, Arizona  
Name of Obligation Issue: \$ \_\_\_\_\_ Excise Tax Revenue Refunding Obligations, Series 2016  
Dated Date of Obligations: [Closing Date] CUSIP: 158855

NOTICE IS HEREBY GIVEN that the City has not provided a Comprehensive Annual Financial Report with respect to the above-named Obligations as required by Section 3(a) of the Disclosure Certificate dated [Closing Date]. The City anticipates that the Comprehensive Annual Financial 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 Obligation Issue: \$ \_\_\_\_\_ Excise Tax Revenue Refunding Obligations, Series 2016  
Dated Date of Obligations: [Closing Date] CUSIP: 158855

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Comprehensive Annual Financial Report or, if not available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated [Closing Date] 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 \_\_\_\_\_

PRELIMINARY OFFICIAL STATEMENT DATED AS OF \_\_\_\_\_, 2016

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS: Fitch: “—”  
Moody’s: “—”  
S&P: “—”  
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.*

**\$15,095,000\***  
**CITY OF CHANDLER, ARIZONA**  
**EXCISE TAX REVENUE REFUNDING OBLIGATIONS**  
**SERIES 2016**

Dated: Date of Initial Delivery

Due: July 1, as shown below

The Excise Tax Revenue Refunding Obligations, Series 2016 (the “Obligations”) will be executed and delivered for the purpose of refunding certain maturities of the City’s outstanding excise tax revenue obligations (the “Obligations Being Refunded”) and to pay costs incurred in connection with the issuance of the Obligations. See “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 January 1, 2017 (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 Appendix F – Book-Entry-Only System.

The Obligations will not be subject to redemption prior to their stated maturities.

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 \_\_\_ 1, 2016, between the City and Zions Bank, a division of ZB, 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.

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See Maturity Schedule on Inside Front Cover

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The Obligations are offered when, as and if executed and delivered by the Trustee and received by the underwriter identified below (the “Underwriter”), subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about September 7, 2016\*.

*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.*

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\* Preliminary, subject to change.

**\$15,095,000\***  
**CITY OF CHANDLER, ARIZONA**  
**EXCISE TAX REVENUE REFUNDING OBLIGATIONS**  
**SERIES 2016**

<b>Maturity Date (July 1)</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP No. 158855 (a)</b>
2017	\$1,185,000			
2018	1,245,000			
2019	1,270,000			
2020	1,375,000			
2021	1,435,000			
2022	1,520,000			
2023	1,615,000			
2024	1,710,000			
2025	1,815,000			
2026	1,925,000			

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\* Preliminary, subject to change.

## **CITY OF CHANDLER, ARIZONA**

### **CITY COUNCIL**

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

### **CITY ADMINISTRATIVE OFFICERS**

Marsha Reed, *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.<sup>®</sup>  
*Phoenix, Arizona*

### **TRUSTEE, REGISTRAR, PAYING AGENT AND DEPOSITORY TRUSTEE**

Zions Bank, a division of ZB, National Association

*Phoenix, Arizona*

## 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 Refunding Obligations, Series 2016 (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 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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**OFFICIAL STATEMENT**

**\$15,095,000\***  
**CITY OF CHANDLER, ARIZONA**  
**EXCISE TAX REVENUE REFUNDING OBLIGATIONS,**  
**SERIES 2016**

**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 Refunding Obligations, Series 2016 (the "Obligations"), to be executed and delivered in the aggregate principal amount of \$15,095,000\*. 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 September 1, 2016 (the "Agreement"), between the City and Zions Bank, a division of ZB, National Association (the "Trustee"). The Obligations are being executed and delivered for the purpose of providing the purpose of refunding certain maturities of the City's outstanding excise tax revenue obligations (the "Obligations Being Refunded") and to pay costs incurred in connection with the issuance of the Obligations. The Obligations will be executed and delivered pursuant to a Trust Agreement, dated as of September 1, 2016 (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 \$15,095,000\* evidencing proportionate ownership interest in the Payments and Prepayments, if any, in accordance with Resolution No. 4970 adopted by the Mayor and Council of the City on July 28, 2016 (the "Resolution").

Proceeds from the Obligations will be used for the purpose of refunding certain maturities of the City's outstanding excise tax revenue obligations (the "Obligations Being Refunded") and to pay costs incurred in connection with the issuance of the Obligations.

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\* Preliminary, subject to change.

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 front cover page hereof.

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 January 1, 2017, and will accrue from their dated date.

### **Redemption Provisions**

*Optional Redemption:* The Obligations maturing on or before July 1, 2026\* are not subject to call for redemption prior to maturity. The Obligations maturing on or after July 1, 2027\* 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, 2026\* 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.

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\* Preliminary, subject to change.

## **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 has parity obligations outstanding in the aggregate principal amount of \$201,285,000 comprised of the City's Excise Tax Revenue Obligations, Series 2009, currently outstanding in the aggregate principal amount of \$19,955,000, the City's Excise Tax Revenue Obligations, Series 2011, currently outstanding in the aggregate principal amount of \$11,420,000, the City's Excise Tax Revenue Obligations, Series 2013, currently outstanding in the aggregate principal amount of \$103,250,000, and the City's Excise Tax Revenue Obligations, Series 2015, currently outstanding in the aggregate principal amount of \$66,660,000 collectively, (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 thereunder, 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 "SCHEDULE OF ESTIMATED DEBT SERVICE COVERAGE ON OBLIGATIONS AND PARITY OBLIGATIONS" 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<sup>th</sup>) 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 (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.

**PLAN OF REFUNDING**

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

To the extent the moneys and the Government Obligations held in the Depository Trust are not sufficient to pay, when due, the principal of and interest and redemption premium, if any, due on the Bonds Being Refunded, as they are redeemed, the ad valorem taxes levied to pay the Bonds will be subject to the prior right of the owners of the Bonds Being Refunded to payment from the same tax levy. See “SECURITY AND SOURCES OF PAYMENT” and “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

**Bonds Being Refunded**

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

<u>Issue Series</u>	<u>Maturity Date (July 1)</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>	<u>Redemption Date (July 1)</u>	<u>Redemption Price</u>	<u>CUSIP No. 158855 (a)</u>
2009	2019	4.000%	\$ 1,420,000	\$ 1,420,000	2018	100.0%	AK2
	2020	4.000	1,475,000	1,475,000	2018	100.0	AL0
	2021	4.000	1,500,000	1,500,000	2018	100.0	AM8
	2022	4.000	1,600,000	1,600,000	2018	100.0	AN6
	2023	4.000	1,655,000	1,655,000	2018	100.0	AP1
	2024	4.000	1,735,000	1,735,000	2018	100.0	AQ9
	2025	4.125	1,820,000	1,820,000	2018	100.0	AR7
	2026	4.250	1,910,000	1,910,000	2018	100.0	AS5
	2027	4.375	2,010,000	2,010,000	2018	100.0	AT3
	2028	4.375	2,120,000	2,120,000	2018	100.0	AU0
Total			<u>\$ 17,245,000</u>	<u>\$ 17,245,000</u>			

(a) Copyright 2016, American Bankers’ Association. CUSIP data is provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for information only. None of the City, the Underwriters (as defined herein), the Depository Trustee, the Financial Advisor (as defined herein) or their counsel or agents take any responsibility for the accuracy of such numbers.

**VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Grant Thornton LLP, a firm of certified public accountants (the “Verification Agent”), will deliver to the City, on or before the initial date of delivery of the Bonds, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by Piper Jaffray & Co. (the “Financial Advisor”) on behalf of the City. Included in the scope of its engagement will be a verification of the mathematical accuracy of (a) the mathematical computations of the

adequacy of the cash and the maturing principal of and interest on the Government Obligations to pay, when due or called for redemption, the principal of, interest on and related redemption premium requirements, if any, of the Bonds Being Refunded; and (b) the mathematical computations supporting the conclusion of Bond Counsel (as defined herein) that the Bonds are not “arbitrage bonds” under the Code (as defined herein) and the regulations promulgated thereunder.

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

## 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.

It is estimated that the Arizona Department of Revenue (ADOR) will have the needed resources and software changes in place and be ready to begin the administration of non-program City taxes during calendar year 2016 or 2017, and 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 audit provisions were implemented for Cities and Towns on January 1, 2015 and have been operating as intended. 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.

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 2011-12 through 2016-17 as provided by the City.

**City of Chandler  
Excise Tax Collections  
FY 2011-12 to FY 2016-17**

	2011-12 (a)	2012-13 (a)	2013-14 (a)	2014-15 (a)	2015-16 (b)	Adopted 2016-17
City Transaction Privilege (Sales) and Use Tax (c)	\$ 97,485,387	\$ 102,200,517	\$ 103,880,802	\$ 108,657,130	\$ 108,470,000	\$ 107,380,000
State Shared Sales Tax	18,450,722	19,327,102	20,604,292	21,597,535	22,506,700	23,407,000
State Shared Income Tax	19,928,955	24,119,457	26,379,401	28,608,724	28,453,600	30,000,000
Franchise Fees	2,977,482	2,925,559	3,134,488	3,289,168	3,284,600	3,275,000
Licenses and Permits	7,146,427	5,064,455	5,670,478	5,310,252	5,621,000	5,066,000
Fines and Forfeitures	2,896,943	2,984,049	2,991,864	2,969,788	2,741,100	2,866,200
<b>Totals</b>	<b>\$ 148,885,916</b>	<b>\$ 156,621,139</b>	<b>\$ 162,661,325</b>	<b>\$ 170,432,597</b>	<b>\$ 171,077,000</b>	<b>\$ 171,994,200</b>

- (a) Amounts are actual collections provided by the City’s Budget Division (cash basis).
- (b) Unaudited 2015-16 revenues.
- (c) Includes City Transaction Privilege Sales Tax, Privilege Audit Assessments, Privilege License Fees and Privilege Tax Interest. Excludes Excise Tax Refunds from GPLET program.

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 (≤ 30 Days)	4.40% (1.50% + 2.90%)
Hotel/Motel (> 30 Days)	1.50%
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 for home consumption 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**

	State Transaction Privilege (Sales) Tax Rates	
Taxable Activities	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.**

***State 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. State-Shared Vehicle License Taxes are excluded from Excise Taxes for purposes of the Agreement and Trust Agreement.

Legislation recently enacted, that will become effective August 6, 2016, permits the State to withhold certain State-shared revenues from a city, town or county (a “Local Jurisdiction”) if such Local Jurisdiction has passed an ordinance, regulation or other official action (a “Local Enactment”) that violates State law or the State

constitution, in the determination of the State Attorney General. Under the legislation, any member of the State Legislature may ask the State Attorney General to investigate a Local Enactment. On being notified of a determination by the State Attorney General, the Local Jurisdiction will have thirty days to resolve the violation as determined by the State Attorney General, or if not, the State Attorney General is required to notify the State Treasurer to withhold State-shared transaction privilege (sales) taxes and State-shared income taxes from such Local Jurisdiction until the State Attorney General determines that no violation of State law exists. In withholding any such distributions of such State-shared revenues, the State Treasurer may not withhold any amount that the affected Local Jurisdiction certifies to the State Attorney General and the State Treasurer as being necessary to make any required deposits or payments for debt service on bonds or other long-term obligations of such Local Jurisdiction that were issued or incurred before committing the violation.

The City is not aware of any current or proposed Local Enactment of the City that would potentially violate State law. If the City received a determination that an adopted Local Enactment violated State law in the determination of the State Attorney General, the City expects it would take such reasonable and practicable actions as may be necessary to address the issue within the thirty day period permitted by the legislation. Such actions would include notifying the State Attorney General and the State Treasurer of the amounts of State-shared transaction privilege (sales) taxes and State-shared income taxes necessary to make required deposits or debt service payments on the City's long-term obligations secured by such funds issued or incurred before the violation occurred and which could not be withheld.

**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.

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

Date (July 1)	Excise Tax Revenues (b)	Outstanding Parity Obligations		Plus:		Annual Debt Service Requirements	Projected Debt Service Coverage	Less: Water & Wastewater Revenue Supported Excise Tax Obligation Debt Service (e)		Net Debt Service Requirements
		Debt Service (c)		Principal*	The Obligations Interest (d)*					
2017	\$170,432,597	\$11,651,763			\$584,931 (d)	\$12,236,694	1.93x	\$12,236,694	\$0	
2018		13,553,613			754,750	14,308,363		14,308,363		
2019		13,209,175			754,750	15,148,925		15,148,925		
2020		13,427,025	\$1,185,000		695,500	15,367,525		15,367,525		
2021		13,690,225	1,245,000		633,250	15,593,475		15,593,475		
2022		13,825,375	1,270,000		569,750	15,770,125		15,770,125		
2023		13,753,425	1,375,000		501,000	15,689,425		15,689,425		
2024		14,166,925	1,435,000		429,250	16,116,175		16,116,175		
2025		14,155,875	1,520,000		353,250	16,124,125		16,124,125		
2026		12,914,575	1,615,000		272,500	14,897,075		14,897,075		
2027		12,113,375	1,710,000		187,000	14,115,375		14,115,375		
2028		13,034,875	1,815,000		96,250	15,056,125		15,056,125		
2029		19,707,575	1,925,000			19,707,575		19,707,575		
2030		19,240,375				19,240,375	8.86x	19,240,375		
2031		19,274,125				19,274,125		19,274,125		
2032		18,788,675				18,788,675		18,788,675		
2033		18,303,875				18,303,875		18,303,875		
2034		5,804,575				5,804,575		5,804,575		
2035		5,795,625				5,795,625		5,795,625		
<b>Total</b>		<u>\$266,411,050</u>	<u>\$15,095,000</u>		<u>\$5,832,181</u>	<u>\$287,338,231</u>		<u>\$287,338,231</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 unaudited collections for Fiscal Year 2014-15.
- (c) Net of Obligations debt service to be refunded.
- (d) Interest is estimated at 5.00%. The first interest payment on the Obligations will be due January 1, 2017\*. 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 Obligations or contesting or questioning the proceedings and authority under which the Obligations have been authorized and are to be executed, sold or delivered, or the validity of the sale of the Obligations.

There are several claims and/or lawsuits pending against the City of Chandler. The City retains responsibility for payment of the first one million seven hundred fifty thousand dollars (\$1,750,000.00) of each loss, and has excess insurance coverage for the next fifty million dollars. The City is adequately funded for its retention. The largest lawsuit currently filed against the City alleges that police officers of the City caused an injury to a young man during an encounter with Chandler police officers. The City received a notice of claim in the amount of three million seven hundred fifty thousand dollars (\$3,750,000). The City has received a dismissal of the lawsuit at the trial and is vicorously fighting the appeal of the trial court's dismissal.

## **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 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.

Continuing disclosure undertakings previously entered into by the City called for the City to file Annual Reports with EMMA with respect to the fiscal years ended June 30, 2009 through and including 2015 by February 1 of each fiscal year. The City timely filed Annual Reports for all of its bonds and obligations except for its Improvement District No. 89 Improvement Bonds, which Annual Reports were inadvertently omitted from the general continuing disclosure filings of the City.

Additionally, some or all of the specified financial information and operating data was not included in the Annual Reports for the fiscal years ended June 30, 2009 through and including 2013, and the City did not timely file notice of certain bond insurance rating changes and rating recalibration changes. On September 23, 2014, the City filed the omitted financial information and operating data with EMMA.

The City's Management Services Department has instituted written processes to assure material compliance with its continuing disclosure undertakings. Other than as described above, the City believes it is currently in material compliance with all of its continuing disclosure requirements.

### **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.

## 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>
2016 Estimate	260,828	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>
2016	65.05
2015	64.98
2014	64.90
2013	64.84
2012	64.71

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Source: The City Management Services Department and City Planning Division.

**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 1,650.

**Economy**

The major industry clusters contributing to the economic base of the City include government, manufacturing, financial services, commercial activities (including construction and commerce), high technology and healthcare. The City is home to a wide variety of technology industries, with a heavy concentration in the semiconductor cluster. The continued economic development of the City is driven by the educational attainment of Chandler residents. Nearly 27% of residents have a bachelor’s degree and another 15% have a master’s degree. This educational attainment level attracts additional “knowledge based” employers and employees adding to the concentration of high-value jobs that produce export goods.

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

**UNEMPLOYMENT RATE AVERAGES**

<b>Calendar Year</b>	<b>City of Chandler</b>	<b>Maricopa County</b>	<b>State of Arizona</b>	<b>United States</b>
2016 (a)	3.9%	4.8%	5.7%	5.0%
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 May 2016.

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**

10 Chandler	Chandler Square I, II & III	Price Road Industrial Park
Advanced Medical Complex	Chandler Technology Center	Price Warner Medical Office
Airpark Professional Village	Chandler Viridian	Promenade Commons
Aquila at Ocotillo	Continuum Business Park	Regency Office Park
Arizona Corporate Park North	Dividend Center	Rockefeller Chandler Crossroads
Arizona Corporate Park South	Dobson Business Park	Ryan Chandler Freeways Business Park
Ascend at Chandler Airport Ctr.	Dobson Professional Plaza	Ryan Commerce Center
AZ202	Eastpoint Business Park	Ryan Companies-Site 6
Bogle Business Park	Fairview Corporate Park	San Tan Corporate Center I & II
Camel Professional Plaza	First Chandler Business Park	San Tan Crossing Professional Plaza
CC&F Industrial Center	Focus Corporate Center	San Tan Technology Center
Center Pointe Industrial Park	Fountains at Ocotillo	Southgate Park Ten Business Center
Chandler Airpark Area	Frye Road Industrial Park	Southpark Business Center
Chandler Airport Business Center	Gila Springs Industrial Park	Stellar Industrial Airpark
Chandler Center	Kyrene Crossing	The Hub (Former Covance)
Chandler Airport Commerce Ctr.	Kyrene Industrial Park	The Park at Santan
Chandler Corporate Centers	Mach One	Tiburon
Chandler Echelon	Mammoth Professional Building	Turner
Chandler Freeway Business Park	McClintock Professional Building	Warner Commerce Park
Chandler Freeway Crossings	McKinney Development	Watermark
Chandler Gateway Medical Center	Paloma Kyrene Business Park	Westech Corporate Center
Chandler Gateway Office Park	Park Place	Williams Field Road Business Park
Chandler Hamilton Plaza	Parkside Professional Plaza	Willis/AZ Ave Corporate
Chandler Office Center	Ports America Building	WP Carey Building
Chandler Office Park	Presidio	

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 (b)	Microprocessors	11,000
Orbital ATK	Aerospace Launch Systems	1,650
Microchip Technology	Microprocessors	1,625
NXP (Formerly Freescale Semiconductor)	Semiconductors/Satellite Systems	1,400
Avnet	Computer Group	1,000
Rogers Corporation	Printed Circuit Board Materials	450
Tri-City Mechanical	Air Conditioning Contractors and Service	580
Advanced Integration Technologies	Integrated Engineering & Mfg.	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	125
Triangle Truss Inc.	Wooden Floor Trusses	250
Goodrich Turbo Resources	Aerospace Components	226
Marvell	Electronics & Semiconductor Products	150
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"). In addition, the Filings may also be inspected at the offices of the NYSE. Neither the City, the Financial Advisor or their respective agents or consultants have 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	4,500
Verizon	Regional Corporate Headquarters	2,400
Chandler Regional Medical Center	Hospital	2,100
City of Chandler	Government	2,195
PayPal	E-Commerce Business	1,750
QBE	Mortgage Insurance	80
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	500
Erickson Construction	General Construction	376
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. In addition, the Filings may also be inspected at the offices of the NYSE. Neither the City, the Financial Advisor or their respective agents or consultants have 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

A 13 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 and outdoor urban village and more than 150 specialty retail shops. Additionally, the Downtown Chandler entertainment and business district serves as a hub for commercial activities due to numerous retail, restaurant and entertainment venues. Several regional shopping complexes, Chandler Pavillions, Casa Paloma, Chandler Festival, Chandler Gateway, Paseo Del Oro Shopping Center, and 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. The following table sets forth a record of the excise tax collections of the City for the most recent five fiscal years.

**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)	Adopted 2015-16
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
<b>Totals</b>	<b>\$ 136,164,353</b>	<b>\$ 148,885,916</b>	<b>\$ 156,621,139</b>	<b>\$ 162,661,325</b>	<b>\$ 170,432,597</b>	<b>\$ 165,873,250</b>

- (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.

## Tourism

Tourism contributes to the economy of the City due to the proximity to various recreational and scenic attractions, including the Superstition Mountains east of the City. The high density of employment is another major contributor to the City's tourism industry since Chandler is home to a number of Fortune 500 companies with regional and local headquarters office that makes the City an attractive destination for business travel.

## 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, 4,870 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 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 is the nation’s largest university in the Southwest, located in the bordering City of Tempe, Arizona. The University’s spring 2016 total enrollment exceeded 71,000 students on four campuses serving Greater Phoenix. 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 and Innovation focuses on high-tech engineering with approximately 1,000 students at full capacity. Adjacent to Phoenix-Mesa Gateway Airport, the Polytechnic Campus serves approximately 4,078 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. Located in the City is the Chandler-Gilbert Community College, which opened in mid-1985. The Chandler-Gilbert Community College offers a complete educational program and serves more than 19,000 students annually. The University of Phoenix satellite location in the City 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, five high schools and three alternative schools. A number of private and charter schools are also located in the City.

**CITY OF CHANDLER, ARIZONA - FINANCIAL DATA**

**2016/17 Fiscal Year –Estimated Net Full Cash and Assessed Values**

<b>Estimated Net Full Cash Value (b)</b>	<b>28,297,114,500 (b)</b>
<b>Net Limited Property Assessed Valuation (a)</b>	<b>\$2,553,971,787</b>
<b>Net Full Cash Assessed Valuation (a)</b>	<b>3,527,132,740</b>

(a) See “PROPERTY TAXES” on page A-18 for an explanation of these values.

(b) Estimated net full cash value is the total 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 (a)**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>	
2006	30,905,000	7-1-07/17	\$ 6,675,000	
2007	111,045,000	7-1-08/26	22,700,000	
2007REF	22,960,000	7-1-09/20	11,495,000	
2009	252,000,000	7-1-10/28	47,505,000	
2011A	9,925,000	7-1-15/20	8,875,000	
2011B	10,360,000	7-1-12/15,17-18	1,630,000	
2014REF	214,540,000	7-1-15/26,28	210,665,000	
Total General Obligation Bonds Outstanding			\$ 309,545,000	
Less: Airport Revenue Supported General Obligation Bonds (b)			(51,000)	
Less: Water and Wastewater Funds Supported General Obligation Bonds (c)			(118,021,000)	
Plus: The 2016 GO Refunding Bonds (d)			40,655,000	*
Less: The bonds to be refunded (d)			(46,000,000)	*
Net General Obligation Bonds Outstanding excluding Water and Wastewater Funds Supported General Obligation Bonds and Airport Revenue Supported General Obligation Bonds (b)(c)			<u>\$ 186,128,000</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.

\* Preliminary, subject to change.

- (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: \$51,000 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: \$8,600,000 aggregate principal amount of the City’s General Obligation Bonds, Series 2007, \$24,700,000 aggregate principal amount of the City’s General Obligation Bonds, Series 2009, and \$ 84,721,000 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.
- (d) The City anticipates issuing the 2016 GO Refunding Bonds concurrently with the issuance of the Bonds.

**Water and Wastewater Revenue Bonds Outstanding (a)**

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
2005	\$ 10,000,000	7-1-12/20	\$ 1,750,000
2014REF	15,400,000	7-1-16/18-20	7,845,000
Total Water and Wastewater Revenue Bonds Outstanding			\$ 9,595,000
Plus: Water and Wastewater Funds Supported General Obligation Bonds (b)			118,021,000
Plus: Water and Wastewater Funds Supported Excise Revenue Tax Obligations (c)			201,285,000
Total Water and Wastewater Revenue Bonds Outstanding and to be Outstanding			<u>\$ 328,901,000</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 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: \$19,955,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2009, \$ 11,420,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2011, \$ 103,250,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2013 and the \$ 66,660,000 aggregate principal amount of the City’s Excise Tax Revenue Obligations, Series 2015 (together, the “Water and Wastewater Funds Supported Obligations”).

**Street and Highway User Revenue Bonds Outstanding (a)**

<b>Issue Series</b>	<b>Original Amount</b>	<b>Maturity Dates</b>	<b>Balance Outstanding</b>
2003	\$ 5,000,000	7-1-16/19	\$ 1,000,000
2010	10,450,000	7-1-11/19	1,865,000
2014	8,660,000	7-1-15/19	3,820,000
Total Street and Highway User Revenue Bonds Outstanding			<u>\$ 6,685,000</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**

<b>Issue Series</b>	<b>Original Amount</b>	<b>Maturity Dates</b>	<b>Balance Outstanding</b>
2009	\$ 34,040,000	7-1-10/28	\$ 19,955,000
2011	15,000,000	7-1-12/28	11,420,000
2013	104,500,000	7-1-15/33	103,250,000
2015	66,660,000	7-1-15/35	66,660,000
Total Excise Tax Revenue Obligations Outstanding			\$ 201,285,000
Plus: The Obligations			15,095,000 *
Less: The Bonds to be Refunded			(17,245,000) *
Less: Water and Wastewater Funds Supported Excise Tax Revenue Obligations (a)			(199,135,000) *
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 Net Full Cash Assessed Valuation 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 the Net Full Cash Assessed Valuation for such city for water, artificial light or sewers, 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.

<b>General Municipal Purpose Bonds</b>		<b>Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire and Emergency Services, Park, Street, and Transportation Bonds</b>	
Total 6% General Obligation Bonding Capacity	\$ 190,024,848	Total 20% General Obligation Bonding Capacity	\$ 633,416,159
Less: 6% General Obligation Bonds Outstanding	(8,993,650) (a)	Less: 20% General Obligation Bonds Outstanding	(305,896,350) (a)*
Net 6% General Obligation Bonding Capacity	\$ 181,031,198	Net 20% General Obligation Bonding Capacity	\$ 327,519,809

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(a) Net of the GO bonds being refunded.

**Direct and Overlapping General Obligation Bonded Debt Outstanding\* (To Update)**

<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	4.614%	None
Maricopa County	None	7.068%	None
Maricopa County Community College District	\$ 654,190,000	7.068%	\$ 46,236,611
Maricopa County Special Healthcare District	73,000,000	7.068%	5,159,468
Chandler Unified School District No. 80	216,610,000	72.628%	157,318,721
Kyrene Elementary School District No. 28	167,225,000	20.953%	35,038,400
Mesa Unified School District No. 4	250,590,000	4.679%	11,724,949
Gilbert Unified School District No. 41	116,725,000	1.741%	2,031,691
East Valley Institute of Technology District No. 401	None	13.517%	None
City of Chandler (a) (b)	304,200,000 *	100.000%	<u>304,200,000 *</u>
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			<u>\$ 561,709,841</u>

- (a) Proportion applicable to the City is computed on the ratio of Net Limited Property Assessed Value as calculated for fiscal year 2016/17 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	136,000,000
Tempe Union High School District No. 213	None
Kyrene Elementary School District No. 28	33,975,000
Mesa Unified School District No. 4	64,000,000
Gilbert Unified School District No. 41	66,700,000
East Valley Institute of Technology District No. 401	None
City of Chandler	245,345,000

Also does not include the obligation of the Central Arizona Water Conservation District (“CAWCD”) to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project (“CAP”), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD’s obligation for substantially all of the CAP features that have been constructed so far will be

\* Preliminary, subject to change.

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 net limited property 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	\$15,320,000
Street and Highway User Revenue Bonds	6,685,000
Excise Tax Revenue Obligations	199,135,000 <sup>(1)*</sup>

<sup>(1)</sup> 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.

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\* Preliminary, subject to change.

**Direct and Overlapping General Obligation Bonded Debt Ratios**

	<b>Per Capita Bonded Debt Population @ 247,552 (a)</b>	<b>As % of City's 2016/17 Net Full Cash Assessed Valuation</b>	<b>As % of City's 2016/17 Estimated Net Full Cash Valuation</b>
Direct General Obligation Bonded Debt ( \$304,200,000)	\$1,228.83	8.62%	1.08%
Direct and Overlapping General Obligation Bonded Debt Outstanding ( \$561,709,841)	\$2,269.06	15.93%	1.99%

(a) City of Chandler, 2015 Estimate.

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 (To Update)**

Inside the City, East Valley Institute of Technology 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 update**

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 2015/16 were 11.47% (11.35% retirement and 0.12% long-term disability) for both employees and employers. The City's contribution to the System for the fiscal year 2015/16 was \$8,071,431, equal to the required contribution not including alternate contributions.

Effective July 1, 2016, the City's annual contribution rates are 11.48% (11.34% retirement and 0.14% long-term disability) for fiscal year 2016/17 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.doc>. 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 257 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 Government Accounting Standards Board adopted GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their "proportionate share" of the plan's net pension liability in their government-wide financial statements. GASB 68 will also require that the cost-sharing employer's pension expense component include its proportionate share of the plan's pension expense, the net effect of annual changes in the employer's proportionate share and the annual differences between the employer's actual contributions and its proportionate share.

The actuarially determined contribution rates for the fiscal year ended June 30, 2016 were 31.58% of annual covered payroll for police and 26.84% of annual covered payroll for firefighters. The City's contribution to the PSPRS for the fiscal year ended June 30, 2016 was \$8,826,692 for police and \$3,880,646 for firefighters, equal to the required contributions.

Effective July 1, 2016, the City's annual contribution rates are 32.18% for police and 27.27% 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](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, is \$36,858,622 for fire and \$80,549,097 for police as of the June 30, 2014 Actuarial Reports prepared by Gabriel Roeder Smith & Company, Consultants and Actuaries. City Council has approved a compressed pay down plan in order to pay off the unfunded liability.

#### *Elected Officials' Retirement Plan (Mayor and City Council)*

The Mayor and Council of the City participate in two different plans: The Elected Officials' Retirement Plan (EORP) for councilmembers elected prior to 2014 and the Elected Officials' Defined Contribution Retirement System (EODCRS) for Council members elected effective January 1, 2014, both multiple employer cost sharing defined benefit plans. The administrator for the EORP and the EODCRS is also the fund manager of the PSPRS. The EORP and EODCRS provides for retirement, health insurance premium benefits, and death and survivor benefits.

The actuarially determined contribution rate for the fiscal year ended June 30, 2015 was 23.5%. The City's contribution to the EORP and EODCRS for the fiscal year ended June 30, 2015 was \$39,992, equal to the required contribution.

Effective July 1, 2016, the City's annual contribution rate for EORP is 23.50% for employer and 13% for employees, and the City's annual contribution rate for EODCRS is 23.625% for employer and 8.125% 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\\_erp/AnnualReports/cato\\_annual\\_rpts\\_EORP.htm](http://www.psprs.com/sys_erp/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, is \$1,541,906 as of the June 30, 2014 EORP schedule of pension amounts by employer.

#### *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, 2015 is \$20,484,299 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, 2015 at \$50,002,842 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 City's general obligation 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 City's general obligation 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.

In valuing centrally valued property, the Arizona Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. Appeals are also allowed for such valuations.

## 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

<b>Property Classification (a)</b>	<b>Assessment as Percentage of Full Cash Value</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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 City's general obligation bonds. None of the City, the Financial Advisor or the Underwriter 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.

**Direct and Overlapping Assessed Valuations and Total Tax Rates (To Update)  
Per \$100 Assessed Valuation**

<u>Overlapping Jurisdiction</u>	<u>2016/17 Net Full Cash Assessed Valuation</u>	<u>2016-17 Total Tax Rates Per \$100 Assessed Valuation</u>
State of Arizona	\$ -	\$ 0.5054 (a)
Maricopa County	44,850,741,762	1.3609
Maricopa County Community College District	44,850,741,762	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	2,989,210,788	6.6113
Tempe Union High School District No. 213	3,951,943,016	2.8747
Kyrene Elementary School District No. 28	2,276,097,169	4.0063
Mesa Unified School District No. 4	3,513,466,307	7.3646
Gilbert Unified School District No. 41	2,113,920,314	6.4567
City of Chandler	3,167,080,795	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 Assessed 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 Valuation of the City by property classification.

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<b>2016/17 Annual Percent Change</b>
Mining, Utility, Commercial and Industrial	\$ 786,423,233	\$ 711,755,414	\$ 708,750,488	\$ 784,201,124	\$ 989,880,837	26.23%
Agriculture and Vacant Land	88,266,812	69,631,063	68,493,825	80,816,673	377,444,522	367.04%
Owner-Occupied Residential	1,053,618,418	950,951,406	1,072,861,945	1,316,995,223	1,425,768,947	8.26%
Leased or Rented Residential	207,161,750	279,862,096	368,427,295	474,177,840	539,684,309	13.81%
Railroad, Private Car Company and Airline Flight Property	2,126,795	2,143,818	2,037,360	1,910,025	1,782,690	-6.67%
Historical Property	117,312,742	160,779,486	160,702,435	161,203,221	192,089,070	19.16%
Commercial Historic Property	269,551	253,394	316,735	440,664	287,284	-34.81%
	<u>\$2,255,179,301</u>	<u>\$2,175,376,677</u>	<u>\$2,381,590,083</u>	<u>\$2,819,744,770</u>	<u>\$3,526,937,659</u>	25.08%

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

**Net Limited Property Assessed Valuation of Major Taxpayers (To Update)**

<u>Taxpayer (a)</u>	<u>Description</u>	<b>2015/16 Net Limited Property Assessed Valuation</b>	<b>As % of City's Total 2015/16 Net Limited Property Assessed Valuation</b>
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	Office Building	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%
<b>Total</b>		<b>\$ 373,909,768</b>	<b>15.71%</b>
<b>Total City Net Limited Property Assessed Valuation</b>		<b>\$ 2,380,457,981</b>	

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, Freescale Semiconductor Inc, and Wells Fargo Bank NA 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 100 F Street, N.E., Washington, D.C. 20549. and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at <http://www.sec.gov>. 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 2015/16 preliminary in lieu assessed valuation of SRP within the City is \$480,134 which represents approximately .02% of the combined Net Limited Property Assessed Value in the City. SRP's total estimated contribution in lieu of property tax payments (primary & secondary) was approximately \$488,535 for fiscal year 2014/15.

**Property Values**

The tables below list the various property values for the City for fiscal year 2015-16 through 2016-17 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 through 2016-17**

<u>Fiscal Year</u>	<u>Limited Property Assessed Value</u>	<u>Net Full Cash Assessed Value</u>	<u>Full Cash Value</u>
2016-17	\$ 2,553,971,787	\$ 3,167,080,795	\$ 31,514,093,091
2015-16	2,380,457,981	2,819,667,969	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)
2016/17	\$2,533,971,787	\$36,135,494,474	N/A
2015/16	2,380,457,981	34,623,670,323	\$54,838,548,829

(a) State of Arizona Limited Property Assessed Value for fiscal year 2016-17 is not currently available.

#### Comparative Net Full Cash Value Histories

Fiscal Year	City of Chandler	Maricopa County	State of Arizona (a)
2016/17	\$3,167,080,795	\$44,850,741,762	N/A
2015/16	2,819,667,969	41,124,639,380	\$55,352,051,074

(a) State of Arizona Net Full Cash Value for fiscal year 2016-17 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.

**APPENDIX C**

**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.

**\$15,095,000\***  
**CITY OF CHANDLER, ARIZONA**  
**EXCISE TAX REVENUE OBLIGATIONS,**  
**SERIES 2016**  
**evidencing a proportionate interest of the Owners**  
**thereof in Payments under an Agreement**  
**Dated: \_\_\_\_\_, 2016**

**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 Trustee, the Financial Advisor or the Underwriter 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 Obligation will be issued for each maturity thereof, each in the aggregate principal amount of such maturity and the Obligations 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](http://www.dtcc.com).

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 UNDERWRITER 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.