



Chandler • Arizona
Where Values Make The Difference

#12
SEP 25 2008

MEMORANDUM

Management Services Memo No. 09-013

DATE: SEPTEMBER 18, 2008

TO: MAYOR AND COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER RD
RICH DLUGAS, ASSISTANT CITY MANAGER RD

FROM: DENNIS STRACHOTA, MANAGEMENT SERVICES DIRECTOR

SUBJECT: Adoption of Resolution No. 4220 providing for the sale and issuance of not to exceed \$35,000,000 Excise Tax Revenue Obligations, Series 2008 ("Obligations") for wastewater projects and the refunding of bonds

RECOMMENDATION

Staff recommends Council adopt Resolution No. 4220, prepared by the City's bond counsel firm of Gust Rosenfeld, ordering the sale scheduled for October 22, 2008 of Excise Tax Revenue Obligations in an electronic competitive bidding process.

BACKGROUND

The current economic downturn has significantly reduced System Development Fee revenues available to otherwise finance a portion of the City's Water Reclamation Facility Expansion project. The City's bond counsel and financial advisor have recommended the use of Excise Tax Revenue Obligations for financing this portion of the project's costs, which amounts to about \$28 million. In addition, about \$7 million of the proceeds from the Obligations will be used to refund a comparable amount of the City's Water and Sewer Revenue Refunding Bonds, Series 1997 in order to reduce the City's debt service costs.

FINANCIAL IMPLICATIONS

Wastewater system net revenues will pay the debt service on the Obligations. Excise taxes, defined as the City's "unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing," are pledged to assure payment of the debt should water and sewer revenues be insufficient to make those payments. The pledge of Excise Taxes is a stronger credit than a pledge of system revenues, thus the City should achieve lower debt service costs. The refunding of water and sewer bonds will also result in lower debt service costs.

MS Memo No. 00-000

9/19/2008

Page 2

PROPOSED MOTION

Move for the Adoption of Resolution No. 4220.

Attachments: Resolution No. 4220
Purchase Agreement – Draft
Trust Agreement – Draft
Purchase Agreement – Draft
Preliminary Official Statement - Draft

RESOLUTION NO. 4220

RESOLUTION ORDERING THE SALE OF NOT TO EXCEED \$35,000,000 PRINCIPAL AMOUNT OF EXCISE TAX REVENUE OBLIGATIONS, SERIES 2008 EVIDENCING A PROPORTIONATE INTEREST OF THE OWNERS THEREOF IN A PURCHASE AGREEMENT BETWEEN THE CITY OF CHANDLER, ARIZONA, AND A TRUSTEE TO FINANCE VARIOUS WATER AND SEWER CAPITAL IMPROVEMENTS AND TO REFUND THE 2014 AND 2015 MATURITIES OF THE CITY OF CHANDLER, ARIZONA WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 1997; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE AGREEMENT, A TRUST AGREEMENT, A DEPOSITORY TRUST AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT; PROVIDING FOR THE SECURITY FOR THE PAYMENT OF THE OBLIGATIONS; PROVIDING CERTAIN TERMS, COVENANTS AND CONDITIONS CONCERNING THE SALE OF THE OBLIGATIONS INCLUDING THE DELEGATION TO THE MANAGEMENT SERVICES DIRECTOR THE AUTHORITY TO PREPARE A NOTICE INVITING BIDS AND AWARD THE SALE OF THE OBLIGATIONS TO THE LOWEST RESPONSIBLE BIDDER; DELEGATING THE AUTHORITY TO APPROVE AND DEEM FINAL A FORM OF OFFICIAL STATEMENT; AND AUTHORIZING ALL ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION.

WHEREAS, the City desires to improve and add to the existing sewer system, specifically to expand the treatment and water reclamation facilities (the "*Project*"); and

WHEREAS, the City of Chandler, Arizona (the "*City*") believes it to be in the best interests of the City to refund the 2014 and 2015 maturities of the City of Chandler, Arizona Water and Sewer Revenue Refunding Bonds, Series 1997 (the "*Bonds Being Refunded*"); and

WHEREAS, the City wishes to finance the Project and to refund the Bonds Being Refunded through the execution and delivery of not to exceed \$35,000,000 Excise Tax Revenue Obligations, Series 2008 (the "*Obligations*"), by a bank or trust company to be selected as Trustee (the "*Trustee*") pursuant to a Trust Agreement (the "*Trust Agreement*") between the Trustee and the City, evidencing a proportionate interest of the owners thereof in a Purchase Agreement (the "*Purchase Agreement*") and the Depository Trust Agreement (the "*Depository Trust Agreement*"), between the Trustee and the City; and

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

WHEREAS, the City will receive electronic bids for the purchase of the Obligations;
and

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

- (i) the proposed form of the Purchase Agreement;
- (ii) the proposed form of the Trust Agreement;

- (iii) the proposed form of the Continuing Disclosure Certificate (the "*Continuing Disclosure Certificate*");
- (iv) a preliminary form of the Official Statement relating to the Obligations (the "*Preliminary Official Statement*"); and
- (v) a proposed form of the Depository Trust Agreement

WHEREAS, by this resolution the Mayor and Council will authorize the execution, issuance and sale of the Obligations to the winning bidder (the "*Purchaser*") at such prices, interest rates, maturities and redemption features as may be hereafter determined by the Management Services Director, with the advice of the Financial Advisor; and

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

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

Section 1. Authorization. For the purpose of providing funds to make certain acquisitions and public improvements in the City and to refund the Bonds Being Refunded, to be secured by the City's Excise Taxes (as hereinafter defined), there is hereby authorized to be issued and sold not to exceed \$35,000,000 aggregate principal amount of the Obligations pursuant to the terms of the Purchase Agreement, the Trust Agreement and the winning bid.

Section 2. Terms. The Obligations hereby authorized to be issued shall be designated City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2008, will be dated the date of initial delivery of the Obligations to the Purchaser and will mature on July 1 in some or all of the years 2009 through 2028, inclusive, and will bear interest from their date to the maturity or earlier redemption date of each of the Obligations.

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

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

Section 3. Approval of Documents. The Management Services Director is authorized and directed to determine and approve the final terms of the Obligations with the advice of the Financial Advisor in accordance with the winning bid 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 and the Continuing Disclosure Certificate, in substantially the form of such documents (including the Obligations and other exhibits thereto) presented at this meeting are hereby approved, with such final provisions, insertions, deletions and changes as shall be approved by the Management Services Director, execution of each such document being conclusive evidence of such approval, and the Mayor, the Clerk and the Management Services Director are hereby authorized and directed to execute and deliver, where applicable, or approve the Purchase Agreement, the Trust Agreement, the Depository Trust Agreement and the Continuing Disclosure Certificate and to take all action to carry out and comply with the terms of such documents. The Management Services Director shall select a bank or trust company authorized to do business in Arizona to act as Trustee under the Trust Agreement.

Section 4. Obligation Insurance. The Management Services Director is 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 5. Official Statement. The form, terms and provisions of the Preliminary Official Statement in the form (including exhibits thereto) presented at this meeting are hereby ratified, approved and confirmed. The City hereby approves, ratifies and authorizes the use by the Purchaser of copies of the Preliminary Official Statement and the final Official Statement, which shall be in substantially the form of the Preliminary Official Statement with such changes as are necessary as a result of the sale of the Obligations (the "*Official Statement*") in connection with the public offering and sale of the Obligations. The City hereby deems the Preliminary Official Statement as final as of its date for purposes of Rule 15c2-12 of the Securities Exchange Commission. The Management Services Director is hereby authorized and directed to execute, when completed, the Official Statement.

Section 6 Trustee and Depository Trustee. The City hereby requests the 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, the Depository Trust Agreement and the Continuing Disclosure Certificate, the execution, delivery and sale of the Obligations and the defeasance and redemption of the Bonds 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 7. Acceptance of Final Bid; Sale of Obligations. The Management Services Director is hereby authorized and directed to accept the bid of the lowest responsible bidder, provided such bid and the issuance of the Obligations complies with the terms and conditions of this resolution and the NIB. The Obligations are hereby ordered sold to such winning bidder.

The Management Services Director is hereby authorized and directed to cause the Obligations to be delivered to or upon the order of the winning bidder upon receipt of payment therefor and satisfaction of the other conditions for delivery thereof in accordance with the terms of the sale.

Section 8. Pledge of Excise Taxes. Pursuant to the Purchase Agreement and the Trust Agreement, the City shall pledge 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*"). 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 Purchase Agreement and the Trust Agreement. The City's obligation to make the payments under the Purchase 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 Purchase 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.

Section 9. Continuation of Excise Tax. Pursuant to the Purchase Agreement, the City will covenant and agree that the Excise Taxes which it presently imposes will continue to be imposed in each fiscal year so that the amount of Excise Taxes, all within and for such fiscal year, shall be sufficient to pay all amounts owing under the Purchase Agreement and under any obligations on a parity therewith, in such fiscal year. The City will further covenant and agree to not further encumber Excise Taxes pledged pursuant to the Purchase Agreement unless Excise Taxes received by the City in the next preceding fiscal year shall have amounted to at least three (3) times the highest combined debt service for any succeeding fiscal year for all obligations, including those proposed to be issued, secured by a pledge of the same Excise Taxes. For the purpose of this pledge, debt service will be determined as set forth in the Purchase Agreement.

Section 10. Resolution Irrepealable. After any of the Obligations are delivered by the Trustee to the Purchaser 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, the Clerk, the Management Services Director and the other officers of the City, on behalf of the City, are each hereby authorized and directed, without further order of the Council, to execute and deliver such certificates, proceedings and agreements as may be necessary or convenient to be executed and delivered on behalf of the City, to evidence compliance with, or further the purposes of, all the terms and conditions of this resolution and the consummation of the transactions contemplated by the Preliminary Official Statement.

Section 12. Resolution a Contract. This resolution shall constitute a contract between the City and the Owners and shall not be repealed or amended in any manner which would impair, impede or lessen the rights of the Owners then outstanding.

Section 13. Severability. If any section, paragraph, subdivision, sentence, clause or phrase of this resolution is for any reason held to be illegal, invalid or unenforceable, such decision will not affect the validity of the remaining portions of this resolution. The Mayor and Council hereby declare that the City would have adopted this resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Obligations pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this resolution may be held illegal, invalid or unenforceable.

Section 14. Ratification of Actions. All actions of the officers and agents of the City which conform to the purposes and intent of this resolution and which further the issuance and sale of the Obligations as contemplated by this resolution whether heretofore or hereafter taken shall be and are hereby ratified, confirmed and approved. Any change made in the NIB which do not conform to the prior order of this Mayor and Council are hereby ratified. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this resolution.

Section 15. Qualified Tax-Exempt Obligations. The Obligations will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

PASSED AND ADOPTED by the Mayor and Council of the City of Chandler, Arizona, on September 25, 2008.

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

Bond Counsel

Exhibit A: Notice Inviting Bids for the Purchase of Obligations

CERTIFICATION

I, Marla Paddock, the duly appointed and acting Clerk of the City of Chandler, Arizona, do hereby certify that the above and foregoing Resolution No. 4220 was duly passed by the City Council of the City of Chandler, Arizona, at a regular meeting held on September 25, 2008, and the vote was ____ aye's and ____ nay's and that the Mayor and ____ Council Members were present thereat.

DATED: September 25, 2008.

City Clerk

EXHIBIT A

\$33,645,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2008

NOTICE INVITING BIDS FOR THE PURCHASE OF OBLIGATIONS

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 9:30 a.m., Mountain Standard Time ("MST"), on October 22, 2008, by the City of Chandler, Arizona (the "City"), for the purchase of all, but not less than all, of \$33,645,000* aggregate principal amount of its Excise Tax Revenue Obligations, Series 2008 (the "Obligations"). A bid may be submitted only through the facilities of PARITY® ("PARITY"). Submission of bids is further discussed below. The Management Services Director will announce the bids received and will award the contract for the purchase of obligations to the winning bidder at such time.

The City reserves the right to continue the date for receipt of bids. If the date for receipt of bids is continued, the City will give notice of the continuance by PARITY at i-Deal.com, prior to 11:00 a.m. MST on the business day prior to October 22, 2008.

The Obligations will be dated the date of initial delivery, and will bear interest from their date to the maturity of each of the Obligations at a rate or rates per annum of not to exceed 9.0%. Interest on the Obligations is payable semiannually on January 1 and July 1 commencing January 1, 2009. The Obligations will mature on July 1 in the years 2009 through 2028, inclusive, in the principal amounts as follows:

Maturity Date (July 1)	Principal Amount	Maturity Date (July 1)	Principal Amount
2009	\$600,000	2019	\$1,500,000
2010	900,000	2020	1,800,000
2011	900,000	2021	1,900,000
2012	1,000,000	2022	1,700,000
2013	1,000,000	2023	1,800,000
2014	1,000,000	2024	2,000,000
2015	1,100,000	2025	2,500,000
2016	1,100,000	2026	3,000,000
2017	1,500,000	2027	3,500,000
2018	1,200,000	2028	3,645,000

* Preliminary, subject to change

OPTIONAL REDEMPTION: Obligations maturing on or before July 1, 2018, are not subject to call for redemption prior to their stated maturity dates. Obligations maturing on or after July 1, 2019 are subject to call for redemption prior to their stated maturity dates, at the option of the City, in whole or in part on July 1, 2018, or on any interest payment date thereafter by the payment of a redemption price equal to the principal amount of each Obligation called for redemption plus accrued interest to the date fixed for redemption but without premium.

PURPOSE: The Obligations are being issued to improve and add to the existing sewer system, specifically to expand the treatment and water reclamation facilities, to refund certain maturities of the City's water and sewer revenue refunding bonds and to pay the costs of issuance of the Obligations.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of 9:30 a.m., MST. The time maintained by PARITY shall constitute the official time.

ADJUSTMENT OF OBLIGATIONS AFTER OPENING OF BIDS: The aggregate principal amount of the Obligations is preliminary and subject to change but in no event will exceed an aggregate principal amount of \$33,645,000*. The City reserves the right to reduce the principal amount of Obligations for which proposals are being solicited by an amount up to \$2,000,000.00. The bid price paid by the winning bidder will be adjusted to reflect any change in the aggregate principal amount of the Obligations. Such adjusted bid will reflect changes in the dollar amount of the underwriting discount and original issue discount/premium, but will not change the underwriting discount percentage based on the bid price in the winning bid and the initial reoffering prices. The interest rates specified by the winning bidder for each maturity will not change. The winning bidder may not withdraw its bid as a result of any changes made within these limits. A representative of the City will notify the winning bidder of the final principal maturity amounts and the resulting adjusted purchase price no later than 11 A.M., MST on the date of award of the Obligations.

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

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

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

* Preliminary, subject to change

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

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

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

FORM OF BID; SURETY BOND: The Official Bid Form for the Obligations will be available on the PARITY system and all bids must be submitted on that form. All bids must be covered by a financial surety bond in the amount of \$672,900.00* from an insurance company licensed to issue such a bond in the State of Arizona and such bond must be submitted to the Financial Advisor prior to the opening of the bids. The financial surety bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. The bidder to whom the Obligations are awarded must submit its Deposit to the City in the form of a certified check or wire transfer in the amount of \$672,900.00* (the "Deposit"), as instructed by the Financial Advisor or the City, not later than 1:00 p.m., MST, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond may be drawn on by the City to satisfy the Deposit requirement. The Deposit of the successful bidder will be applied to the purchase price of the Obligations or retained and forfeited as liquidated damages in the event such bidder does not take up and pay for the Obligations immediately upon their issuance. No interest will be paid on the Deposit of any bidder.

The Financial Advisor to the City has reserved the right to bid on the Obligations.

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

* Preliminary, subject to change

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

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

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

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

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

PAYMENT OF OBLIGATIONS: So long as the Book-Entry-Only System is in effect, all payments of principal, interest and premium, if any, shall be paid to DTC. If the Book-Entry-Only System is not in effect, interest on the Obligations shall be payable by check mailed on or prior to the interest payment date to the Owners of the Obligations at the addresses of such owners as they appear on the books of the Registrar on the record date (as described hereafter). Principal of, and premium, if any, on the Obligations shall be paid when due upon surrender of such Obligations at the designated corporate trust office of the Registrar (unless the Owner of the Obligations is eligible for payment by wire transfer). Upon prior written request of an Owner of at least \$1,000,000 in principal amount of Obligations outstanding or on any Obligations held by a securities depository made at least twenty (20) days prior to an interest payment date, all payments of interest and, if adequate provision for surrender is made, principal and premium, if any, shall be paid by wire

transfer in immediately available funds to an account within the United States of America designated by such Owner of the Obligations.

RECORD DATE: The record date for determination of ownership for payment of interest shall be the fifteenth calendar day prior to an interest payment date. The Registrar shall pay interest to the Owners of record on the record date notwithstanding that transfers of ownership may occur on any Obligation between the record date and the next interest payment date.

SECURITY: Principal of and interest on the Obligations are payable solely from excise taxes of the City, meaning all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose ("*Excise Taxes*"). 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 Purchase Agreement and the Trust Agreement.

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

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

COST OF OBLIGATION FORMS: The City shall bear the cost of printing of the Obligations and will furnish full executed Obligations, registered in the name of the purchaser or nominees, to the purchaser upon payment therefor.

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

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

Obligations, Special Counsel has not been requested to examine or review and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Obligations and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials. In submitting a proposal for the Obligations, the bidder agrees to the representation of the City by Special Counsel.

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

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

QUALIFIED TAX EXEMPT OBLIGATIONS: The Obligations will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*").

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

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The City deems the Preliminary Official Statement provided in connection with the sale of the Obligations to be final as of its date except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder.

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

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

The City will deliver at closing an executed certificate stating that as of the date of delivery the information contained in the final Official Statement, including any supplement, relating to the City and the Obligations is true and correct in all material respects and that such final Official Statement does not contain any untrue statement of a material fact or omit to state a material fact

necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

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

ADDITIONAL INFORMATION: Copies of the Official Bid Form and Notice Inviting Bids for the Purchase of Obligations and the Official Statement will be furnished to any bidder upon request made to the Clerk of the City of Chandler, Arizona; or to Piper Jaffray & Co., 2525 E. Camelback Road, Suite 925, Phoenix, AZ 85016, telephone 602.808.5428, Financial Advisor to the City.

CITY OF CHANDLER, ARIZONA

DRAFT

PURCHASE AGREEMENT

Between

_____,
as Trustee

and

CITY OF CHANDLER, ARIZONA

Dated as of _____, 2008

TABLE OF CONTENTS

1. Definitions..... 1

2. Term and Payments.....

3. Pledge of Excise Taxes, Limited Obligations.....

4. Excise Taxes

5. Use of Other Funds at the Option of City

6. Additional Parity Obligations

7. Definition of Excise Taxes.....

8. Representations, Warranties and Covenants.....

9. Option to Prepay; Option to Partially Prepay;
Providing for Payment or Prepayment.....

10. Transfer of Project, Personal Property.....

11. Defaults; Remedies; Acceleration.....

12. Assignment and Sublease

13. City Appointed Agent for Seller

14. Miscellaneous

15. Notices; Mailing Addresses

16. Tax Covenants

17. City's Easement to Seller

18. Covenant as to Conflict of Interest

19. Seller's Limited Authority.....

20. Seller as Trustee.....

Signatures.....

EXHIBIT A - **DESCRIPTION OF PROJECT**
EXHIBIT B - **PAYMENT SCHEDULE**
EXHIBIT C - **BILL OF SALE**

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (hereinafter referred to as "*Purchase Agreement*") by and between the City of Chandler, Arizona, a municipal corporation and a political subdivision under the laws of the State of Arizona (hereinafter referred to as "*City*") and _____, a national banking association (hereinafter referred to as "*Seller*"), in its capacity as trustee under the Trust Agreement dated as of _____, 2008, by and between Seller, as Trustee, and City (the "*Trust Agreement*")

WITNESSETH:

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

2. **Term and Payments.**

(a) For the purpose of causing (i) the construction and acquisition of certain water and sewer improvements as described on Exhibit A which is attached hereto and made a part hereof (the "*Project*"), and (ii) the acquisition of ownership of the Project under the terms and conditions hereinafter set forth, Seller hereby sells to City and City hereby buys from Seller, the Project.

(b) Seller agrees to acquire, construct and install the Project or cause the same to be acquired, constructed and installed, all in accordance with the plans and specifications thereto prepared for City, and to pay all costs and expenses attendant thereto, including architectural and engineering costs and construction management fees, if any. To provide the funds necessary therefor, Seller, as trustee under the Trust Agreement, will execute and deliver the Excise Tax Revenue Obligations, Series 2008 (the "*Obligations*") and Seller shall have no further obligation to provide funds to pay such costs and expenses.

(c) City also has determined that it will be beneficial to its citizens to refund the 2014 and 2015 maturities of the City of Chandler, Arizona Water and Sewer and Revenue Refunding Bonds, Series 1997 (the "*Bonds Being Refunded*")

(d) As the purchase price for the Project and the refinancing of the Bonds Being Refunded, City agrees to make purchase payments hereunder to Seller at the address specified pursuant to Section 16 hereof (or such other address as Seller may designate in writing) three Business Days in advance of the payment dates set forth, and in the amounts set forth, in the payment schedule attached hereto as Exhibit B and incorporated herein. City's obligation to make such payments shall be limited to payment from Excise Taxes (as defined in Section 7 below) pledged to the payment thereof by City. City shall receive a credit against amounts due equal to any amounts held in the Payment Fund and available for such purpose.

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

abatement, counterclaim, or recoupment arising out of any breach of Seller of any obligation to City or otherwise, or out of indebtedness or liability at any time owing to City by Seller. Until such time as all of the payments shall have been fully paid or provided for, City (i) will not suspend or discontinue any payments provided for in this Section 2, (ii) will perform and observe all other agreements contained in this Purchase Agreement, and (iii) will not terminate the term of this Purchase Agreement for any cause, including, without limiting the generality of the foregoing, failure of Seller or any other person to complete the acquisition, construction and installation of the Project, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, abandonment of the Project by City, any change in the tax or other laws of the United States of America or of the State of Arizona or any political subdivision of either or any failure of Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Purchase Agreement. Nothing contained in this Section shall be construed to release Seller from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event Seller shall fail to perform any such agreements on its part, City may institute such action against Seller as City may deem necessary to compel performance so long as such action does not abrogate the obligations of City contained in the first sentence of this paragraph (d). This Purchase Agreement shall not terminate so long as any payments are due and owing and unprovided for under the Obligations.

3. Pledge of Excise Taxes, Limited Obligations. City hereby pledges for the payment of the purchase price hereunder (including, without limitation, any amounts due on the Obligations) and all other amounts payable pursuant hereto, the Excise Taxes, as defined in Section 7 below. City intends that this pledge shall be a first lien pledge upon such amounts of Excise Taxes as will be sufficient to make the payments pursuant hereto when due. City agrees and covenants to make said payments from 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, 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 Purchase Agreement or as may be specified in the Trust Agreement. All of the Payments are coequal as to the pledge of and lien on 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 rights of the Owners of the Obligations to payment from Excise Taxes are on a parity with any other obligations hereafter issued on a parity therewith pursuant to the Trust Agreement and this Purchase Agreement. City shall remit to the Trustee from Excise Taxes all amounts due under this Purchase Agreement in the amounts and at the times and for the purposes as required herein. City's obligation to make payments of any amounts due under this Purchase 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, 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. The pledge and lien granted herein is intended to convey, to the extent legally possible, a first security interest in the Excise Taxes.

4. **Excise Taxes.** Subject to the rights with respect to Excise Taxes of the Owners of the Obligations, and any other obligations issued on a parity herewith pursuant to the Trust Agreement and this Purchase Agreement, Excise Taxes in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under this Purchase Agreement or the Trust Agreement shall constitute surplus revenues and may be used by City for any lawful purpose for the benefit of 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 Purchase 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 Purchase 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 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.

City shall impose all necessary Excise Taxes and shall collect and receive the proceeds of sufficient Excise Taxes, and pay such proceeds to the Trustee in such amounts and at such times as will be fully sufficient, in conjunction with any other legally available moneys (but not proceeds of ad valorem taxes, except in compliance with Section 5) which 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 City under the terms of this Purchase Agreement. Such payments shall be made on the dates specified herein during the term of this Purchase Agreement and shall be sufficient to meet all requirements for the Obligations.

5. **Use of Other Funds at the Option of City.** City may, at City's sole option, make such payments from its other funds as permitted by law and as City shall determine from time to time, but Seller acknowledges that it has no claim hereunder to such other funds. No part of the purchase price payable pursuant to this Purchase Agreement shall be payable out of any ad valorem taxes imposed by City or from bonds or other obligations, the payment of which City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by 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.

6. **Additional Parity Obligations.** 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 hereunder, City will not further encumber the Excise Taxes pledged hereunder on a basis equal to the pledge hereunder unless Excise Taxes received by City in the next preceding Fiscal Year shall have amounted to at least three (3) times the highest combined Debt Service for any succeeding Fiscal Year for all Parity Obligations, including those so proposed to be secured by a pledge of the same Excise Taxes. Subject to the foregoing, and to other terms and conditions set forth herein, City shall have the right to incur future Parity Obligations payable from and secured by Excise Taxes on a parity with the Obligations.

7. **Definition of Excise Taxes.** "*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 and 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. The City may impose taxes for restricted purposes the revenues for which will not be Excise Taxes hereunder and will not be pledged to the payment of the amounts due pursuant to the Purchase Agreement and the Trust Agreement.

8. **Representations, Warranties and Covenants.**

(a) Except with respect to its power and authority to enter into this Purchase Agreement and to perform its covenants hereunder, Seller has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Project for any particular purpose or the conformity of the Project to any plans, specifications, construction contract, purchase order, model or sample, or as to its design, construction, delivery, installation and operation or its suitability for use by City after completion of construction. All such risks shall be borne by City without in any way excusing City from its obligations under this Purchase Agreement and Seller shall not be liable to City for any damages on account of such risks. Except with respect to any acts by Seller which are not undertaken at City's request or with City's prior approval, City agrees to waive all claims against Seller growing out of the acquisition, construction and installation of the Project. Seller shall have no liability to City for any failure of any acquisition, construction or installation contractor to perform any contract in any respect. Seller shall have no obligation to obtain or insure compliance with any required Arizona Department of Environmental Quality permits or approval procedures. In the event of any defect in any item of the Project or other claim with respect to the Project, City understands and agrees that City's recourse will be against the contractor, manufacturer or supplier of such Project and, where applicable, the person selling the property to Seller, and not against Seller. For such purpose, Seller hereby assigns and transfers to City the right, title and interest of Seller in and to all representations, warranties and service agreements relating to the Project made or entered into by Seller and by any contractor, manufacturers or suppliers of the Project. Seller further designates City as its attorney-in-fact granting to City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements.

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

(c) City shall pay from Excise Taxes or other funds lawfully available therefor, the costs of compliance with the Continuing Disclosure Certificate of City dated _____, 2008. Notwithstanding any other provision hereof or of the Trust Agreement, this

paragraph (c) may be enforced by specific performance but a breach hereof shall not constitute a default under this Purchase Agreement.

9. Option to Prepay; Option to Partially Prepay; Providing for Payment or Prepayment.

City may provide for the payment or prepayment of any amount due hereunder in any one or more of the following ways:

(a) by paying such amount as provided herein as and when the same becomes due and payable at its scheduled due date or on a date on which it can be prepaid;

(b) by depositing with a Depository Trustee (as defined below), in trust for such purposes money which, together with the amounts then on deposit with Seller and available for such payment is fully sufficient to make, or cause to be made, such payment at its scheduled due date or on a date when it can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Government Obligations which are noncallable, in such amount as shall be certified to Seller and City, by a national firm of certified public accountants acceptable to both Seller and City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with Seller and available for such payment, to make, or cause to be made, such payment at its scheduled due date or on a date on which it can be prepaid.

A Depository Trustee shall be any bank or trust company, including Seller, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State of Arizona authority who holds money and securities in trust for the purposes set forth in subparagraphs (b) or (c) of this Section 9 (a "*Depository Trustee*").

10. Transfer of Project, Personal Property. Except as otherwise provided in this Section 10 or in Section 12 hereof, Seller shall execute appropriate transfer documents in the form attached hereto as *Exhibit C*, which shall transfer Seller's right, title and interest in and to the Project to City, including without limitation, all of Seller's right, title and interest in the Personal Property. Seller shall convey title free from any liens, encumbrances or security interests, created, or permitted and not discharged, by Seller without City's written consent.

11. Defaults; Remedies; No Acceleration.

(a) (i) Upon (A) the nonpayment of the whole or any part of any Payment at the time when the same is to be paid as provided herein or in the Trust Agreement, (B) the violation by City of any other covenant or provision of this Purchase Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to any Outstanding Parity Obligations other than the Obligations, or (D) the insolvency or bankruptcy of 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 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 hereunder or under the Trust Agreement on the due date, or the nonpayment of installment payments on their due dates with respect to any other Parity Obligations; (B) in the case of insolvency or bankruptcy or the breach of any other covenant or provision of the Trust Agreement or this Purchase Agreement not cured within sixty (60) days after notice in writing from Seller specifying such default and (C) in the case of any other default under any other Parity Obligation after any notice and passage of time provided for under the proceedings under which such Parity Obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, Seller may, (A) take whatever action at law or in equity may appear necessary or desirable to collect the Payments and any other amounts payable by City under the Trust Agreement or this Purchase Agreement, then due, or to enforce performance and observance of any pledge, obligation, agreement, or covenant of City under the Trust Agreement or this Purchase Agreement, (B) terminate construction and acquisition of the Project and transfer to City any remaining portions of the Project still held by the Trustee, whether or not completed, and (C) pursue any other remedy at law or in equity, including the remedy of specific performance.

(b) Seller, upon the bringing of a suit to collect the payments in default, may as a matter of right, without notice and without giving bond to City or anyone claiming under City, (i) have a receiver appointed of all the Excise Taxes which are so pledged for the payment of amounts due hereunder, with such powers as the court making such appointment shall confer; and City does hereby irrevocably consent to such appointment and (ii) seek and obtain injunctive relief.

(c) City's obligations under this Purchase Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in this Section 11, and City shall continue to pay the Payments and perform all other obligations provided in this Purchase Agreement; provided, however, that City shall be credited with any amount received by the Trustee pursuant to actions brought under this Section 11.

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

12. Assignment and Sublease.

(a) Except as otherwise provided herein, without the prior written consent of Seller, City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Purchase Agreement, or any interest therein.

(b) Subject to the terms of the Trust Agreement, Seller shall be entitled, with or without notice to, or the consent of, City, to sell, pledge, assign, transfer and encumber all or any part of its right, title and interest in and to the Project, this Purchase Agreement and all payments of any kind due or which become due to Seller hereunder, provided that such transfer or assignment shall not impair the Obligations, that the transferee or assignee shall be bound by the terms hereof and all related agreements executed by Seller in connection herewith and shall execute such nondisturbance and acceptance instruments as shall reasonably be required to evidence the same as hereinafter provided and, upon City's receipt of notice of any such assignment or transfer of Seller's interest, any such assignee(s) or transferee(s) shall thereafter (collectively, if more than one) become and be deemed to be Seller hereunder, and have all of the rights, powers, privileges and remedies, and be subject to all of the covenants and agreements, of Seller hereunder for all purposes of this Purchase Agreement except that Seller and City agree and acknowledge that any such assignee(s) or transferee(s) will have made no representation or warranty, and therefore will assume no obligation, with respect to the title, merchantability, condition, quality or fitness of the Project, or any interest therein, for any particular purpose, or for the enforcement of any warranties or service agreement made or assigned by the initial Seller named herein, and that following any Seller's assignment or transfer of its interest hereunder as herein provided, City shall have no right to abate, reduce, withhold or offset against any payments due any successor Seller, or otherwise hereunder, on account of any claims for misrepresentations or breach of warranty or service agreements or any claims for sums due City from any predecessor(s) in interest of such Seller. No sale, assignment or transfer of all or any part of Seller's right, title and interest in, to and under this Purchase Agreement and all payments of any kind due or to become due to Seller hereunder shall be effective unless and until City shall have received a duplicate original counterpart of the document by which the sale, assignment or transfer is made, disclosing the name, mailing address and tax identification or social security number of each such purchaser, assignee or transferee (including where applicable, the settlor and beneficiaries of any trust and the principal and nominee of any interest to be held in nominee name); provided, however, that if such assignment or transfer is made to a bank or trust company as trustee, paying or escrow agent for the holders of Obligations, it shall thereafter be sufficient that a copy of the agency or trust agreement shall have been filed with City until City shall have been advised that such agency or trust agreement is no longer in effect. During the term of this Purchase Agreement, City shall maintain a complete and accurate record of all such sales, assignments and transfers in form necessary to comply with Section 149(a) of the United States Internal Revenue Code of 1986, as amended, and the regulations proposed or existing, from time to time promulgated thereunder. Upon City's receipt of written notice as above-described, of Seller's sale, assignment or transfer of all or any part of its interest in this Purchase Agreement or the payments hereunder, City agrees to attorn to and recognize any such purchaser(s), assignee(s) or transferee(s) (jointly if more than one) as the owner(s) of all right, title and interest in, to and under this Purchase Agreement and the payments thereafter due and payable pursuant to this Purchase Agreement, and as Seller(s) under this Purchase Agreement. Upon the written request of any purchaser, assignee or transferee of Seller's interest, City agrees to execute and deliver to such purchaser, assignee or transferee such certificates or other instruments in such forms as may reasonably be required by such purchaser, assignee or transferee, and to which City can truthfully attest, including but not limited to a separate acknowledgment of assignment and attornment certificate in the customary form as to such purchaser's, assignee's or transferee's right, title and interest in, to and under this Purchase

Agreement and the payments thereafter due and payable pursuant to this Purchase Agreement. Any such purchaser, assignee or transferee shall agree in writing to assume and perform all of the duties and responsibilities of Seller and shall acknowledge City's rights under this Purchase Agreement. Provided, however, that in the event Seller becomes merged or consolidated with any other entity and the resulting entity meets the requirements for a successor trustee under the Trust Agreement, then the resulting entity shall assume all rights, responsibilities and duties of Seller hereunder without the execution or filing of any papers or any further act on the part of either party and "Seller" hereunder shall refer to such resulting party.

13. City Appointed Agent for Seller. Seller does hereby irrevocably appoint City as its sole and exclusive agent to act for and on behalf of Seller in acquiring, constructing and installing the Project. As such agent, City shall have full authority to approve plans and specifications and modifications thereof, to enter into construction contracts, to supervise all phases of acquisition, construction and installation and to do all things necessary to bring about the completion of the Improvements. Seller shall not be accountable for the acts of City as its agent hereunder and City hereby assumes all responsibility for the performance of such duties.

14. Miscellaneous.

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

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

(c) This Purchase 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 Seller and City.

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

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

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

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

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

(i) Except as otherwise provided herein, this Purchase 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 Seller's right, title or interest herein pursuant to Section 12 hereof shall be and have the rights of a third party beneficiary hereunder.

(j) Any payments due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

15. Notices; Mailing Addresses. All notices, consents or other communications required or permitted hereunder shall be deemed sufficient if given in writing addressed and mailed by registered or certified mail, or delivered to the party for which the same is intended or certified, as follows:

If to Seller: _____
Attn: _____

(602) _____

If to City: City of Chandler, Arizona
55 N. Arizona Place, #201
Chandler, Arizona 85225
Attn: Management Services Director
(480) 782-2250

with a copy to: Gust Rosenfeld P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327
Telecopy No.: (602) 340-1538
Attn: Mr. Scott W. Ruby
(602) 257-7422

16. Tax Covenants. In consideration of the acceptance and execution of this Purchase Agreement by Seller and the purchase of the Obligations by the Owners thereof, from time to time, and in consideration of retaining the exclusion of interest income from gross income on this Purchase Agreement and the Obligations for federal income tax purposes, City covenants with Seller and the Obligation Owners from time to time to neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in interest income on this Purchase Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of this Purchase Agreement or such laws as they may be modified or amended or tax laws later adopted.

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 Purchase Agreement or the Obligations from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements to be prepared by special counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to this Purchase 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 this Purchase Agreement; and limiting the use of the proceeds of this Purchase Agreement and property financed thereby.

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

17. City's Easement to Seller. City hereby gives express permission to Seller to cause the Project to be constructed, installed and maintained and hereby grants and conveys to Seller, and all persons claiming by, through or under Seller, including its successors and assigns under the Trust Agreement and the Owners of Obligations for whom it acts, an exclusive easement upon, in and to the Project for the purpose of permitting the Project to be constructed and installed upon the premises.

18. Covenant as to Conflict of Interest. A.R.S. Section 38-511 provides that 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 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, 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 City from any other party to the contract arising as a result of the contract.

19. Seller's Limited Authority. Notwithstanding any other terms or provisions of this Purchase Agreement, Seller's interest in the Project and responsibility for causing the acquisition, construction and installation of the Project is solely for the purpose of facilitating the financing of the purchase acquisition by City of the Project and Seller shall not have the power, authority or obligation to assume any responsibility for the overall management of the Project, including, without limitation, any day-to-day decision-making or operational aspects of the Project. The elements of the Project and the sites therefor were selected by City and all design and engineering criteria and specifications for the Project to be constructed or acquired were or will be determined by City.

20. **Seller as Trustee.** Seller is acting hereunder in its capacity as Trustee under the Trust Agreement and the term "Seller", when used herein, shall also mean the Trustee as defined in the Trust Agreement.

IN WITNESS WHEREOF, the parties have executed this Purchase Agreement as of _____, 2008.

Seller:

_____, a
national banking association, as Trustee

By _____
Its _____

City:

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

By _____
Mayor

ATTEST:

By _____
City Clerk

EXHIBIT A

DESCRIPTION OF PROJECT

All of the Trustee's rights in, or rights to acquire, any and all real property, fixtures or personal property for the acquisition, construction and improvement of the following items:

- A.
- B.
- C. Other improvements determined by the City.

EXHIBIT B

PAYMENT SCHEDULE

<u>Payment</u> <u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
-------------------------------	------------------	-----------------	--------------

EXHIBIT C

BILL OF SALE

TRANSFER OF PROJECT

_____, a national banking association, as Trustee under that Trust Agreement dated as of _____, 2008 (the "*Trust Agreement*"), by and between the Trustee and the City of Chandler, Arizona (the "*City*"), and as Seller under that Purchase Agreement dated as of _____, 2008 (the "*Purchase Agreement*"), between Seller and the City, hereby transfers all of Seller's right, title and interest in and to the Project (as defined in the Trust Agreement), including without limitation all of Seller's right, title and interest in any Personal Property (as described in the Trust Agreement). Seller hereby conveys title free from any liens, encumbrances or security interests created, or permitted and not discharged, by Seller without City's written consent.

_____, a national banking association, as Trustee

By _____
Its _____

State of Arizona
County of Maricopa

The foregoing instrument was acknowledged before me this ____ day of _____, 2008, by _____, the _____ of _____, a national banking association, on behalf of the association.

(Seal and Expiration Date)

Notary Public



TRUST AGREEMENT

**CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2008**

by and between

as Trustee

and

CITY OF CHANDLER, ARIZONA

Dated as of _____, 2008

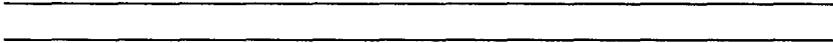


TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

Section 1.1. Definitions3
Section 1.2. Authorization..... 12

ARTICLE II

SPECIAL REVENUE OBLIGATIONS

Section 2.1. Authorization of the Obligations..... 12
Section 2.2. Date 12
Section 2.3. Maturities and Interest Rates..... 12
Section 2.4. The Obligations – Terms Generally; Book-Entry Only System 13
Section 2.5. Application of Proceeds 15
Section 2.6. Registration, Transfer and Exchange of Obligations,
Replacement Obligations 15
Section 2.7. Special Agreement with Owners..... 16
Section 2.8. Execution of Documents and Proof of Ownership..... 17
Section 2.9. Payment of Unclaimed Amounts 17

ARTICLE III

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

Section 3.1. Acquisition Fund 18
Section 3.2. Purpose 18
Section 3.3. Payment of Project Costs 18
Section 3.4. Transfers Upon Completion 19
Section 3.5. Establishment and Application of Costs of Issuance Fund 19
Section 3.6. Application of Acquisition Fund Investment Earnings..... 19
Section 3.7. Payments by the City..... 19
Section 3.8. Reserve Fund..... 19
Section 3.9. Reserve Fund Guaranty 21

ARTICLE IV

REDEMPTION OF OBLIGATIONS

Section 4.1. Redemption of the Obligations 22

ARTICLE V

PAYMENTS; PAYMENT FUND

Section 5.1.	Trustee's Rights in Purchase Agreement	25
Section 5.2.	Payment Fund; Unclaimed Moneys	25
Section 5.3.	Rebate Fund.....	26
Section 5.4.	Surplus.....	28
Section 5.5.	Unclaimed Moneys	28

ARTICLE VI

PLEDGE AND LIEN

Section 6.1.	Pledge	28
Section 6.2.	Protection of Lien.....	29
Section 6.3.	Additional Parity Obligations.....	29

ARTICLE VII

MONEYS IN FUNDS; INVESTMENT

Section 7.1.	Held in Trust.....	29
Section 7.2.	Investments Authorized.....	29
Section 7.3.	Accounting	30
Section 7.4.	Allocation of Earnings	30
Section 7.5.	Valuation and Disposition of Investments	30
Section 7.6.	Arbitrage Covenant	30
Section 7.7.	Tax Covenants.....	30

ARTICLE VIII

THE TRUSTEE

Section 8.1.	Appointment of Trustee	31
Section 8.2.	Liability of Trustee; Standard of Care.....	31
Section 8.3.	Merger or Consolidation	31
Section 8.4.	Protection and Rights of the Trustee	32
Section 8.5.	Compensation of Trustee	33
Section 8.6.	Removal of Trustee	33
Section 8.7.	Appointment of Agent.....	34
Section 8.8.	Commingling.....	34
Section 8.9.	Records.....	34

ARTICLE IX

MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 9.1. Amendments Permitted34
Section 9.2. Amendment with Written Consent of Obligation Owners.....35
Section 9.3. Disqualified Obligations36
Section 9.4. Effect of Supplemental Agreement36
Section 9.5. Endorsement or Replacement of Obligations Delivered
After Amendments36
Section 9.6. Amendatory Endorsement of Obligations.....36

ARTICLE X

COVENANTS; NOTICES

Section 10.1. Compliance with and Enforcement of Purchase Agreement37
Section 10.2. Observance of Laws and Regulations37
Section 10.3. Recordation and Filing37
Section 10.4. Further Assurances38
Section 10.5. Notification to the City of Failure to make Payments;
Other Matters.....37
Section 10.6. Business Days38

ARTICLE XI

LIMITATION OF LIABILITY

Section 11.1. Limited Liability of the City38
Section 11.2. No Liability of the City for Trustee Performance39
Section 11.3. Indemnification to the Trustee39
Section 11.4. Opinion of Counsel40

ARTICLE XII

**EVENTS OF DEFAULT AND REMEDIES
OF OBLIGATION OWNERS**

Section 12.1. Seller's Rights held in Trust40
Section 12.2. Remedies Upon Default; Acceleration.....40
Section 12.3. Application of Funds41
Section 12.4. Institution of Legal Proceedings.....42

Section 12.5.	Non-Waiver	42
Section 12.6.	Power of Trustee to Control Proceedings	42
Section 12.7.	Limitation on Obligation Owners' Right to Sue.....	42

ARTICLE XIII

MISCELLANEOUS

Section 13.1.	Defeasance	43
Section 13.2.	Records.....	45
Section 13.3.	Notices.....	45
Section 13.4.	Covenant as to Conflict of Interest.....	45
Section 13.5	Governing Law.....	46
Section 13.6.	Binding Effect and Successors.....	46
Section 13.7.	Execution in Counterparts.....	46
Section 13.8.	Destruction of Cancelled Obligations	46
Section 13.9.	Headings.....	46
Section 13.10.	Limited Benefit of Agreement; Third Party Beneficiaries.....	46
Section 13.11.	Waiver of Notice	46
Section 13.12.	Severability of Invalid Provisions.....	46
Signatures	48

- EXHIBIT A – FORM OF BOOK-ENTRY-ONLY OBLIGATION
- EXHIBIT B – PAYMENT REQUEST FORM
- EXHIBIT C – REIMBURSEMENT REQUEST FORM

TRUST AGREEMENT

THIS TRUST AGREEMENT, made and entered into as of _____, 2008 (the "*Trust Agreement*" or "*Agreement*"), by and between _____, as trustee (the "*Trustee*"), and the **CITY OF CHANDLER, ARIZONA**, a municipal corporation organized under the laws of the State of Arizona (the "*City*");

WITNESSETH:

WHEREAS, for the purpose of financing certain water and sewer improvements on such other property and improvements selected by the City, the City has heretofore agreed to buy from the Trustee and the Trustee has agreed to sell to the City such improvements which will be acquired, constructed and installed to be suitable for use by the City (the "*Project*") under a Purchase Agreement, dated as of _____, 2008 (the "*Purchase Agreement*") wherein the Trustee is the seller; and

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

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

WHEREAS, the City has also determined that it will be beneficial to its citizens to refund and refinance the 2014 and 2015 maturities of the City of Chandler, Arizona Water and Sewer Revenue Refunding Bonds, Series 1997 (the "*Bonds Being Refunded*"); and

WHEREAS, for the purpose of obtaining money to be deposited with the Trustee to finance the acquisition, construction and installation of the Project and to refund the Bonds Being Refunded, the Trustee has agreed to execute and deliver Excise Tax Revenue Obligations, Series 2008 (the "*Obligations*" and individually an "*Obligation*"), each evidencing a proportionate interest in the Purchase Agreement and the Payments made by the City under the Purchase Agreement, in exchange for the moneys required herein to be deposited to finance such acquisition and construction and refund the Bonds Being Refunded; and

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

NOW, THEREFORE, in consideration for the Obligations executed, delivered and Outstanding under this Trust Agreement, for the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Obligations by the Owners, and to secure the payment of principal thereof and interest thereon to the extent provided herein, the rights of the Owners of the Obligations and the performance and the observance of the covenants and conditions contained in the Obligations, the Purchase 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:

ARTICLE I
DEFINITIONS

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

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

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

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

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

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

"Bonds Being Refunded" means the following outstanding obligations of the City:

2014 and 2015 maturities of the \$7,770,000 principal amount of City of Chandler, Arizona, Water and Sewer Revenue Refunding Bonds, Series 1997.

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

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

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

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

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

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

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

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

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

"**Costs of Issuance Fund**" means the fund of that name created pursuant to Article III hereof.

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

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

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

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

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

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

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

"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.

"Depository Trust Agreement" means the Depository Trust Agreement dated as of _____, by and between the City and _____, as depository trustee, or any successor thereto, with respect to the Bonds Being Refunded.

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

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

"Event of Default" means an event of default under the Purchase Agreement, as defined in Section 11 thereof.

"Excise Taxes" means all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose. 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 Purchase Agreement and the Trust Agreement.

"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, a dual-headquartered company in New York and London, a majority-owned subsidiary of Fimalac, S.A., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency that may be designated by the City by notice to the Trustee.

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

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

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

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

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

"**Obligation Year**" means the Fiscal Year.

"**Obligations**" mean the City of Chandler, Arizona Excise Tax Revenue Obligations, Series 2008 executed and delivered pursuant to this Trust Agreement.

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

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

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

"**Parity Obligations**" means, collectively, the Obligations and any Additional Parity Obligations that are Outstanding.

"**Paying Agent**" means the Trustee.

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

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

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

"Payments" means all payments required to be paid by the City on any date pursuant to Section 2 of the Purchase Agreement.

"Permitted Investments" means any of the following:

- (a) Government Obligations;
- (b) CATS and TIGRS;
- (c) Advance-refunded municipal obligations;

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

(e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): Federal Home Loan Bank System - senior debt obligations; Resolution Funding Corp. (REFCORP) obligations; and Farm Credit System -consolidated systemwide bonds and notes;

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

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

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

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

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

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

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

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

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

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

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

(m) repurchase agreements which meet the following criteria:

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

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

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

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

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

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

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

"Project" means the wastewater treatment plant, and water and sewer improvements or rights therein to be acquired, constructed and installed by the City, as agent for the Trustee, and to be purchased by the City pursuant to the Purchase Agreement.

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

"Purchase Agreement" means the Purchase Agreement, dated as of _____, 2008, by and between the City and the Trustee, as Seller, together with any duly authorized and executed amendment thereto.

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

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

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

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

"Registrar" means the Trustee.

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

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

"Reserve Fund" means the fund of that name created pursuant to Article III hereof.

"Reserve Fund Requirement" means if the Reserve Fund is required to be funded, an amount equal to the highest combined Debt Service in any Fiscal Year on the Outstanding Parity Obligations for which a separate reserve fund has not been or is not established except any Parity Obligations for which no reserve fund was or is required. During the 36-month build up of the Reserve Fund provided in Section 3.8, if funding of the Reserve Fund is required, the Reserve Fund Requirement on any date shall be that portion of the Reserve Fund Requirement which was required to have been deposited by such date. If the Reserve Fund is not required to be funded, the Reserve Fund Requirement is \$0.00.

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

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

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

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

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

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

"**Seller**" means the Trustee in its trust capacity as Seller under the Purchase Agreement.

"**State**" means the State of Arizona.

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

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

"**Trustee**" means _____, or any successor thereto acting as Trustee pursuant to this Trust Agreement and in its capacity as Seller under the Purchase Agreement.

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

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

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

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

ARTICLE II

SPECIAL REVENUE OBLIGATIONS

Section 2.1. Authorization of the Obligations. The Trustee is hereby authorized and directed to execute and deliver to the Original Purchaser, Obligations in an aggregate principal amount of \$_____ evidencing proportionate ownership interests in the Purchase Agreement and all Payments.

Section 2.2. Date. Each Obligation shall be dated the date of authentication 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 Obligations.

Section 2.3. Maturities and Interest Rates. The Obligations shall be in Authorized Denominations, except that no Obligation may have principal maturing in more than one year. The Obligations shall mature on the dates and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Maturity Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>
---	-----------------------------------	---------------------------------	---	-----------------------------------	---------------------------------

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

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

The interest on the Obligations until they come due shall be payable on each Interest Payment Date beginning on January 1, 2009. Said interest shall represent the portion of Payments designated as interest and coming due during the six-month period (or with respect to January 1, 2009, the period from the dated date) preceding each Interest Payment Date with respect to the Obligations.

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

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

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

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

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

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

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

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

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

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

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

(A) To any successor of the Depository;

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

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

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

Subject to any arrangements made by the Trustee with a Depository with respect to the Obligations held in a Book-Entry-Only System, which arrangements are hereby authorized subject to the approval of the City, principal of, premium, if any, and interest shall be payable on any Obligation as provided in this Agreement.

Section 2.5. Application of Proceeds. The proceeds received by the Trustee from the sale of the Obligations shall forthwith be set aside by the Trustee in the following respective funds and accounts and in the following order of priority:

(1) The Trustee shall deposit the amount of \$ _____ to the Costs of Issuance Fund; and

(2) The Trustee shall deposit the remainder of the proceeds in the amount of \$ _____ to the Acquisition Fund.

Section 2.6. Registration, Transfer and Exchange of Obligations, Replacement Obligations.

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

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

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

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

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

All Obligations executed and delivered upon any transfer or exchange of Obligations shall be the valid limited obligations of the City evidencing the same debt, and entitled to the same benefits under this Trust Agreement, as the Obligations surrendered upon transfer or exchange. Except as provided in Sections 2.6, 2.7 and 2.8 hereof, neither the City nor the Registrar shall be required (i) to make any exchange or transfer of a Obligation during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Obligations and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Obligations selected for redemption, in whole or in part.

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

Section 2.7. Special Agreement with Owners. Notwithstanding any provision of this Trust Agreement or of any Parity Obligation to the contrary, with the approval of the City (exclusive of any agreements with a Depository), any Paying Agent may enter into an agreement with any Owner providing for making all payments to that Owner of principal of, premium, if any, and interest on that Parity Obligation or any part thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as provided in this Trust Agreement and in the Parity Obligation, without presentation or surrender of the Parity Obligation, upon any conditions which shall be satisfactory to the Paying Agent and the City; provided, that payment in any event shall be made to the Person in whose name a Parity Obligation shall be registered on the Register, with respect to payment of principal and premium, on the date such principal and premium is due, and, with respect to the payment of interest, as of the applicable Regular Record Date or special record date, as the case may be.

Upon request, the Paying Agent will furnish a copy of each of those agreements, certified to be correct by an officer of the Paying Agent, to the Trustee, the Registrar and the City. Any payment of principal of, premium, if any, and interest on any Parity Obligation pursuant to such an agreement shall constitute payment thereof pursuant to, and for all purposes of, this Trust Agreement.

Section 2.8. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Obligation Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Obligations. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Obligations shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) Execution. 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) Ownership. The fact of the ownership of Obligations by any person and the amount, the maturity and the numbers of such Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.6 hereof.

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

Section 2.9. Payment of Unclaimed Amounts. In the event any check for payment of interest on an Obligation is returned to the Trustee unendorsed or is not presented for payment within two (2) years from its payment date or any Obligation is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such interest or principal due upon such Obligation shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Obligation who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Obligation or amounts due thereunder. The Trustee's obligation to hold such funds shall continue for two years and six months following the date on which such interest or principal payment became due, whether at maturity or the date fixed for redemption, or otherwise, at which time the Trustee shall surrender such unclaimed funds so held to the City, whereupon any claim of whatever nature by the Owner of such Obligation arising under such Obligation shall be made upon the City.

ARTICLE III

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

Section 3.1. Acquisition Fund. The Trustee shall establish a special trust fund designated as the "City of Chandler Water and Sewer Project Acquisition Fund (2008)" (hereinafter referred to as the "*Acquisition Fund*"); shall keep such Acquisition Fund separate and apart from all other funds and moneys held by it; and shall administer such Acquisition Fund as provided in this Trust Agreement.

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

Section 3.3. Payment of Project Costs.

(a) Payment or Reimbursement. The amount in the Acquisition Fund will be applied to the payment of the Project Costs, as hereinafter provided, upon receipt of a duly executed Payment Request Form in substantially the form attached hereto as *Exhibit B*, certified to by the City Representative. The Trustee shall remit to the payee designated in the Payment Request Form, the amount requested to be paid in such Payment Request Form within 2 Business Days following

submission of such Payment Request Form. Notwithstanding the foregoing, the Trustee shall apply moneys on deposit in the Acquisition Fund to reimburse the City for any Project Costs incurred or advanced by the City within 2 Business Days of receipt of a duly executed Reimbursement Request Form in substantially the form attached hereto as Exhibit C duly certified by the City Representative. The City shall not submit, in the aggregate, more than four Payment Request Forms and/or Reimbursement Request Forms in any one calendar month.

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

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

(d) **City to Construct Project.** Pursuant to the Purchase Agreement and subject to the terms and conditions thereof, the City has irrevocably been appointed by the Trustee as its sole and exclusive agent to act for and on behalf of the Trustee in the construction of the Project.

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

Section 3.5. Establishment and Application of Costs of Issuance Fund.

(a) **Establishment.** The Trustee shall establish a special trust fund designated as the "City of Chandler Water and Sewer Project Costs of Issuance Fund (2008)" (hereinafter referred to as the "*Costs of Issuance Fund*"), shall keep such Costs of Issuance Fund separate and apart from all other funds and moneys held by it, and shall administer such Costs of Issuance Fund as provided in this Article III.

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

(c) **Final Transfer and Closing.** On the earlier of March 1, 2009, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund or the Acquisition Fund as directed by the City Representatives, and the Costs of Issuance Fund shall be closed.

Section 3.6. Application of Acquisition Fund Investment Earnings. The Trustee shall transfer, on or before each Payment Date, any investment earnings on the moneys on hand in the Acquisition Fund (i) to the Acquisition Fund to be used for Project Costs, (ii) if directed by the City Representative, to the Payment Fund to be applied and credited to pay Payments due pursuant to the Purchase Agreement, or (iii) if directed by the City Representative, to the Rebate Fund.

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

Section 3.8. Reserve Fund. The Trustee shall establish a special fund designated as the "City of Chandler Water and Sewer Project Reserve Fund (2008)" (hereinafter referred to as the "*Reserve Fund*"). So long as the aggregate amount of Excise Taxes pledged and received by or on behalf of the City in the immediately preceding Fiscal Year is at least two times the highest 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 Debt Service requirement, the City shall in addition to the other Payments provided under the Purchase Agreement, pay to the Trustee for deposit into the Reserve Fund, on the first day of each month commencing the first month after the Available Revenues are below the required amount, one thirty-sixth (1/36th) of the Reserve Fund Requirement, until the amount in the Reserve Fund equals the Reserve Fund Requirement. If at the close of any Fiscal Year, Available Revenues are less than two times such highest Debt Service requirement, the City shall so notify the Trustee in writing.

In lieu of funding the Reserve Fund with cash payments, the City may deliver to the Trustee a Reserve Fund Guaranty as described in Section 3.9. The Trustee is authorized and directed to execute (if necessary), deliver and comply with all of the terms and conditions of any Reserve Fund Guaranty and Reserve Fund Guaranty Agreements and related restrictions or directions in connection with the Obligations and any Additional Parity Obligations.

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

Amounts in the Reserve Fund shall be drawn out by the Trustee and used to make payment of principal and interest on the Obligations, and on any Additional Parity Obligations for which a separate reserve fund is not established or not required, in the event that amounts in the Payment Fund or other funds held for payment of principal and interest on such Parity Obligations are insufficient.

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

In connection with the execution and delivery of any Additional Parity Obligations, if the above conditions requiring the funding of the Reserve Fund have occurred and if the City elects to fund the reserve fund with respect to such Parity Obligations, the Reserve Fund shall be funded in an amount equal to the Reserve Fund Requirement which applies after the execution and delivery of such Parity Obligations or the City shall deliver to the Trustee a Reserve Fund Guaranty complying with the requirements of Section 3.9 hereof, or a combination of the foregoing. Notwithstanding the foregoing, the City reserves the right to not require a reserve fund with respect to Additional Parity Obligations or to establish a separate reserve fund for any or all executions and deliveries of Additional Parity Obligations which may, in lieu of the Reserve Fund created herein, be funded (if the above conditions for funding the Reserve Fund occur) with the Reserve Fund Requirement applicable to such issue or covered by a Reserve Fund Guaranty or a combination thereof, provided that amounts to be paid into any such separate reserve fund or to pay the Reserve Fund Guarantor, other than from proceeds of such issue, shall be made on a parity with payments into the Reserve Fund hereby established and shall not exceed, in any Bond Year, the proportionate deficit payment allocable to such separate reserve fund. For the purposes hereof, "proportionate deficit payment" means an amount which bears the same proportion to the deficit in a given separate reserve fund that the amount available to remedy deficits in the Reserve Fund and all separate reserve funds bears to the aggregate deficit or deficits in the Reserve Fund and all separate reserve funds.

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

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

If on any January 1 or July 1, the Reserve Fund Value exceeds the Reserve Fund Requirement, such excess shall be transferred to the Payment Fund or other applicable payment

fund in proportion to the amounts next to come due on Parity Obligations for which a separate reserve fund is not established or for which no reserve fund is required or to reimburse any amounts drawn on the Reserve Fund Guaranty and any interest thereon except, with respect to the Obligations or any issue of Additional Parity Obligations with respect to which a Reserve Fund Guaranty is in effect, as may otherwise be provided in the Reserve Fund Guaranty Agreement..

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

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

ARTICLE IV

REDEMPTION OF OBLIGATIONS

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

(a) **Mandatory Redemption from Sinking Fund Installments.** The Obligations maturing on July 1, 20__, shall be redeemed at their principal amounts without premium, on July 1 in each of the years 20__ through and including 20__, in the amounts as follows:

<u>Year</u>	<u>Principal</u>
-------------	------------------

(Maturity)

(b) Mandatory Redemption from Sinking Fund Installments. The Obligations maturing on July 1, 20__, shall be redeemed at their principal amounts without premium, on July 1 in each of the years 20__ through and including 20__, in the amounts as follows:

<u>Year</u>	<u>Principal</u>
-------------	------------------

(Maturity)

In lieu of redeeming Obligations pursuant to this Section 4.1(a), the Trustee may, at the written request of the City Representative, use such funds otherwise available hereunder for redemption of Obligations to purchase Obligations then subject to redemption in the open market, such Obligations to be delivered to the Trustee for the purpose of cancellation. It is understood that in the case of any such purchase of Obligations, the City shall receive credit against its required mandatory sinking fund payments in the manner specified in an Officer's Certificate or if no certificate is delivered in the inverse order thereof.

In the event of optional redemption of less than all Obligations, the amount of future sinking fund redemptions with respect to such maturity will be reduced as specified in a certificate of the City Representative to take into account such partial redemption or if no certificate is delivered in inverse order thereof.

(c) Optional Redemption. Obligations maturing on or before July 1, 20__, are not subject to optional redemption in advance of maturity. Subject to (f) below, the Obligations maturing on or after July 1, 20__, shall be subject to optional redemption by the Trustee at the option of the City as directed by a certificate of the City Representative received by the Trustee at least ten (10) Business Days before the making of the minimum notice required under subsection (d)(i), in whole or in part, on any date on or after July 1, 20__, at the redemption price of the principal amount being redeemed, plus accrued and unpaid interest, if any, to the redemption date, but without premium.

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

date of redemption and such amounts shall have been deposited into the Rebate Fund and sufficient amounts remain in the Payment Fund to pay the principal or redemption price, all as evidenced in the notice to the Trustee from the City Representative. The Trustee shall, upon receipt of such notice, proceed to pay or redeem all such Outstanding Obligations in the manner provided by this Section 4.1.

(e) Notice of Redemption.

(i) The Trustee shall cause notice of any redemption of Obligations hereunder to be (A) mailed to the Owners of all Obligations to be redeemed at the registered addresses appearing in the Register kept for such purpose pursuant to Section 2.6 hereof and (B) transmitted electronically to the Depository and to one or more national information services such as Financial Information, Inc.'s Financial Daily Called Bond Service, Kenny Information Service's Called Bond Service and Moody's Investors Service, Inc. Municipal and Government; provided however, failure to deliver notice to the information services shall not affect the validity of the redemption of any Obligation. Each such notice shall (1) be sent no more than 60 nor fewer than 30 calendar days prior to the redemption date, (2) identify the Obligations to be redeemed (specifying the CUSIP numbers, if any, assigned to the Obligations), (3) specify the maturity date of the Obligations being redeemed, redemption date and the redemption price, (4) set forth the name, address and telephone number of the person from whom information pertaining to the redemption may be obtained, and (5) state that on the redemption date the Obligations called for redemption will be payable at the Designated Office of the Trustee, that from that date interest will cease to accrue, that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Obligations. No defect affecting any Obligation, whether in the notice of redemption or the delivery thereof (including any failure to mail such notice), shall affect the validity of the redemption proceedings for any other Obligations.

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

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

A certificate of the Trustee shall conclusively establish the mailing or delivery of any such notice for all purposes.

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

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

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

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

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

ARTICLE V

PAYMENTS; PAYMENT FUND

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

Section 5.2. Payment Fund. The Trustee shall establish a special fund designated as the "City of Chandler Water and Sewer Project Payment Fund (2008)" (which shall also be known as the "*Payment Fund*"). Payments shall be deposited therein as provided in this Trust Agreement.

The City has no interest in the Payment Fund. The Trustee acknowledges that it holds the Payment Fund as agent for the Owners as their interests appear. The moneys in the Payment Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise in this Trust Agreement or any Supplemental Trust Agreement, shall be applied by the Trustee solely to pay principal (including sinking fund installments) of, premium, if any, and interest on the Obligations.

The Trustee shall transmit to any Paying Agents, as appropriate, from moneys in the Payment Fund applicable thereto, amounts sufficient to make timely payments of principal of and interest and any premium on the Obligations to be made by those Paying Agents and then due and payable. The City authorizes and directs the Trustee to cause withdrawal of moneys from the Payment Fund which are available for the purpose of paying, and are sufficient to pay, the principal of and interest and any premium on the Obligations as they become due and payable (whether at stated maturity, by redemption or upon acceleration), for the purposes of paying or transferring moneys to the Paying Agents which are necessary to pay such principal, interest and premium.

Section 5.3. Rebate Fund. There is hereby created and ordered maintained as a separate deposit account in the custody of the Trustee a fund to be designated as the "City of Chandler Water and Sewer Project Rebate Fund (2008)" (hereinafter referred to as the "*Rebate Fund*"). Money and investments in the Rebate Fund shall not be used for the payment of debt service on the Obligations and any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder. Moneys and investments in the Rebate Fund are not included within the trust estate executed in the granting clauses hereof and shall be invested pursuant to the procedures and in the manner provided for investment of moneys in the Funds.

Unless otherwise provided in Subsequent Rebate Instructions (defined below), promptly after the end of every fifth Obligation Year and promptly after the payment in full of all Outstanding Obligations, the City shall engage, and furnish information to, the Rebate Consultant to calculate the Rebate Amount as of the end of every fifth Obligation Year or the date of such payment in full and shall provide to the Trustee copies of such calculations. Upon the occurrence of an Event of Default and at the request of the Trustee, the Rebate Consultant shall calculate the Rebate Amount as of the date requested by the Trustee and provide such calculation to the Trustee

on or before the date so requested. In either event, the Trustee shall then notify the City Representative in writing of the amount then on deposit in the applicable account in the Rebate Fund.

If the Rebate Consultant fails to make the calculation of Rebate Amount by the 30th day after the end of every fifth Obligation Year or the date of payment in full of the Obligations, the Trustee shall retain an independent certified public accounting firm or other qualified independent person, at the expense of the City, to make or cause to be made such calculation and shall provide copies of such calculations to the City.

If the amount then on deposit in the Rebate Fund is in excess of the Rebate Amount as computed by the Rebate Consultant, the Trustee shall forthwith pay that excess amount to the City. If the amount then on deposit in the Rebate Fund is less than the Rebate Amount (computed by taking into account the amount or amounts, if any, previously paid to the United States pursuant to this Section), the City shall, within five days after receipt of the aforesaid notice from the Trustee, pay to the Trustee from Excise Taxes, or other funds legally available therefor, for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Rebate Amount.

If at any time the Trustee is required to retain or pay a Rebate Consultant, then the Trustee, after delivering to the City a demand for payment of an amount sufficient to pay the Rebate Consultant, shall withdraw from any fund established hereunder, such amount as may be needed to pay the Rebate Consultant. If at any time when the Trustee is required to withdraw money from the Rebate Fund to make a payment to the United States of America the amount held by the Trustee in the Rebate Fund is insufficient to permit such withdrawal and payment, then the Trustee, after delivering a demand for such deficiency to the City, shall withdraw from any fund established hereunder and transfer the amount so withdrawn in each case to the Rebate Fund in such amounts as may be to make the amount in the Rebate Fund, after such transfers, equal to the amount required to be withdrawn and paid to the United States of America.

This Section shall supersede all other sections of this Trust Agreement, to the end that the interest on the Obligations shall not be included in gross income for federal income tax purposes as a result of the inadequacy at any time of the Rebate Fund, unless the total amount held by the Trustee in all Funds established hereunder is insufficient, and no money for such purpose is provided by City.

Within 60 days after the end of the fifth Obligation Year and every fifth succeeding Obligation Year thereafter, the Trustee, acting on behalf of the City, shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as the City may direct the Trustee to pay) of the Rebate Amount earned from the date of the original delivery of the Obligations to the end of such fifth Obligation Year including income attributable to Rebate Amount during the final payment period (as defined in applicable Regulations under the Code).

Within 60 days after the payment in full of all Outstanding Obligations, the Trustee shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then

on deposit in the Rebate Fund an amount equal to 100% of the Rebate Amount earned from the date of the original delivery of the Obligations to the date of such payment. Any moneys remaining in the Rebate Fund following such payment shall be paid to the City.

The City and the Trustee shall comply with any written instructions relating to this Section 5.3 furnished after the execution and delivery of the Obligations from the City and accompanied by an opinion of nationally recognized bond counsel addressed to the City and the Trustee to the effect that compliance with such instructions will not adversely affect any exclusion of interest on any of the Obligations from gross income for federal income tax purposes (the "*Subsequent Rebate Instructions*"), even if such Instructions are different from or inconsistent with this Section. The City and the Trustee shall be entitled to rely conclusively on the calculations made pursuant to this Section and any Subsequent Rebate Instructions and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in reliance upon those calculations.

The Trustee shall obtain and keep records of the computations made pursuant to this Section and all original source documents and other information necessary to, or from, such computations for a period ending six years after the last of the Obligations is retired.

The Trustee shall keep and make available to the City such records concerning the investments of the gross proceeds of the Obligations and the investments of earnings from those investments as may be required by the Rebate Consultant in order to enable the Rebate Consultant to make the aforesaid computations as are required under Section 148(f) of the Code. The City shall obtain and keep such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code.

The Trustee shall establish in the Rebate Fund and any other Fund such accounts and subaccounts as it deems desirable in order to assist it in determining applicable accounting for tax purposes and recordkeeping activities in connection therewith.

All computations and determinations pursuant to this Section shall be made in accordance with Section 148(f) of the Code.

Section 5.4. Surplus. Any surplus remaining in any of the Funds created hereunder, after payment of all Obligations, including accrued interest and any applicable fees, expenses or indemnities 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 5.5. Unclaimed Moneys. In case any moneys deposited with the Trustee for the payment of the principal (including sinking fund installments) of, premium, if any, or interest on any Obligation remain unclaimed for one year, the Trustee shall so notify the City in writing, and upon receipt of an Officer's Certificate so directing shall pay over to the City, upon behalf of the City, the amount so deposited and thereupon the Trustee and the City shall be released from any further liability with respect to the payment of such principal, premium or interest and the Owner of such Obligation shall be entitled (subject to any applicable statute of limitations) to look only to the City as an unsecured creditor for the payment thereof.

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 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 or delivered by either except (a) in lieu of, or upon transfer of registration or exchange of, any Obligation as provided herein, or (b) Additional Parity Obligations executed and delivered on a parity herewith pursuant to Section 6.3 hereof.

Section 6.3. Additional Parity Obligations. So long as any of the Obligations remain outstanding, neither the Trustee nor the City will further encumber the Excise Taxes pledged under the Purchase Agreement on a basis equal to the pledge thereunder unless the Available Revenues in the immediately preceding Fiscal Year shall have amounted to at least three times the highest combined Debt Service requirement for the current or any succeeding Fiscal Year for all Outstanding Parity Obligations. Subject to the foregoing, and to other terms and conditions set forth in the Purchase Agreement, the City shall have the right to incur Additional Parity Obligations payable from and secured by Excise Taxes. Such obligations shall have a series designation different from the Obligations and may include any long term obligation or deferred payment for property including, without limitation, installment purchase or lease purchase agreements. For the purpose of this Section 6.3, 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 lease purchase or installment purchase payments.

ARTICLE VII

MONEYS IN FUNDS; INVESTMENT

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 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 Obligations.

Section 7.2. Investments Authorized. Upon oral (promptly confirmed in writing) or written order of the City Representative, moneys held by the Trustee hereunder (other than as provided in Section 2.9 hereof) shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments having the highest yield reasonably obtainable. The City Representative may direct such investment in specific 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. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Section 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. 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. At the direction of the City, any such income, profit or interest shall be transferred to the Rebate Fund.

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 with the Owners of the Obligations that it will make no use of the proceeds of the Obligations or other moneys which would cause the obligations of the City under the Purchase Agreement to be "arbitrage bonds"

subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended.

Section 7.7. Tax Covenants. In addition to the provisions of Section 5.3 hereof, in consideration of the acceptance and execution of the Purchase Agreement by the Trustee and the purchase by the Obligation Owners, from time to time, and in consideration of retaining the exclusion of interest income from gross income on the Trust Agreement and the Obligations for federal income tax purposes, the City covenants with the Trustee and the Obligation Owners from time to time to neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in interest income on the Trust Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Trust Agreement 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 the Purchase Agreement or the Obligations from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements to be prepared by special counsel; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Trust 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 Trust Agreement; and limiting the use of the proceeds of the Trust Agreement and property financed thereby.

ARTICLE VIII

THE TRUSTEE

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

The Trustee is hereby authorized to redeem the Obligations when duly presented for payment at maturity and to cancel all Obligations upon payment thereof. The Trustee shall

permanently keep accurate records of all funds administered by it and of all Obligations paid and discharged.

Section 8.2. Liability of Trustee; Standard of Care. The recitals of facts, covenants and agreements herein and in the Obligations contained shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Trust Agreement or of the Obligations or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Obligations assigned to or imposed upon them, respectively, including but not limited to the Trustee's obligations under Section 7.7 hereof. Prior to the occurrence of an Event of Default hereunder, or after the timely cure 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 his own 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 of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation shall be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the City with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it 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 of this Trust Agreement upon the faith thereof, but in its

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

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

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

The Trustee may execute any of the trusts or powers 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 under this Trust Agreement 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 of this Trust Agreement.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the existence, furnishing or use of the Project.

Notwithstanding any provision in this Trust Agreement or the Purchase 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 11(a)(i)(A) of the Purchase Agreement or Section 12.2(a)(i) hereof, 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 25% in aggregate principal amount of the Obligations then Outstanding.

Section 8.5. Compensation of Trustee. The City shall from time to time, as agreed upon between the City and the Trustee, pay to the Trustee reasonable compensation for its services, including an hourly rate based fee after an Event of Default, and shall reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder.

Section 8.6. Removal of Trustee. The City (but only if no Event of Default has occurred and is continuing) or the Owners of a majority in aggregate principal amount of all Obligations Outstanding, by written directive given to the Trustee, at any time and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank with trust powers or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section 8.6, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time give written notice to the City of its resignation. 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 30 days following receipt of such notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. Trustee and City shall execute any documents reasonably required to affect the transfer of rights and obligations of the Trustee to the successor trustee. Upon such acceptance, the successor trustee shall mail notice thereof to the Obligation Owners at their respective addresses set forth on the Obligation registration books maintained pursuant to Section 2.6 hereof.

Notwithstanding the foregoing, in the event the Trustee merges or becomes consolidated with any other entity which resulting entity is otherwise qualified to be a successor trustee hereunder, such resulting entity shall assume all rights, obligations and duties of the Trustee hereunder and under the Purchase Agreement without the execution or filing of any papers or any further act on the part of either party hereto.

Section 8.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement, 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 to this Trust Agreement 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 under this Trust Agreement, which shall be available for inspection by the City or any of its 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. This Trust Agreement and the rights and obligations of the Owners of the Obligations, and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of Obligations disqualified as provided in Section 9.3 hereof, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Purchase 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.

This Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners only (1) to provide for additions to the Project, (2) 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, (3) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (4) to facilitate the execution and delivery of Additional Parity Obligations, (5) with respect to rating matters, or (6) 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 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. Amendment With Written Consent of Obligation Owners. This Trust Agreement and the Purchase Agreement may be amended by a supplemental agreement as provided in this Section 9.2 in the event the consent of the Owners of the Obligations are required pursuant to Section 9.1 hereof. A copy of such supplemental agreement, together with a request to the Obligation Owners for their consent thereto, shall be mailed by the Trustee to each Owner of an Obligation at his address as set forth on the Obligation registration books maintained pursuant to Section 2.6 hereof, but failure to mail copies of such supplemental agreement and request shall not

affect the validity of the supplemental agreement when assented to as in this Section 9.2 provided.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations disqualified as provided in Section 9.3 hereof) and a notice shall have been mailed as hereinafter in this Section 9.2 provided. The consent of an Owner of an Obligation shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by Section 2.8 hereof. Any such consent shall be binding upon the Owner of the Obligation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section 9.2 provided for has been mailed.

After the Owners of the required percentage of Obligations shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Obligations in the manner hereinbefore provided in this Section for the mailing of such supplemental agreement of the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Obligations and will be effective as provided in this Section 9.2 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental agreement shall become effective upon the mailing of such last mentioned notice, and such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Obligations at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 9.3. Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

Section 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 Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of 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 Purchase Agreement, as the case may be, for any and all purposes.

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

Section 9.5. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that Obligations delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Obligation Outstanding at such effective date and presentation of his Obligation for the purpose at the office of the Trustee, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to such Obligation Owners' action, which substitute Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Obligation then Outstanding, such substitute Obligation shall be exchanged at the Designated Office of the Trustee, without cost to such Owner, for an Obligation of the same character then Outstanding, upon surrender of such Outstanding Obligation.

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

ARTICLE X

COVENANTS, NOTICES

Section 10.1. Compliance With and Enforcement of Purchase Agreement. The City covenants and agrees with the Owners of the Obligations to perform all obligations and duties imposed on it under the Purchase 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 Purchase Agreement. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting its estate in the Project, which may or can in any manner affect such estate of the City, will deliver the same, or a copy thereof, to the Trustee.

Section 10.2. Observance of Laws and Regulations. The City will 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. Recordation and Filing. The City shall file this Trust 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 Obligation Owners.

Section 10.4. 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 Purchase Agreement, and for the better assuring and confirming unto the Owners of the Obligations the rights and benefits provided herein.

Section 10.5. Notification to the City of Failure to Make Payments; Other Matters. The Trustee shall notify the City of any failure by the City to make any Payment or other payment required under the Purchase 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 Purchase Agreement.

(a) **Moody's.** The Trustee shall mail notice, by first class mail, to Moody's of any of the following:

- (i) any change in the Trustee or Paying Agent;
- (ii) any material change to this Trust Agreement; and
- (iii) any redemption of any of the Obligations.

(b) **Fitch.** The Trustee shall mail notice, by first class mail, to Fitch of any of the following:

- (i) any change in the Trustee or Paying Agent;
- (ii) any material change to this Trust Agreement; and
- (iii) any redemption of any of the Obligations.

(c) **S&P.** The Trustee shall mail notice, by first class mail, to S&P of any of the following:

- (i) any change in the Trustee or Paying Agent;
- (ii) any material change to this Trust Agreement; and
- (iii) any redemption of any of the Obligations.

Section 10.6. Business Days. Except as otherwise required herein, if this Trust Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE XI

LIMITATION OF LIABILITY

Section 11.1. Limited Liability of the City. Except for the payment of Payments from Excise Taxes when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained herein and in the Purchase Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Obligations with respect to this Trust Agreement, or the terms, execution, delivery or transfer of the Obligations, or the distribution of Payments to the Owners by the Trustee.

Section 11.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owners of the Obligations with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

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 use, maintenance, condition or management of, or from any work or thing done on, the Project, or the site of the Project, or any portion thereof, by the City; (b) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Project; (c) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (d) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Project; (e) the construction or acquisition of the Project or Project Costs; (f) the actions of any other party, including but not limited to the operation or use of the Project or the site of the Project, or any portion thereof, by the City; (g) the ownership of the Project, or the site of the Project, or any portion thereof, (h) the Trustee's exercise and performance of its powers and duties hereunder, or (i) 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 Obligations, including the costs and expenses of defending itself against any claim of liability arising under this Trust Agreement. 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 for indemnification under this Section: (i) shall remain valid and binding notwithstanding, and shall survive, the maturity and payment of the Obligations or resignation or removal of the Trustee or the termination of this Trust Agreement, and (ii) shall not

be limited by any nonrecourse or other limitations of liability provided for in the Purchase Agreement or any other document or instrument relating to the Obligations.

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, the Trustee shall notify the City in writing of such circumstances or action (the "*Notification*"). Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by City hereunder. The City shall give the Trustee notice of its election within 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 OBLIGATION OWNERS

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

Section 12.2. Remedies Upon Default; Acceleration.

(a) **Breach.** Upon:

(i) the nonpayment of the whole or any part of any Payment at the time when the same is to be paid as provided herein or in the Purchase Agreement,

(ii) the violation by the City of any other covenant or provision of the Purchase Agreement, this Trust Agreement,

(iii) the nonpayment of installment payments under any other Parity Obligations, other than the Obligations, or the occurrence of an event of default with respect to any other Parity Obligations, or

(iv) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

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

(i) in the case of nonpayment of any Payment under the Purchase Agreement or the nonpayment of installment payments under any other Parity Obligations on their respective due dates,

(ii) in the case of the breach of any other covenant or provision of this Trust Agreement or the Purchase Agreement within 60 days after notice in writing from the Trustee specifying such default, and

(iii) with respect to any other default with respect to Parity Obligations other than the Obligations, upon the giving of applicable notice and passage of time required thereunder,

(c) Remedies. Then the Trustee may

(i) take whatever action at law or in equity may appear necessary or desirable to collect the Payments and any other amounts payable by the City hereunder or under the Purchase Agreement, then due and thereafter to become due, or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under this Trust Agreement or the Purchase Agreement,

(ii) transfer to the City any remaining portions of the Project or rights thereto still held by the Trustee, whether or not completed, and

(iii) pursue any other remedy at law or in equity, including the remedy of specific performance.

(d) No Acceleration. Notwithstanding any default hereunder, the Obligations shall not be subject to acceleration for any reason.

Section 12.3. Application of Funds. Proceeds from the exercise of any other remedies hereunder or under the Purchase Agreement after payment or reimbursement of the reasonable fees and expenses of the Trustee in connection therewith, including reasonable attorneys' fees, shall be applied as follows:

(a) Order of Payment. Subject to (b) below, unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

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

(b) Default Payment Date. Whenever moneys are to be applied pursuant to this Section, the Trustee shall fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give or cause to be given notice of such payment, by first-class mail, to the Owners of Obligations at least 8 days before such date. If the Book-Entry System is not in effect, the Trustee shall not be required to make payment to the Owner of any Obligation until such Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid. Any surplus thereof shall be paid to the City as directed by the City Representative.

Section 12.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 12.5. Non-waiver. Nothing in this Article XII or in any other provision of this Trust Agreement or in the Obligations, shall affect or impair the obligation of the City to pay or prepay the Payments as provided in the Purchase Agreement, or affect or impair the right of action, which is absolute and unconditional, of the Obligation Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Obligations to exercise any right or power arising upon the happening of any Event of Default shall impair any

such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XII to the Trustee or the Owners of Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Obligation Owners.

Section 12.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

Section 12.7. Limitation on Obligation Owners' Right to Sue. No Owner of any Obligation executed and delivered hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Obligations of any remedy hereunder; it being understood and intended that no one or more Owners of Obligations shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

ARTICLE XIII

MISCELLANEOUS

Section 13.1. Defeasance. If and when all Outstanding Obligations shall be paid and discharged in any one or more of the following ways:

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

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

(c) **Government Obligations Deposit.** By depositing with a Depository Trustee, in trust for such purpose, any noncallable Government Obligations in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all Obligations (including all principal, premium and interest, at their respective maturity dates or prior redemption, which deposit may be made in accordance with the provisions of Section 9 of the Purchase Agreement;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to all Outstanding Obligations shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from 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 Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such funds.

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 or for the payment of any other amounts due and payable by City hereunder or under the Purchase Agreement, shall be paid over to the City.

Any Obligation or portion thereof in Authorized Denominations may be paid and discharged as provided in this Section 13.1; provided that if any such Obligation or portion thereof will not mature within 60 days of the deposit referred to in paragraphs (b) or (c) of this Section 13.1, the Trustee shall give notice of such deposit by first class mail to the Owners.

After provision for the Obligations has been made under (c) above, at the direction of the City, all or any part of the Government Obligations held by the Depository Trustee may be liquidated and the proceeds therefrom together with all or any portion of the moneys held by the Depository Trustee may be used to acquire other Government Obligations which the Depository

Trustee shall hold provided that thereafter the moneys and Government 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 Obligations (including all principal and interest) at their respective maturity dates.

No Payment or 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 Payment or Obligation is made, the interest payable on any 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 Payments or Obligations.

No Payment or Obligation may be so provided for based on redemption prior to maturity unless the Trustee has mailed irrevocable notice of redemption for such Obligations as required pursuant to Section 4.1(d) or the City has given the Trustee irrevocable instructions to redeem such 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 \$50,000,000 and subject to supervision or examination by federal or State of Arizona authority.

Section 13.2. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the 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
55 N. Arizona Place
Chandler, Arizona 85225
Attention: Management Services Director

If to the Trustee: _____

Attention: Corporate Trust Department

If to Moody's: Moody's Investors Service
250 Greenwich Street
7 World Trade Center
New York, New York 10007

If to S&P: Standard & Poor's
Municipal Structured Group
55 Water Street, 38th Floor
New York, New York 10041

If to Fitch: Fitch Ratings

One State Street Plaza
New York, New York 10004

Section 13.4. Covenant as to Conflict of Interest. A.R.S. Section 38-511 provides that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. In addition, the City may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City from any other party to the contract arising as a result of the contract.

Section 13.5. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of Arizona.

Section 13.6. Binding Effect and Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Trust Agreement 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 Obligations. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Obligations, the Trustee may, upon the request of the City Representative, in lieu of such cancellation and delivery, destroy such 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 of this Trust Agreement. 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 Limited Benefit of Agreement; Third Party Beneficiaries. This Trust Agreement is not intended for the benefit of and shall not be construed to create rights in parties other than the City, the Trustee, the Registrar, the Paying Agent and the Owners.

The Registrar and the Paying Agent each shall be a third-party beneficiary of the provisions hereof which grant rights to such party.

Section 13.11. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 13.12. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

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

_____, **as Trustee**

By _____
Its _____

CITY OF CHANDLER, ARIZONA

By _____
Mayor

ATTEST:

City Clerk

EXHIBIT A

(FORM OF BOOK-ENTRY-ONLY OBLIGATION)

No: _____

Denomination: \$ _____

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

**EXCISE TAX REVENUE OBLIGATION
SERIES 2008**

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

CITY OF CHANDLER, ARIZONA

to

_____,
as Trustee

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP No.</u>
_____	July 1, _____	_____, 2008	

Registered Owner: CEDE & CO.

Principal Amount:

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Excise Tax Revenue Obligation, Series 2008 (the "Obligation") is the owner of an undivided proportionate interest in the right to receive certain payments under and defined in that certain Purchase Agreement (the "Purchase Agreement"), dated as of _____, 2008, by and between _____ (the "Trustee"), and the City of Chandler, Arizona, a municipal corporation and a political subdivision existing under the laws of the State of Arizona (the "Buyer"), which payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under a Trust Agreement dated as of _____, 2008 (the "Trust Agreement") by and between the Buyer and the Trustee. The Trustee maintains a corporate trust office in Phoenix, Arizona (the "Designated Office").

The registered owner of this Obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the maturity date set forth above or sooner as provided below, the principal amount set forth above, representing a portion of the Payments designated as principal coming due (the "Principal"), and to

receive semiannually on January 1 and July 1 of each year commencing January 1, 2009 (the "*Payment Dates*"), until payment in full of said portion of principal, the registered owner's proportionate share of the Payments designated as interest coming due (the "*Interest*") during the six (6) months immediately preceding each of the Payment Dates, or, if no Interest has been paid, from the Date of Original Issuance specified above. Interest is calculated based on the application to the Principal of the interest rate or rates per annum. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Said amounts representing Interest are payable by check mailed when due by first class mail by the Trustee to the registered owner in whose name this Obligation is registered at the close of business on the applicable record date (as described below) at the owner's address as it appears on the registration books of the Trustee; provided, however, that interest payable to any owner of \$1,000,000 or more in principal amount of Obligations may be paid by wire transfer in immediately available funds to an account in the United States if the owner makes a written request of the Trustee at least ten (10) days before the applicable record date specifying the account address. The notice may provide that it shall remain in effect for subsequent interest payments until otherwise requested in a subsequent written notice. Said amounts representing Principal are payable when due upon surrender of this Obligation at the Designated Office of the Trustee.

The regular record date for the payment of Interest is the close of business on the fifteenth day of the month preceding the Interest Payment Date. If Interest is not timely paid or provided for, a special record date shall be fixed by the Trustee for the payment of such overdue Interest. Notice of the special record date shall be mailed to registered owners not fewer than ten days prior thereto. The Principal of and Interest and any premium on this Obligation are payable in lawful money of the United States of America, without deduction for the services of the Trustee.

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

The recitals, statements and representations made in this Obligation shall be taken and construed as made by and on the part of the Buyer, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

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

This Obligation has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement. The Buyer is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by resolution of the Mayor and Council of the Buyer adopted _____, 2008 (the "*Resolution*"). Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office of the Trustee) for a description of the terms on which the Obligations are delivered, the rights thereunder of the registered owners of the Obligations, the rights, duties and immunities of the Trustee and the rights and obligations of the Buyer under the Purchase Agreement, to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees.

The Obligations are payable from "Payments" to be made by the Buyer pursuant to the Purchase Agreement. The Buyer is required under the Purchase Agreement to make Payments from Excise Taxes (as defined below), which Payments are sufficient to pay, when due, the annual principal and interest due with respect to the Obligations. "*Excise Taxes*" means all unrestricted excise, transaction, franchise,

privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose. 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 Purchase Agreement and the Trust Agreement.

The Obligations are payable from a pledge of, and secured by a first lien on, the Excise Taxes as are necessary for the prompt and punctual payment of the Obligations, all as more fully described in, and provided by, the Purchase Agreement. All Obligations of the total authorized amount are co-equal as to the pledge of and lien on all such Excise Taxes securing the payment thereof, and share ratably without any preference, priority or distinction as to the source or method of payment from Excise Taxes and security thereof. **The owner hereof shall never have the right to demand payment of this Obligation or any Payments under the Purchase Agreement out of any funds other than said described income and revenues pledged for payment thereof and such other funds as may be provided for under the Trust Agreement.** The rights of the Owner hereof to payment from Excise Taxes are secured by a first lien upon the Excise Taxes on a parity with any other obligations hereafter executed and delivered on a parity therewith pursuant to the Trust Agreement and the Purchase Agreement.

THE OBLIGATIONS, THE PURCHASE AGREEMENT AND THE OBLIGATION OF THE BUYER TO MAKE PAYMENTS THEREUNDER DO NOT REPRESENT OR CONSTITUTE A GENERAL OBLIGATION OF THE BUYER, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF FOR WHICH THE BUYER OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION, OTHER THAN THE OBLIGATION OF THE BUYER TO LEVY EXCISE TAXES, NOR DO THE OBLIGATIONS, THE PURCHASE AGREEMENT OR THE OBLIGATION TO MAKE PAYMENTS THEREUNDER CONSTITUTE AN INDEBTEDNESS OF THE BUYER, THE STATE OF ARIZONA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OR OTHERWISE.

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

For further definitions, a description of the terms on which the Obligations are executed and delivered, a more complete statement of the income and revenues from which, and conditions under which, this Obligation is payable, the conditions under which Additional Parity Obligations (as defined in the Trust Agreement) may be authorized, a statement of the terms under which the Trust Agreement or the Purchase Agreement may be modified, a statement of the general covenants and provisions pursuant to which this Obligation is executed and delivered, and of the rights of the holders of the Obligation, reference is made to the Trust Agreement and the Purchase Agreement, and to all the provisions thereof the owner hereof, by acceptance of this Obligation, consents and agrees. All Obligations of the total authorized amount are co-equal as to the pledge of and a first lien on all Excise Taxes securing the payment thereof, and share ratably without any preference, priority or distinction as to the source or method of payment from Excise Taxes and security thereof.

The Obligations are issuable only as fully registered bonds in authorized denominations and, except as hereinafter provided, in printed or typewritten form, registered in the name of CEDE & CO. as nominee of The Depository Trust Company (DTC), which shall be considered to be the registered owner for all purposes of the Trust Agreement, including, without limitation, payment of debt service and purchase price, and receipt of notices and exercise of rights by registered owners. There shall be a single Obligation for each maturity which shall be immobilized in the custody of DTC with the beneficial owners having no right to

receive Obligations in the form of physical securities or certificates. Ownership of beneficial interests in the Obligations shall be shown by book entry on the system maintained and operated by DTC and its participants, and transfers of ownership of beneficial interests shall be made only by DTC and its participants and by book entry, the Buyer and the Trustee having no responsibility therefor. DTC is expected to maintain records of the positions of participants in the Obligations, and the participants and persons acting through participants are expected to maintain records of the purchasers of beneficial interests in the Obligations. The Obligations as such shall not be transferable or exchangeable, except as provided in the Trust Agreement. As used herein, "Business Day" is a day of the year other than (a) a Saturday or a Sunday, (b) a day on which banks located in the States of Arizona or New York or any other state in which is located the Designated Office of the Trustee or the Paying Agent are required or authorized by law or other governmental action to be closed and (c) a day on which the New York Stock Exchange or the Depository is closed.

DENOMINATIONS

Obligations shall be executed and delivered in the denomination of \$5,000 and integral multiples thereof.

REDEMPTION

The Obligations are subject to redemption prior to stated maturity, as follows:

Sinking Fund Redemption

The Obligations maturing on July 1, 20__, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount of the Obligations redeemed plus accrued interest at the redemption date, on July 1, in each of the years and amounts as follows:

Redemption Date <u>(July 1)</u>	Redemption <u>Amount</u>
------------------------------------	-----------------------------

20__ (Maturity)

The Obligations maturing on July 1, 20__, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount of the Obligations redeemed plus accrued interest at the redemption date, on July 1, in each of the years and amounts as follows:

Redemption Date <u>(July 1)</u>	Redemption <u>Amount</u>
------------------------------------	-----------------------------

20__ (Maturity)

In the event of optional redemption of Obligations subject to mandatory sinking fund redemption, the amount of future mandatory sinking fund redemptions will be reduced as specified by the Buyer to take into account such partial redemption.

Optional Redemption

The Obligations maturing on or after July 1, 20__, shall be subject to optional redemption at the direction of the representative of the Buyer, in whole or in part, on any date on or after July 1, 20__, at the redemption price of the principal amount called for redemption, plus accrued and unpaid interest, if any, to the redemption date, but without premium.

Notice of Redemption

If less than all of the outstanding Obligations of a single maturity are to be called for redemption, the Obligations (or portions hereof) to be redeemed will be selected by the Depository, according to its procedures or if the Book-Entry-Only System is not in effect then by the Trustee by lot or in any customary manner as determined by the Trustee. Redemption shall be in Authorized Denominations or any integral multiples thereof.

The Trustee shall give notice of any redemption of this Obligation as provided above no more than 60 nor less than 30 calendar days prior to the redemption date to the registered owner at its address shown on the registration books maintained by the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

If at the time of mailing of the notice of redemption there has not been deposited with the Trustee moneys or eligible securities sufficient to redeem all Obligations called for redemption and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the redemption and satisfaction of such conditions. If Obligations or portions thereof are called for redemption and if on the redemption date moneys for the redemption thereof are held by the Trustee and those other conditions are met, thereafter those Obligations or portions thereof to be redeemed shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement. The failure to receive any notice of redemption, or any defect in such notice in respect of any Obligation, shall not affect the validity of redemption of any Obligation.

ENFORCEMENT

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Purchase Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

AMENDMENTS

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate value of the Obligations then outstanding, and may be amended without such consent under certain circumstances but in no event such that the interests of the owners of the Obligations are adversely affected, provided that no such amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Payment thereof in accordance with such owner's Obligation.

TRANSFER

So long as the Book-Entry-Only System is in effect, this Obligation shall not be transferred except to a successor securities depository. If the Book-Entry-Only System is not in effect, this Obligation is

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

EXHIBIT B

PAYMENT REQUEST FORM

Application No. _____

The Trustee is hereby requested to pay from the Acquisition Fund, as defined in the Trust Agreement, dated as of _____, 2008 (the "Trust Agreement"), among the City of Chandler, Arizona (the "City") and _____, as trustee (the "Trustee"), to the person or corporation designated below as Payee, the sum set forth below such designation, in payment of the Project Costs (as defined in the Trust Agreement) described below. The amount shown below is due and payable under a purchase order or contract with respect to the Project Costs described below and has not formed the basis of any prior request for payment.

Payee: _____

Address: _____

Amount: _____

Description of Project Costs or portion thereof authorized to be paid to the Payee:

_____.

The City acknowledges that it has received and inspected each item of the Project described above and has found each item of the Project so described to be in good condition, in conformity with the City's specifications and satisfactory for the Buyer's purposes and in accordance with the applicable Construction Contract and the plans for the Project. Accordingly, the City hereby accepts each item of the Project so described. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released the Contractor or Vendor named herein from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item of the Project described above.

By execution of this Payment Request Form, the Buyer requests and approves the payment of the amount stated above to the Payee set forth above.

DATED: _____.

CITY OF CHANDLER, ARIZONA

By _____
City Representative

Please forward payment to Payee at the following address:

EXHIBIT C

REIMBURSEMENT REQUEST FORM

Application # _____

The Trustee is hereby requested to pay from the Acquisition Fund established by the Trust Agreement, dated as of _____, 2008 (the "Trust Agreement"), between the City of Chandler, Arizona (the "City"), and _____, as trustee (the "Trustee"), to the City, the sum set forth below as reimbursement of (all/a portion) of the Project Costs (as defined in the Trust Agreement) described below. Payment of the amount, shown below was made by the City on _____, 20__, as evidenced by _____, attached hereto, as full/partial payment of invoice No. _____ of _____, also attached hereto. The amount shown below was paid by the City as a Project Cost and has not formed the basis of any prior request for payment. The City hereby certifies that the statutorily prescribed period within which laborers', materialmen's or mechanics' lien may be filed has expired (or that an appropriate bond has been filed there against) with respect to the items covered by this Reimbursement Request Form and there are no such liens, other liens or security interest outstanding with respect to the Project.

The City acknowledges that it has received and has inspected each item of the Project described below and has found each item of the Project so described to be in good condition, in conformity with the City's specifications and satisfactory for the City's purposes. Accordingly, the City hereby accepts each item of the Project so described. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released the Contractor or Vendor named on the attached documentation, from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item of the Project described below.

Amount: _____

Description of Project Cost or portion thereof for which reimbursement is hereby requested:

_____.

Dated: _____, 20__.

By _____
City Representative

Date received: _____, 20__.

By _____
City Representative

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2008

NEW ISSUE – BOOK-ENTRY-ONLY

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

In the opinion of Gust Rosenfeld P.L.C., 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 Obligations will be excluded from gross income for federal income tax purposes and exempt from Arizona income taxes. Interest income on the Obligations is not an item of preference to be included in computing the alternative minimum tax of individuals or corporations; such interest income must, however, 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.

\$33,645,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2008

Dated: Date of Initial Delivery

Due: July 1, as shown below

The Excise Tax Revenue Obligations, Series 2008 (the “Obligations”) will be executed and delivered to (i) pay costs associated with various capital improvements to the City of Chandler, Arizona’s (the “City”) water and wastewater system (the “System”), (ii) to refund certain maturities of the City’s outstanding water revenue bonds (the “Bonds being Refunded”) and (iii) to pay costs of execution and delivery of the Obligations. See “PLAN OF FINANCE” and “PLAN OF REFUNDING” herein.

Interest on the Obligations will accrue from the date of initial delivery thereof and be payable semiannually on each January 1 and July 1, commencing January 1, 2009 (each an “Interest Payment Date”). The Obligations will be dated the date of initial delivery and will be issuable as fully registered bonds without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial interests in the Obligations will be available to purchasers in amounts of \$5,000 of principal due on a single maturity date and any integral multiple thereof only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Obligations. See “THE OBLIGATIONS – Book-Entry-Only-System” herein.

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

The Obligations will be payable from installment payments to be made by the City pursuant to a Purchase Agreement, dated as of _____, 2008, between the City and _____, as Trustee (the “Trustee”). The installment payments 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 Parity Obligations (as defined herein). See “SECURITY AND SOURCES OF PAYMENT” herein.

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

See Maturity Schedule on Inside Front Cover

Proposals may be submitted only as an electronic bid using the facilities of PARITY® until 9:30 a.m., Pacific Daylight Time, on October 22, 2008. All proposals should be submitted in accordance with the Notice Inviting Bids For The Purchase of Obligations (the “Notice”). Please refer to the Notice beginning on page (i) herein for additional information concerning bidding parameters and requirements for the purchase of the Obligations.

The Obligations are offered when, as and if issued by the City and received by the Purchaser, subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, as to validity and tax exemption. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about November 5, 2008*.

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

* Preliminary, subject to change.

\$33,645,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2008

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No. (a)</u>
		%	%	

(a) Copyright 2007, American Bankers' Association. CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for information only. The City takes no responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

CITY OF CHANDLER, ARIZONA

CITY COUNCIL

Boyd W. Dunn, *Mayor*
Lowell Huggins, *Vice Mayor*
Bob Caccamo, *Councilmember*
Trinity Donovan, *Councilmember*
Kevin Hartke, *Councilmember*
Matt Orlando, *Councilmember*
Jeff Weninger, *Councilmember*

CITY ADMINISTRATIVE OFFICERS

W. Mark Pentz, *City Manager*
Rich Dlugas, *Assistant City Manager*
Pat McDermott, *Assistant City Manager*
Dennis Strachota, *Management Services Director*
Mary Wade, *City Attorney*
Marla Paddock, *City Clerk*

BOND COUNSEL

Gust Rosenfeld P.L.C.
Phoenix, Arizona

FINANCIAL ADVISOR

Piper Jaffray & Co.[®]
Phoenix, Arizona

TRUSTEE, BOND REGISTRAR AND PAYING AGENT

[TBD]

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the City of Chandler, Arizona (the "City") Excise Tax Revenue Obligations, Series 2008 (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.

TABLE OF CONTENTS

	<u>Page</u>
NOTICE INVITING BIDS FOR THE PURCHASE OF OBLIGATIONS.....	i
INTRODUCTORY STATEMENT	1
THE OBLIGATIONS.....	1
Authorization and Use of Funds	1
General Provisions	1
Redemption Provisions	2
Registration, Transfer and Exchange	2
Book-Entry-Only System.....	2
SECURITY AND SOURCES OF PAYMENT	4
General.....	4
Reserve Fund; Funding Conditional	5
Junior Lien Obligations.....	6
EXCISE TAXES	6
SCHEDULE OF DEBT SERVICE COVERAGE ON OBLIGATIONS	9
TAX EXEMPTION.....	10
ORIGINAL ISSUE DISCOUNT.....	11
ORIGINAL ISSUE PREMIUM	11
LEGAL MATTERS	12
LITIGATION	12
CANCELLATION OF CONTRACTS.....	12
FINANCIAL STATEMENTS.....	13
CONTINUING DISCLOSURE.....	13
RATINGS.....	13
POLITICAL DONATIONS	13
CONCLUDING STATEMENT	13

- Appendix A - City of Chandler, Arizona, General and Financial Information
- Appendix B - Form of Opinion of Special Counsel
- Appendix C - Summary of Select Provisions of Principal Documents
- Appendix D - Audited Financial Statements of the City of Chandler, Arizona
for the Fiscal Year Ended June 30, 2007
- Appendix E - Form of Continuing Disclosure Certificate
- Appendix F - Book-Entry-Only System

\$33,645,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS
SERIES 2008

NOTICE INVITING BIDS FOR THE PURCHASE OF OBLIGATIONS

NOTICE IS HEREBY GIVEN that unconditional bids will be received to and including the hour of 9:30 a.m., Mountain Standard Time ("*MST*"), on October 22, 2008, by the City of Chandler, Arizona (the "*City*"), for the purchase of all, but not less than all, of \$33,645,000* aggregate principal amount of its Excise Tax Revenue Obligations, Series 2008 (the "*Obligations*"). A bid may be submitted only through the facilities of PARITY® ("*PARITY*"). Submission of bids is further discussed below. The Management Services Director will announce the bids received and will award the contract for the purchase of obligations to the winning bidder at such time.

The City reserves the right to continue the date for receipt of bids. If the date for receipt of bids is continued, the City will give notice of the continuance by PARITY at i-Deal.com, prior to 11:00 a.m. MST on the business day prior to October 22, 2008.

The Obligations will be dated the date of initial delivery, and will bear interest from their date to the maturity of each of the Obligations at a rate or rates per annum of not to exceed 9.0%. Interest on the Obligations is payable semiannually on January 1 and July 1 commencing January 1, 2009. The Obligations will mature on July 1 in the years 2009 through 2028, inclusive, in the principal amounts as follows:

Maturity Date (July 1)	Principal Amount	Maturity Date (July 1)	Principal Amount
2009	\$600,000	2019	\$1,500,000
2010	900,000	2020	1,800,000
2011	900,000	2021	1,900,000
2012	1,000,000	2022	1,700,000
2013	1,000,000	2023	1,800,000
2014	1,000,000	2024	2,000,000
2015	1,100,000	2025	2,500,000
2016	1,100,000	2026	3,000,000
2017	1,500,000	2027	3,500,000
2018	1,200,000	2028	3,645,000

* Preliminary, subject to change

OPTIONAL REDEMPTION: Obligations maturing on or before July 1, 2018, are not subject to call for redemption prior to their stated maturity dates. Obligations maturing on or after July 1, 2019 are subject to call for redemption prior to their stated maturity dates, at the option of the City, in whole or in part on July 1, 2018, or on any interest payment date thereafter by the payment of a redemption price equal to the principal amount of each Obligation called for redemption plus accrued interest to the date fixed for redemption but without premium.

PURPOSE: The Obligations are being issued to improve and add to the existing sewer system, specifically to expand the treatment and water reclamation facilities, to refund certain maturities of the City's water and sewer revenue refunding bonds and to pay the costs of issuance of the Obligations.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of 9:30 a.m., MST. The time maintained by PARITY shall constitute the official time.

ADJUSTMENT OF OBLIGATIONS AFTER OPENING OF BIDS: The aggregate principal amount of the Obligations is preliminary and subject to change but in no event will exceed an aggregate principal amount of \$33,645,000*. The City reserves the right to reduce the principal amount of Obligations for which proposals are being solicited by an amount up to \$2,000,000.00. The bid price paid by the winning bidder will be adjusted to reflect any change in the aggregate principal amount of the Obligations. Such adjusted bid will reflect changes in the dollar amount of the underwriting discount and original issue discount/premium, but will not change the underwriting discount percentage based on the bid price in the winning bid and the initial reoffering prices. The interest rates specified by the winning bidder for each maturity will not change. The winning bidder may not withdraw its bid as a result of any changes made within these limits. A representative of the City will notify the winning bidder of the final principal maturity amounts and the resulting adjusted purchase price no later than 11 A.M., MST on the date of award of the Obligations.

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

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

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

* Preliminary, subject to change

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

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

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

FORM OF BID; SURETY BOND: The Official Bid Form for the Obligations will be available on the PARITY system and all bids must be submitted on that form. All bids must be covered by a financial surety bond in the amount of \$672,900.00* from an insurance company licensed to issue such a bond in the State of Arizona and such bond must be submitted to the Financial Advisor prior to the opening of the bids. The financial surety bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. The bidder to whom the Obligations are awarded must submit its Deposit to the City in the form of a certified check or wire transfer in the amount of \$672,900.00* (the "*Deposit*"), as instructed by the Financial Advisor or the City, not later than 1:00 p.m., MST, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond may be drawn on by the City to satisfy the Deposit requirement. The Deposit of the successful bidder will be applied to the purchase price of the Obligations or retained and forfeited as liquidated damages in the event such bidder does not take up and pay for the Obligations immediately upon their issuance. No interest will be paid on the Deposit of any bidder.

The Financial Advisor to the City has reserved the right to bid on the Obligations.

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

* Preliminary, subject to change

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

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

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

DTC may determine to discontinue providing its services with respect to the Obligations at any time by giving notice to the Bond Registrar and Paying Agent and to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), physical certificates representing the Obligations will be registered in the names of the Beneficial Owners and executed and delivered. In addition, the City may determine to discontinue the Book-Entry-Only System of transfers through DTC (or a successor securities depository). In such event, physical certificates representing the Obligations will be registered in the names of the Beneficial Owners and executed and delivered. Upon registration

of Obligations in the Beneficial Owner's name, the Beneficial Owners will become the owners of the Obligations (the "*Owners of the Obligations*") for all purposes, including the receipt of principal and interest payments and notices with respect to the Obligations. See "THE OBLIGATIONS-Book-Entry-Only System" in the Official Statement.

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

PAYMENT OF OBLIGATIONS: So long as the Book-Entry-Only System is in effect, all payments of principal, interest and premium, if any, shall be paid to DTC. If the Book-Entry-Only System is not in effect, interest on the Obligations shall be payable by check mailed on or prior to the interest payment date to the Owners of the Obligations at the addresses of such owners as they appear on the books of the Registrar on the record date (as described hereafter). Principal of, and premium, if any, on the Obligations shall be paid when due upon surrender of such Obligations at the designated corporate trust office of the Registrar (unless the Owner of the Obligations is eligible for payment by wire transfer). Upon prior written request of an Owner of at least \$1,000,000 in principal amount of Obligations outstanding or on any Obligations held by a securities depository made at least twenty (20) days prior to an interest payment date, all payments of interest and, if adequate provision for surrender is made, principal and premium, if any, shall be paid by wire transfer in immediately available funds to an account within the United States of America designated by such Owner of the Obligations.

RECORD DATE: The record date for determination of ownership for payment of interest shall be the fifteenth calendar day prior to an interest payment date. The Registrar shall pay interest to the Owners of record on the record date notwithstanding that transfers of ownership may occur on any Obligation between the record date and the next interest payment date.

SECURITY: Principal of and interest on the Obligations are payable solely from excise taxes of the City, meaning all unrestricted excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, and state revenue-sharing, now or hereafter validly imposed by the City or contributed, allocated and paid over to the City and not earmarked by the contributor for a contrary or inconsistent purpose ("*Excise Taxes*"). 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 Purchase Agreement and the Trust Agreement.

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

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

COST OF OBLIGATION FORMS: The City shall bear the cost of printing of the Obligations and will furnish full executed Obligations, registered in the name of the purchaser or nominees, to the purchaser upon payment therefor.

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

or due to any person who was significantly involved in initiating, negotiating, securing, drafting or creating the contract for the purchase of the Obligations on behalf of the City.

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

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

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

QUALIFIED TAX EXEMPT OBLIGATIONS: The Obligations will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*").

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

PRELIMINARY OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The City deems the Preliminary Official Statement provided in connection with the sale of the Obligations to be final as of its date except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder.

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

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

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

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

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

ADDITIONAL INFORMATION: Copies of the Official Bid Form and Notice Inviting Bids for the Purchase of Obligations and the Official Statement will be furnished to any bidder upon request made to the Clerk of the City of Chandler, Arizona; or to Piper Jaffray & Co., 2525 E. Camelback Road, Suite 925, Phoenix, AZ 85016, telephone 602.808.5428, Financial Advisor to the City.

CITY OF CHANDLER, ARIZONA

OFFICIAL STATEMENT

\$33,645,000*
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2008

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the appendices hereto, provides certain information concerning the Excise Tax Revenue Obligations, Series 2008 (the "Obligations"), to be executed and delivered in the aggregate principal amount of \$33,645,000*. The Obligations are payable solely from installment payments (the "Payments") to be made by the City of Chandler, Arizona, (the "City") pursuant to a Purchase Agreement, dated as of _____, 2008 (the "Purchase Agreement"), between the City, as buyer, and _____, in its capacity as trustee (the "Trustee"), as seller. The Obligations are being executed and delivered for the purpose of providing funds (i) to pay costs associated with certain capital improvements (the "Improvements") to the City's Water and Wastewater System (the "System") and (ii) to pay the costs and expenses relating to the issuance of the Obligations. The Obligations will be executed and delivered pursuant to a Trust Agreement, dated as of _____, 2008 (the "Trust Agreement"), between the City and the Trustee. All of the Trustee's interest under the Purchase Agreement, including, without limitation, the right to receive and collect the Payments and the right to enforce the payment of Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX B – "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS" herein.

The payments to be made by the City under the Purchase Agreement are payable from and secured by a lien on and pledge of the Excise Taxes (hereinafter defined) received by the City which may hereafter be, executed and delivered at the direction of the City described under the heading "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 Purchase Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Purchase 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

Authorization and Use of Funds

The Bonds will be issued by the City pursuant to the Constitution and laws of the State, including particularly Title 35, Chapter 3, Article 3 of the Arizona Revised Statutes and in accordance with the provisions of Resolution No. 4220 adopted by the Mayor and Council of the City on _____, 2008 (the "Resolution").

Proceeds from the Obligations will be used to fund capital improvements to the City's water and wastewater system.

General Provisions

The Trustee is authorized to prepare, execute and deliver the Obligations in the aggregate principal amount of \$33,645,000* evidencing proportionate ownership interest in the Payments.

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

* Preliminary, subject to change.

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

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

The Obligations initially will be dated their date of initial delivery. Interest on the Obligations will be payable on each January 1 and July 1 (each such date is referred to herein as an “Interest Payment Date”), commencing January 1, 2009, and will accrue from their dated date.

Redemption Provisions*

Optional Redemption: Obligations maturing on or before July 1, 2018 are not subject to call for redemption prior to maturity. Obligations maturing on or after July 1, 2019 are subject to call for redemption prior to their stated maturity dates, at the option of the City, in whole or in part, on any date on or after July 1, 2018, by the payment of a redemption price equal to the principal amount of each Obligation called for redemption plus accrued interest to the date fixed for redemption, but without premium.

Registration, Transfer and Exchange

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

Book-Entry-Only System

This information concerning DTC and DTC’s book-entry system is based solely on information provided by DTC. Accordingly, neither the City nor the Trustee takes responsibility for the accuracy thereof. The Owners should confirm this information with DTC or the DTC participants.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity of the Obligations, totaling in the aggregate the principal amount of the Obligations, and will be deposited with DTC. The owners of book-entry interest will not receive or have the right to receive physical delivery of the Obligations.

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

* Preliminary, subject to change.

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities 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” and, together with the Direct Participants, “Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial interests in 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 Beneficial Owner is in turn to be recorded on the Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Obligations are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 Obligations with DTC and their registration in the name of Cede & Co. or such other nominee effect no 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.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations such as redemptions (if any), defaults, and proposed amendments to the Senior Bond Resolution. 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 Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall 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 the Obligations 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 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).

Principal, and interest payments represented by the Obligations will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the City or the Trustee on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the

responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the Trustee or the City. Under such circumstances, in the event that a successor securities depository is not obtained, Obligations are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered.

THE CITY AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE OBLIGATIONS UNDER THE SENIOR BOND RESOLUTION; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OBLIGATIONS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OBLIGATIONS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF OBLIGATIONS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered Owner of the Obligations, as nominee for DTC, references in this Official Statement to "Owner" or registered owners of the Obligations (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Obligations.

When reference is made in this Official Statement 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 Registrar to DTC only.

SECURITY AND SOURCES OF PAYMENT

General

The Obligations are special revenue obligations of the City, payable solely from payments to be paid by the City, as buyer, to the Trustee, as seller, pursuant to the Purchase Agreement. The Trustee will hold its right, title and interest in the Purchase Agreement in trust for the benefit of the Owners of the Obligations pursuant to the Trust Agreement. The Obligations, the Purchase 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 received by the Trustee from the City under the Purchase Agreement, amounts from time to time deposited in the funds created under the Trust Agreement, and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States in order to continue the exclusion of the interest payable on the Obligations from gross income for federal income tax purposes). See "APPENDIX C – SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS."

The Payments to be made by the City are secured by a pledge b the City of 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. 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 Purchase Agreement and the Trust Agreement.

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

Additional Parity Obligations

In the Purchase 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 next preceding fiscal year shall have amounted to at least three times the highest combined Debt Service (as defined below) for any succeeding fiscal year for all Parity Obligations, including the Additional Parity obligations proposed to be secured by a pledge of the same Excise Taxes. Subject to the foregoing and the other terms and conditions of the Purchase Agreement, the City shall have the right to issue future Parity Obligations payable from and secured by the Excise Taxes on parity with the Obligations.

“Debt Service” means with respect to any Parity Obligations, as of any date of calculation and with respect to any fiscal year, the sum of (1) the interest falling due during such fiscal year (except to the extent that such interest is payable from proceeds of the Parity obligations or other amounts set aside for such purposes at the time such Parity Obligations are incurred), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similarly denoted pricing 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.

Excise Taxes

The Excise Taxes pledged to payment of 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. The major categories of such revenues are discussed more fully below. *See* “2008 Certificates – Excise Taxes.”

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 collected for the preceding Fiscal Year are at least two (2) times the highest combined Debt Service on all Parity Obligations for the current or any future Fiscal Year. In the event that the Excise Taxes collected for the preceding Fiscal Year are less than two (2) times the highest combined Debt Service on all Parity Obligations for the

current or any future Fiscal Year, the City is required to deposit into the Reserve Fund, on the first day of each month, one-thirty-sixth (1/36th) of such highest combined annual Debt Service on the Parity Obligations (the “Reserve Fund Requirement”), except for any Parity Obligations for which a separate reserve fund is established or for which no reserve fund is required, until the amount in the Reserve Fund equals the Reserve Fund Requirement.

In lieu of, or in combination with, funding, the City may deliver a Reserve Fund Guaranty (hereinafter defined). Reserve Fund Guaranty means a letter of credit, surety bond, or similar arrangement representing an 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 a Rating Agency.

Junior Lien Obligations

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

EXCISE TAXES

Excise Taxes are the City's unrestricted excise, transaction, franchise, privilege and business taxes, fines, forfeitures, fees for licenses and permits, 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, to the amounts to come due under the Purchase Agreement and the Trust Agreement.

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 the 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. As a result of the mid-decade special census, the City's share of “State-Shared Sales Taxes” and “State-Shared Income Taxes” will be adjusted beginning in fiscal year 2006/07.” 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.”

The following table sets forth the City's Excise Tax collections for fiscal years 2003-04 through 2008-09 as provided by the City.

City of Chandler Excise Tax Collections FY 2003-04 to FY 2008-09						
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u> ¹
Privilege License Tax	64,814,503	72,462,945	87,491,645	92,644,933	93,896,950	92,109,000
Privilege License Fee	441,088	460,126	524,830	889,960	924,086	850,000
Priv. Lic. Audit Assessments	1,653,186	881,317	1,271,835	1,558,582	2,065,435	2,000,000
Privilege License Penalty	628,303	706,980	255,791	293,125	310,694	300,000
Privilege Tax Interest	0	7,937	12,947	23,859	29,676	25,000
Sales Tax Sharing AZ Mills	273,087	82,604	0	0	0	-
Total	67,810,167	74,601,909	89,557,048	95,410,460	97,226,841	95,284,000

¹ Fiscal year 2008-09 numbers are annualized estimates provided by the City's Budget Division and as such are “forward looking statements” that should be considered carefully.

Source: City of Chandler Management Services Department.

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

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

<u>Taxable Activities</u>	<u>Chandler Tax Rate</u>
Advertising	1.50%
Amusements	1.50%
Construction Contracting	1.50% of 65% of gross
Jet Fuel Sales (and Use)	\$0.02300/gallon
Job Printing	1.50%
Manufactured Housing	1.50%
* State treats as contracting	
Timber & Extraction	1.50%
Mining	0.1%
Publishing	1.50%
Hotel/Motel	1.50%
Transient Lodging	4.40% (1.50% + 2.9%)
Rentals – Real Property	
Residential	1.50%
Commercial	1.50%
Tangible Personal Property Rentals	1.50%
*Car Rentals subject to	1.50%
Stadium Tax Surcharge	
Restaurants/Bars	1.80%
Retail Sales	1.50%
Telecommunications	2.75%
Transportation for Hire	1.50%
Utilities	2.75%
Use Tax	1.50%

Source: The City.

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

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

**State Sales Tax
Taxable Activities, Tax Rates and Distribution Share**

<u>Taxable Activities</u>	<u>Tax Rate</u>	<u>Distribution Base</u>
Amusement	5.000%	
Job Printing	5.000	
Mining	3.125	
Owner Builder Sales	5.000	
Personal Property Rental	5.000	
Pipeline	5.000	
Prime Contracting	5.000	
Private Car Line	5.000	
Publication	5.000	
Restaurant	5.000	
Retail	5.000	
Telecommunications	5.000	
Utilities	5.000	
Transportation	5.000	
Transient Lodging	5.500	

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.**

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

SCHEDULE OF DEBT SERVICE COVERAGE ON OBLIGATIONS (a)

Fiscal Year Ended June 30	Excise Tax Revenues (b)	Outstanding Excise Tax Revenue Obligation Debt Service	Plus: The Obligations*		Annual Debt Service Requirements*	Projected Debt Service Coverage*	Less: Water & Wastewater Revenue Supported Excise Tax Obligations Debt Service (f)*	Net Debt Debt Service Requirements*
			Principal	Interest (c)				
2008	[To Come]	\$0	[To Come]	(d)				\$0
2009								
2010								
2011								
2012								
2013								
2014								
2015								
2016								
2017								
2018								
2019								
2020								
2021								
2022								
2023								
2024								
2025								
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>

- (a) Prepared by Piper Jaffray & Co. (the "Financial Advisor").
- (b) Excise Tax revenues shown are the unaudited collections for Fiscal Year 2007-08.
- (c) Interest is estimated at ___%.
- (d) The first interest payment on the Obligations will be due January 1, 2009. 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 in the outstanding principal amount of \$_____ 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.

* Preliminary, subject to change.

TAX EXEMPTION

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, (the “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, interest income on 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 initial execution and delivery of the Obligations. A 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 Obligations 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 Obligations being included as gross income for federal income tax purposes, under certain circumstances, from the date of initial execution and delivery. The opinion of Special Counsel assumes continuing compliance with such restrictions, conditions and requirements.

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

Notwithstanding the preceding sentence, included in the adjustments of AMTI for corporations is an adjustment increasing any such corporation’s AMTI by seventy-five percent (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 adjusted current earnings and the alternative tax net operating loss deduction). A corporation’s “adjusted current earnings” includes all tax-exempt interest, including the interest on the Obligations.

Although Special Counsel has rendered an opinion that, as of the delivery date of the Obligations, interest income of the Obligations is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Obligations may otherwise affect a holder’s federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers purchasing beneficial interests in 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 holder. The nature and extent of these other tax consequences will depend upon the holder’s particular tax status and the holder’s other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

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 July 1, 20__ (referred to in this section as “Discount Obligations”) may be less than the amount 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 of the Discount Obligations based upon the amounts shown herein (the “Issue Price”), and the amount payable at maturity of the Discount Obligations will be treated as “original issue discount”. With respect to a taxpayer 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 includable in the gross income of the holder of the Discount Obligation for federal income tax purposes or Arizona income tax purposes and that holder will not, under present Federal income tax law or present Arizona income tax law, realize taxable 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 accruing daily over the term of such Discount Obligations on the basis of a constant interest rate compounding at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight line interpolation between compounding dates).

The amount of original issue discount accruing each period will be added to the holder’s tax basis for the Discount Obligations. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Obligations. A holder 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 original issue discount accrued 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 accrual of original issue discount in the case of subsequent purchasers of the Discount Obligations. Holders who do not purchase the Discount Obligations in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Obligations.

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

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

ORIGINAL ISSUE PREMIUM

The Obligations maturing on July 1, 20__ through July 1, 20__ (referred to in this section as “Premium Obligations”) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Obligation, based on the yield to maturity of that Premium Obligation (or, in the case of a Premium Obligation callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of the earliest call date that results in the lowest yield on that Premium Obligation), compounded semiannually. No portion of that bond premium is deductible by the holder of a Premium Obligation. For purposes of determining the holder’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Obligation, the holder’s tax basis in the Premium Obligation is reduced by the amount of bond premium that accrues during the period of ownership. As a result, a holder may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Obligation for an amount equal to or less than the amount paid by that holder for that Obligation. A purchaser of a Premium Obligation at its issue price in the initial offering who holds that Obligation to maturity (or, in the case of a callable Premium Obligation, to its earliest call date that results in the lowest yield on that Obligation) will realize no gain or loss upon the retirement of that Obligation.

Holders of Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Obligations and as to other federal tax consequences and the treatment of bond premium for State and local tax purposes.

LEGAL MATTERS

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

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

LITIGATION

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

There are several claims pending against the City of Chandler. The City retains the first two million dollars of each loss, and has excess insurance coverage for the next thirty million dollars. The City is adequately funded for its retention. In addition, the following lawsuits of note have been filed against the City.

It has been alleged improper road design lead to two fatalities and other injuries to passengers of a vehicle driven by a young driver. The City denies the allegations and is vigorously defending this lawsuit. The City received a notice of claims for eleven million dollars.

A plaintiff alleges that he was hit by a vehicle that was fleeing from the Gila River Police, who were acting at the request of the Chandler Police to stop the vehicle for a traffic violation. The plaintiff's current demand is eight million dollars. The City has filed a Motion for Summary Judgment and will vigorously defend this matter.

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 Purchase 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, 2007 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 Bonds (the "Undertaking"), the form of which is included in APPENDIX F – "FORM OF CONTINUING DISCLOSURE UNDERTAKING." Pursuant to the Undertaking, the City will agree for the benefit of the owners of the Bonds to provide certain financial information and operating data in each year and to provide notices of the occurrence of certain enumerated material events. The Undertaking by the City will only apply so long as the Bonds remain outstanding under the Bond Resolution, and will terminate upon any termination of the continuing disclosure requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule") by legislative, judicial or administrative action. The Undertaking will be delivered in order to assist the Underwriter in complying with the Rule. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. The City has been and is now in material compliance with all of its prior undertakings for purposes of the Rule.

RATINGS

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

POLITICAL DONATIONS

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

CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Purchase 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 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.

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

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

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

CITY OF CHANDLER, ARIZONA

By: _____
Boyd Dunn, Mayor

CITY OF CHANDLER, ARIZONA, GENERAL AND FINANCIAL INFORMATION

General

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

The City was founded in 1912 and incorporated in 1920. The City has a estimated population of 250,936 as of July 1, 2007. The following table sets forth a record of the population statistics of the City since 1960, 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>
2007 Estimate	250,936 (a)	3,764,446	6,239,482
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
1970 Census	13,763	971,228	1,775,399

(a) Estimate provided by the City.

Source: Arizona Department of Economic Security, Research Administration, Population Statistical Unit and the City Planning and Development Department

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>
2008	70.0
2007	64.2
2006	64.0
2005	63.3
2004	63.3
2003	62.2

Source: The City Management Services Department and Long Range Planning Department.

Municipal Government and Organization

The City adopted the City Charter in 1965 which provides for a Council-Manager form of government. The seven-member Council is elected at-large on a staggered basis and consists of the mayor and six councilmembers. The mayor is elected for a two-year term while councilmembers serve a four-year term.

The City Council appoints the City Manager who has full responsibility for carrying out council policies and administering City operations. The City Manager is responsible for appointment of department heads. The City employees are hired under procedures as specified in the City Charter. The government and operations of the City are provided by a staff of approximately 1,700.

Economy

The major economic sectors contributing to the economic base of the City include government, manufacturing, financial services, commercial activities (including construction and commerce), high technology and tourism. The City is home to a wide variety of high technology industries, including over 173 manufacturers with a total of more than 40,000 employees.

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

UNEMPLOYMENT AVERAGES

<u>Calendar Year</u>	<u>City of Chandler</u>	<u>Maricopa County</u>	<u>State of Arizona</u>	<u>United States</u>
2008 ⁽¹⁾	2.8%	3.6%	4.2%	4.2%
2007	2.5	3.2	3.8	4.6
2006	2.7	3.5	4.2	4.6
2005	3.1	4.1	4.7	5.1
2004	3.0	4.0	4.8	5.5

(1) As of June 2008.

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

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

**INDUSTRIAL AND BUSINESS PARKS
City of Chandler, Arizona**

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

Source: The City Economic Development Department.

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

Employment and Employers

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

MAJOR MANUFACTURING EMPLOYERS City of Chandler, Arizona

<u>Employer</u>	<u>Description</u>	<u>Employees</u>
Intel	Microprocessors	11,400
Orbital Sciences	Aerospace Launch Systems	1,625
Microchip Technology	Microprocessors	1,485
Freescale Semiconductor	Semiconductors/Satellite Systems	1,450
Avnet	Computer Group	500
Craftco (including Headquarters)	Asphalt Paving Compound	500
Gold Canyon Candles	Candle Manufacturing	500
Tri-City Mechanical	Air Conditioning Contractors and Service	493
Marvell	Electronics & Semiconductor Products	450
Rogers Corporation	Microwave Substrates	450
Heraeus	Semiconductor Products / Biotechnology	430
Amkor	Electronics & Semiconductor Products	350
Goodrich Turbo Resources	Aerospace Components	300
Inter-Tel, Inc.	PABX Systems	300
Indoff Inc.	Material Handling Equipment - Wholesale	300
Rogers Circuit Materials Units	Flexible Circuit Materials	300
Signal Technologies, Inc.	Electrical Components	285
South Bay Circuits	Circuit Boards	260
Triangle Truss Inc.	Wooden Floor Tresses	250
STC Microwave Systems	Microwave Subsystems	230
Turbo Machinery Products	Turbo Jet Engine Components	226
Pacific Scientific Energetic Mtls.	Fire Suppression Components	210

Source: The City Planning and Development Department, Economic Development Division and Management Services Department, Sales Tax Division.

Intel Corporation

Intel Corporation ("Intel") in 2007 constructed a one million square foot wafer chip fabrication facility known as FAB 32. This facility represents more than \$3 billion in capital investment and 1,000 new high tech jobs to the City.

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</u>	<u>Description</u>	<u>Approximate Number of Employees</u>
Chandler Unified School District	Public Education	2,400
Countrywide Home Mortgage	Mortgage Processing Center	2,350
Wells Fargo Ocotillo Corporate Campus	Regional Corporate Headquarters	2,200
Chandler Regional Hospital	Hospital	1,784
City of Chandler	Government	1,701
Verizon Wireless	Regional Corporate Headquarters	1,695
Pearson Education	Textbook and Software Development	720
Basha's Distribution Center	Food Distribution	700
Americredit	2nd Tier Financial Services	650
Toyota Financial Services	Financial Services Center	455
Allied Interstate	Call Center	450
CDW Corporation	Technology Customer Sales Center	450
Basha's Corporate Office	Corporate Headquarters	414
Covance	Drug Development Services	325
First Credit Union	Financial Services	249
Cardinal Health	Medical	240
Erickson Construction	General Construction	225
Hensley	Distribution	200

Source: The City Chamber of Commerce, the City Planning and Development Department and the City Economic Development Department.

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 have occurred, the contribution of agricultural production to the economy of the City has decreased.

Construction

Set forth immediately below is recent historic information in regard to the value of various types of building permits issued by the City for the period shown. A record of recent historic information pertaining to estimated residential housing starts occurring within the City for the period shown is included thereunder.

VALUE OF BUILDING PERMITS
City of Chandler, Arizona
(\$000's omitted)

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Total</u>
2008 (a)	36,832	103,444	0	13,188	153,464
2007	333,332	785,344	2,258	1,425	1,122,359
2006	342,706	479,328	4,268	23,221	849,523
2005	526,390	469,269	10,904	30,955	1,037,518
2004	775,242	332,478	5,298	34,930	1,147,948

(a) Data through first quarter of 2008.

Source: Arizona State University, Polytechnic Campus. Note that the Bureau obtains its data from County and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost at the time the permit is issued, not on market price or value of construction. The date on which the permit is issued is not to be construed as the date of construction.

NEW HOUSING STARTS
City of Chandler, Arizona

<u>Calendar Year</u>	<u>Total New Housing Units</u>
2008 (a)	208
2007	1,474
2006	1,554
2005	3,076
2004	4,109

(a) Data through first quarter of 2008.

Source: *Arizona Business*, Arizona State University Polytechnic Campus. Note that the campus obtains its data from County and municipal divisions which issue such permits. The date on which the permit is issued is not to be construed as the date of construction.

Commerce

The retail shoppers of the City are served by a central business district located in the downtown area. This downtown business district is a retail/office center. Several regional shopping complexes, Chandler Pavilions, Casa Paloma, Chandler Festival, Chandler Gateway, East Valley Mall, Paseo Del Oro Shopping Center, North Park Plaza Shopping Center, Fulton Ranch Towne Center and Crossroads Towne Center, and a number of neighborhood shopping centers are dispersed throughout the City. A 1.3 million square foot super-regional shopping mall, known as Chandler Fashion Center, opened for business on October 19, 2001. This mall is home to four anchor department stores, including Nordstrom, Sears, Dillard's and Macy's, a 20-screen Harkins theater complex, an outdoor urban village and more than 150 specialty retail shops. The following table sets forth a record of the sales tax collections of the City for the most recent five fiscal years.

SALES TAX COLLECTIONS
City of Chandler, Arizona

<u>Fiscal Year</u>	<u>Sales Tax Collections</u>
2007/08	\$93,896,949
2006/07	92,644,933
2005/06	87,491,645
2004/05	72,462,945
2003/04	64,814,503

Source: City of Chandler, Management Services Department.

Tourism

Due to the proximity to various recreational and scenic attractions, including the Superstition Mountains east of the City, tourism contributes to the economy of the City. The Sheraton San Marcos Golf Resort and Conference Center was established in 1913 as the San Marcos Hotel and is considered to be the first exclusive resort hotel in Arizona.

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 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 airport is located approximately three miles southeast of the central business district of the City and is designed to relieve private aircraft activity at Sky Harbor International Airport. The Chandler Municipal Airport has approximately 430 based aircraft and two parallel runways, 4,850 feet and 4,401 feet, respectively. The airport offers various services including a full-service maintenance facility. 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 Airpark has a 4,000 foot runway and provides various services. The Phoenix-Mesa Gateway Airport (formerly known as Williams Gateway Airport) has three runways (10,401 feet; 10,201 feet; and 9,301 feet) and a newly remodeled passenger terminal. Phoenix-Mesa Gateway is positioned to be a dynamic reliever airport to Phoenix’s Sky Harbor International Airport. Phoenix-Mesa Gateway Airport is also developing as an international aerospace center with aircraft maintenance, modification, testing and pilot training. Currently, more than 35 aviation companies operate at the airport, generating over \$251 million in annual economic activity. Phoenix Sky Harbor International Airport is located 15 miles to the northwest of the City.

Education

Arizona State University (the “University”), located in the bordering City of Tempe, is one of the major universities in the Southwest. The University’s Spring 2008 total enrollment was approximately 59,871 students. Adjacent to Phoenix-Mesa Gateway Airport, the Williams Campus serves approximately 8,700 students. The campus includes five higher education partners – Arizona State University Polytechnic campus, Chandler-Gilbert Community College, Embry-Riddle Aeronautical University, Mesa Community College and UND Aerospace. The University’s Polytechnic campus added new academic buildings that more than doubled the instructional lab and classroom space, and faculty offices; and a 500-seat auditorium in June 2008. Located in the City is the Chandler-Gilbert Community College, which opened in mid-1985. The college offers a complete educational program and had a 2007-08 fiscal year enrollment of approximately 15,100 students. The 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. Embry-Riddle Aeronautical _____ Mesa Community College is one of the 12 campuses that comprise the Maricopa County Community College District and offers a comprehensive educational program in professional, occupational and continuing education. UND Aerospace _____ In April 1999, Western International University (“WIU”) located an off-site campus in the City. WIU offers associates, masters and undergraduate degree programs and advanced certificate programs. Classes also are held at Intel. The University of Phoenix opened a new satellite location in the City in January 2001 and offers 5-week courses. The Chandler Unified School District provides primary and secondary education to residents in the City area through 27 elementary schools, five junior high schools, three high schools and two alternative high schools.

CITY OF CHANDLER, ARIZONA - FINANCIAL DATA

2008/09 Fiscal Year –Assessed and Estimated Net Full Cash Values

Primary Assessed Valuation	\$ 2,704,382,646 (a)
Secondary Assessed Valuation	3,455,175,278 (a)
Estimated Net Full Cash Value	28,122,916,181 (b)

-
- (a) Arizona legislation divides property taxes into two categories, primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. These limitations do not apply with respect to secondary property taxes.
- (b) Estimated net full cash value is the total estimated market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.

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

STATEMENTS OF BONDS OUTSTANDING

General Obligation Bonds Outstanding and to be Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
1992	\$25,285,000	7-1-93/09	\$ 600,000
1993	9,850,000	7-1-05/09	1,300,000
1994	8,275,000	7-1-10	1,450,000
1996	6,650,000	7-1-03/13	925,000
1996B	8,205,000	7-1-10/13	1,905,000
1997	9,730,000	7-1-98/13	650,000
1998	3,590,000	7-1-03/16	450,000
1999	6,950,000	7-1-09/18	4,725,000
2000	8,520,000	7-1-09/19	1,175,000
2001	8,040,000	7-1-09/20	3,325,000
2001	17,225,000	7-1-02/11	5,510,000
2002	23,000,000	7-1-03/19	8,825,000
2003	16,265,000	7-1-10/16	16,125,000
2003	21,375,000	7-1-04/17	14,575,000
2005	24,800,000	7-1-06/15	15,400,000
2006	30,905,000	7-1-07/17	26,775,000
2007	111,045,000	7-1-08/26	104,525,000
2007	22,960,000	7-1-09/20	22,960,000
Total General Obligation Bonds Outstanding			\$231,200,000
Plus: The Bonds (b)			<u>[To Come]</u> *
General Obligation Bonds to be Outstanding			<u>[To Come]</u> *
Less: Water and Wastewater Funds Supported General Obligation Bonds (c)			<u>[To Come]</u> *
Net General Obligation Bonds to be Outstanding excluding Water and Wastewater Funds Supported General Obligation Bonds (c)			<u>[To Come]</u> *

(a) Excludes \$6,375,000 aggregate principal amount that remains outstanding of the City's General Obligation Bonds, Series 1990 which were refunded by the City's General Obligation Refunding Bonds, Series 1991.

Excludes \$325,000 aggregate principal amount that remains outstanding of the City's General Obligation Bonds, Series 1998 and \$2,910,000 aggregate principal amount that remains outstanding of the City's General Obligation Bonds, Series 1996B which were cash defeased in August 1999.

Excludes \$3,390,000 aggregate principal amount that remains outstanding of the City's General Obligation Bonds, Series 1996B which were refunded by the City's General Obligation Refunding Bonds, Series 2003.

Excludes \$525,000 aggregate principal amount that remains outstanding of the City's General Obligation Bonds, Series 1993 and \$140,000 aggregate principal amount that remains outstanding of the City's General Obligation Refunding Bonds, Series 2003 which were cash defeased in June 2005.

Debt service requirements for that portion of the refunded and defeased bonds currently outstanding are secured by obligations issued by the United States Government which are being held in their respective irrevocable trust accounts.

* Preliminary, subject to change.

- (b) The City intends to issue \$ _____ in aggregate principal amount of General Obligation Bonds, Series 2008 (the "Bonds"), concurrently with the Obligations pursuant to a separate offering statement.
- (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: \$5,510,000 aggregate principal amount of the City's General Obligation Refunding Bonds, Series 2001, \$7,190,000 aggregate principal amount of the City's General Obligation Refunding Bonds, Series 2003 and \$ _____ aggregate principal amount of the 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.

Water and Wastewater Revenue Bonds Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
1994	\$5,150,000	7-1-14	\$ 2,150,000
1996	16,890,000	7-1-09/13	1,390,000
1997	7,770,000	7-1-98/15	6,870,000
1999	5,985,000	7-1-03/11	1,185,000
2000	3,000,000	7-1-01/09	200,000
2001	12,500,000	7-1-01/18	4,560,000
2001	26,145,000	7-1-02/11	8,415,000
2002(b)	13,525,000	7-1-02/10	3,635,000
2002	10,970,000	7-1-03/13	8,800,000
2003	17,830,000	7-1-04/16	12,905,000
2003	10,000,000	7-1-04/13	8,975,000
2005	10,000,000	7-1-12/20	10,000,000
2005	15,485,000	7-1-09/17	15,485,000
Total Water and Wastewater Revenue Bonds Outstanding			<u>\$ 84,570,000</u>

- (a) Excludes \$4,000,000 aggregate principal amount that remains outstanding of the City's Water and Wastewater Revenue Bonds, Series 1996, which were refunded by the City's Water and Wastewater Revenue Refunding Bonds, Series 1997.

Excludes \$11,500,000 aggregate principal amount that remains outstanding of the City's Water and Wastewater Revenue Bonds, Series 1996, which were refunded by the City's Water and Wastewater Revenue Refunding Bonds, Series 2003.

Excludes \$8,000,000 aggregate principal amount that remains outstanding of the City's Water and Wastewater Revenue Bonds, Series 1998; \$2,950,000 aggregate principal amount that remains outstanding of the City's Water and Wastewater Revenue Bonds, Series 1999; \$1,225,000 aggregate principal amount that remains outstanding of the City's Water and Wastewater Revenue Bonds, Series 2000 and; \$3,625,000 aggregate principal amount that remains outstanding of the City's Water and Wastewater Revenue Bonds, Series 2001, which were refunded by the City's Water and Wastewater Revenue Refunding Bonds, Series 2005.

Debt service requirements for the portion of the refunded bonds currently outstanding are secured by obligations issued by the United States Government which are being held in their respective irrevocable trust accounts.

- (b) Represents Subordinate Lien Water and Wastewater Revenue Obligations, Series 2002.

Street and Highway User Revenue Bonds Outstanding (a)

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
1993	\$2,500,000	7-1-11	\$ 800,000
1994	5,750,000	7-1-11	1,100,000
1996B	1,250,000	7-1-06/15	175,000
1997	5,280,000	7-1-98/14	4,885,000
1998	5,715,000	7-1-99/09	300,000
1999	3,300,000	7-1-99/17	1,900,000
2000	2,250,000	7-1-00/10	225,000
2001	6,830,000	7-1-01/19	4,650,000
2002	10,540,000	7-1-05/13	5,345,000
2003	5,000,000	7-1-16/19	5,000,000
2004	10,920,000	7-1-06/18	10,310,000
Total Street and Highway User Revenue Bonds Outstanding			<u>\$ 34,690,000</u>

(a) Excludes \$1,000,000 aggregate principal amount that remains outstanding of the City's Street and Highway User Revenue Bonds, Series 1996B, \$45,000 aggregate principal amount that remains outstanding of the City's Street and Highway User Revenue Refunding Bonds, Series 1997, \$3,150,000 aggregate principal amount that remains outstanding of the City's Street and Highway User Revenue Bonds, Series 1998 and \$1,250,000 aggregate principal amount that remains outstanding of the City's Street and Highway User Revenue Bonds, Series 2000 which were refunded by the City's Street and Highway User Revenue Refunding Bonds, Series 2004.

Debt service requirements for the portion of the refunded bonds currently outstanding are secured by obligations issued by the United States Government which are being held in their respective irrevocable trust accounts.

Solid Waste System Revenue Bonds Outstanding

None

Excise Tax Revenue Obligations Outstanding and to be Outstanding*

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Balance Outstanding</u>
None	N/A	N/A	\$ -
Total Excise Tax Revenue Obligations Outstanding			\$ -
Plus: The Obligations*			<u>[To Come]</u>
Total Excise Tax Revenue Obligations Outstanding and to be Outstanding*			<u>[To Come]</u>

* Preliminary, subject to change.

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

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

<u>General Municipal Purpose Bonds (a)</u>		<u>Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire and Emergency Services, Park, Street, and Transportation Bonds (a)</u>	
Total 6% General Obligation Bonding Capacity	\$207,310,516	Total 20% General Obligation Bonding Capacity	\$ 691,035,055
Less: 6% General Obligation Bonds Outstanding	<u>(7,670,000) (b)</u>	Less: 20% General Obligation Bonds Outstanding	<u>(223,530,000)</u>
Net 6% General Obligation Bonding Capacity	<u>\$199,640,516</u>	Net 20% General Obligation Bonding Capacity	<u>\$ 467,505,055</u>

(a) Includes the General Obligation Bonds, Series 2008.

(b) Reflects prior economic defeasance of certain bonds.

Direct and Overlapping General Obligation Bonded Debt to be Outstanding

<u>Overlapping Jurisdiction</u>	<u>Overlapping General Obligation Bonded Debt (b)</u>	<u>Proportion Applicable to City of Chandler (a)</u>	
		<u>Approximate Percent</u>	<u>Net Debt Amount</u>
State of Arizona	None	4.045%	None
Maricopa County (c)	None	5.962%	None
Maricopa County Community College District (d)	\$ 507,390,000	5.962%	\$ 30,250,592
Chandler Unified School District No. 80	159,525,000	75.586%	120,578,567
Tempe Union High School District No. 213	266,770,000	16.205%	43,230,079
Kyrene Elementary School District No. 28 (e)	206,630,000	29.870%	61,720,381
Mesa Unified School District No. 4	101,010,000	4.976%	5,026,258
Gilbert Unified School District No. 41 (f)	98,000,000	2.956%	2,896,880
East Valley Institute of Technology District No. 401	None	13.517%	None
City of Chandler (g)	[To Come]*	100.000%	<u>[To Come] *</u>
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			<u>[To Come] *</u>

(a) Proportion applicable to the City is computed on the ratio of secondary assessed valuation as calculated for fiscal year 2008/09 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

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

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonds Authorized but Unissued</u>
State of Arizona	None
Maricopa County	None
Maricopa County Community College District	\$521,093,000
Chandler Unified School District No. 80	58,700,000
Tempe Union High School District No. 213	1,175,000
Kyrene Elementary School District No. 28	47,350,000
Mesa Unified School District No. 4	67,500,000
Gilbert Unified School District No. 41	82,000,000
East Valley Institute of Technology District No. 401	None
City of Chandler ^(a)	[To Come]

^(a) Includes the Bonds.

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 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD’s obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for Federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory

storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement was subject to a number of conditions including settlement of certain Indian community water claims and other water claims and required certain State legislation. The court entered a final Stipulation Judgment on November 2, 2007. On December 14, 2007, the Secretary of Interior issued a notice that all these conditions had been met and that the agreement was now effective. 72 FR 7145, December 14, 2007. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per \$100 of secondary assessed valuation, of which ten cents is being currently levied. (See Arizona Revised Statutes, Section 45-3715.) 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 outstanding as follows:

Water and Wastewater Revenue Bonds	\$84,570,000
Street and Highway User Revenue Bonds	34,690,000

Includes \$57,125,000 aggregate principal amount of water and wastewater general obligation bonds and solid waste systems general obligation bonds which are paid by net revenues from the System and solid waste system of the City. In the event that the net revenues would prove to be insufficient or the City elects not to pay debt service requirements on the general obligation bonds from revenues from these enterprises, this debt would become payable from ad valorem taxes.

Does not include \$8,345,000 City improvement district bonds outstanding.

Includes the Bonds.

Direct and Overlapping General Obligation Bonded Debt Ratios

	Per Capita Bonded Debt Population Estimated @ 250,936	As % of City's 2008/09 Secondary Assessed Valuation	As % of City's 2008/09 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt (a) (\$[To Come])			[To Come]
Direct and Overlapping General Obligation Bonded Debt Outstanding (b) (\$[To Come])			

(a) Includes the Bonds.

Other Obligations

To assure the timely installation of new and replacement computer equipment for the immediate needs of the City and to assure that, going forward, systems are updated and replaced prior to becoming a productivity and maintenance burden, computer equipment will be leased on a four-year replacement cycle. The expenditure is expected to be approximately \$2.0 million annually.

The City leases approximately 73,595 square feet of office and library space. The combined expense relating to these leases for the fiscal year ended June 30, 2008 was \$1,558,600. The future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	
June 30	
2009*	\$1,625,342
2010	1,145,535
Total	<u>\$2,770,877</u>

* One lease expires in 2009 and all other leases expire in 2010.

Source: The City.

City Retirement Systems

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

Arizona State Retirement System

All full-time City employees (except public safety personnel and elected officials) participate in the Arizona Statement 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 2007/08 were 9.60% (9.10% retirement and 0.50% long-term disability) for both employees and employers. The City's contribution to the System for the fiscal year 2007/08 was \$6,311,855.84, equal to the required contribution.

Effective July 1, 2008, the City's annual contribution rates are 9.45% (8.75% retirement and 0.70% long-term disability) for fiscal year 2008/09 for both employees and employers.

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

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

The actuarially determined contribution rates for the fiscal year ended June 30, 2008 were 12.12% of annual covered payroll for police and 11.09% of annual covered payroll for firefighters. The City's contribution to the PSPRS for the fiscal year ended June 30, 2008 was \$2,967,041.03 for police and \$1,074,404.75 for firefighters, equal to the required contributions.

Effective July 1, 2008, the City's annual contribution rates are 18.38% for police and 16.7% for firefighters for fiscal year 2008/09 for employer and 7.65% for both groups of employees.

Elected Officials' Retirement Plan (Mayor and City Council)

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

The actuarially determined contribution rates for the fiscal year ended June 30, 2008 was 20.21%. The City's contribution to the EORP for the fiscal year ended June 30, 2008 was \$23,104.85, equal to the required contribution.

Effective July 1, 2008, the City's annual contribution rate is 28% for fiscal year 2008/09 for employer and 7% for employees.

Healthcare Benefits for Retired Employees

Beginning with the fiscal year that commenced on July 1, 2007, the City must implement Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), which requires 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.

The City has commissioned and received an actuarial valuation of the City's OPEB costs associated with the health care programs available to retirees through the City in order to meet the requirements of GASB 45. The actuarial valuation shows City OPEB costs of \$_____, as of fiscal year 2007-2008.

PROPERTY TAXES

Tax Years

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

Ad Valorem Taxes

The State has two different valuation bases for levying ad valorem property taxes. They are "limited property" and "full cash" values. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuations of centrally assessed properties such as gas, water and electric utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

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

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

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

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

ASSESSMENT RATIOS

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

PROPERTY TAX ASSESSMENT RATIOS (a)

Tax Year	Railroads, Private Car and Airline Flight Property (b)	Mining, Utility, Commercial and Industrial (c)(d)	Owner Occupied Residential	Leased or Rented Residential	Agricultural and Vacant Land (d)
2008	20%	23%	10%	10%	16%
2007	21	24	10	10	16
2006	22	24.5	10	10	16
2005	21	25	10	10	16
2004	21	25	10	10	16

-
- (a) Several additional classes of property exist, but seldom amount to a significant portion of an entity’s total valuation.
 - (b) The percentage is calculated annually based on the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash value of such properties.
 - (c) Effective January 1, 2008, the assessment ratio for Mining, Utility, Commercial and Industrial property was decreased to 23%. Additionally, this rate will be decreased by one percent annually through 2010, resulting in an assessment ratio of 20% from and after December 31, 2010.
 - (d) The first \$63,242 of full cash value for commercial, industrial and agricultural personal property is not subject to taxation for tax year 2008-09. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at the applicable rate.

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

Primary Taxes

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

- (1) The limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is established at the previous year’s limited property value increased by the greater of either 10% of last year’s limited property value or 25% of the difference between last year’s limited property value and the current year’s full cash value.
- (2) The limited property value for parcels that underwent modification through construction, destruction or change in use, and for new parcels, is established by applying a ratio of the full cash to limited property values of existing properties of the same use or legal classification.

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

Secondary Taxes

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

Tax Procedures

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

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

Delinquent Tax Procedures

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

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

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

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

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

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

Real and Secured Property Taxes Levied and Collected (a)

Fiscal Year	Tax Rate	Tax Levy	Collected to June 30 of Initial Fiscal Year		Cumulative Collection to August 31, 2008	
			Amount	% of Levy	Amount	% of Levy
2008/09	\$1.1814	\$ 38,645,019	(b)	(b)	\$ 20,665	0.05 %
2007/08	1.2000	33,914,989	\$ 33,116,446	97.65 %	33,316,135	98.23
2006/07	1.2500	26,905,997	26,011,939	96.68	26,415,875	98.18
2005/06	1.2800	24,456,531	23,777,189	97.22	24,192,178	98.92
2004/05	1.2800	22,642,360	21,761,865	96.11	22,108,139	97.64

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

(b) In the process of collection.

Source: County Department of Finance.

ASSESSED VALUATIONS AND TAX RATES

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

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

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

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

<u>Overlapping Jurisdiction</u>	<u>2008/09 Secondary Assessed Valuation</u>	<u>2008/09 Primary Assessed Valuation</u>	<u>2008/09 Total Tax Rates Per \$100 Assessed Valuation</u>
State of Arizona	\$86,183,351,753	\$ 67,556,592,601	None
Maricopa County	58,303,635,287	44,881,602,698	\$1.0327 (a)
Maricopa County Community College District	58,303,635,287	44,881,602,698	0.7752
Maricopa County Library District (b)	58,303,635,287	N/A	0.0353
Maricopa County Flood Control District (b)	54,626,432,391	N/A	0.1367
Maricopa County Fire District (b)	58,303,635,287	N/A	0.0053
Maricopa County Hospital District (b)	58,303,635,287	N/A	0.0856
Central Arizona Water Conservation District (b)	58,303,635,287	N/A	0.1000
East Valley Institute of Technology District No. 401	24,064,055,556*	N/A	0.0500
Chandler Unified School District No. 80 (c)	3,099,624,009	2,362,096,105	4.5894
Tempe Union High School District No. 213 (c)	5,045,956,892	4,067,787,460	2.2825
Kyrene Elementary School District No. 28 (c)	2,894,830,446	2,295,330,179	2.8896
Mesa Unified School District No. 4 (c)	4,738,464,318	3,694,792,256	5.1090
Gilbert Unified School District No. 41 (c)	2,592,056,846	2,021,840,872	5.1263
City of Chandler	3,455,175,278	2,704,382,646	1.1814

* Includes secondary assessed valuation for the East Valley Institute of Technology District No. 401 within Pinal County, Arizona.

(a) Includes the State Equalization Assistance Property tax. This rate has been set at \$0.00 for fiscal years 2006/07 through and including 2008/09. The State Equalization Assistance Property Tax in fiscal years 2009/10 will be computed by annually adjusting the fiscal year 2005/06 rate of \$0.4358 through fiscal year 2009/10 pursuant to Arizona Revised Statutes, Section 41-1276.

(b) The assessed valuation of the flood control district does not include the personal property assessed valuation of the County. All levies for library districts, hospital districts, fire districts, technology districts and flood control districts are levied on the secondary assessed valuation, as shown on the following page.

(c) Districts levy an additional secondary rate of \$0.050 in 2008/09 for the East Valley Institute of Technology District No. 401.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Foundation, *Maricopa 2008 Levy*, Maricopa County, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Direct and Overlapping Tax Rates Per \$100 Assessed Valuation

Inside the City and:

Inside Gilbert Unified School District No. 41	<u>\$ 8.5285</u>
Inside Mesa Unified School District No. 4	<u>\$ 8.5112</u>
Inside Tempe Union High School District No. 213 and Kyrene Elementary School District No. 28	<u>\$ 8.5743</u>
Inside Chandler Unified School District No. 80	<u>\$ 7.9916</u>

Source: *Maricopa 2008 Levy*, Maricopa County.

Secondary Assessed Valuation By Property Classification

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

	<u>2004/05 Secondary Assessed Valuation</u>	<u>2005/06 Secondary Assessed Valuation</u>	<u>2006/07 Secondary Assessed Valuation</u>	<u>2007/08 Secondary Assessed Valuation</u>	<u>2008/09 Secondary Assessed Valuation</u>	<u>2008/09 Annual Percent Change</u>
Mining, Utility, Commercial and Industrial	\$ 672,837,477	\$ 721,151,890	\$ 772,183,311	\$ 884,909,574	\$1,037,309,912	17.22%
Agriculture and Vacant Land	108,095,779	93,710,622	127,874,375	160,217,644	184,799,894	15.34%
Owner-Occupied Residential	829,070,978	974,338,631	1,023,331,270	1,649,981,440	1,871,249,625	13.41%
Leased or Rented Residential	128,599,230	140,926,512	167,094,148	223,329,729	277,615,115	24.31%
Railroad, Private Car Company and Airline Flight Property	2,391,821	2,418,309	2,525,763	3,420,918	3,494,670	2.16%
Historical Property	64,613,741	46,464,842	94,734,761	67,046,898	80,389,408	19.90%
Commercial Historic Property	139,776	146,236	163,610	283,675	316,654	11.63%
	<u>\$1,805,748,802</u>	<u>\$1,979,157,042</u>	<u>\$2,187,907,238</u>	<u>\$2,989,189,878</u>	<u>\$3,455,175,278</u>	15.59%

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

Secondary Assessed Valuation of Major Taxpayers

<u>Taxpayer (a)</u>	<u>Description</u>	<u>2008/09 Secondary Assessed Valuation</u>	<u>As % of City's Total 2008/09 Secondary Assessed Valuation</u>
Intel Corporation	Manufacturing Plant	\$ 150,700,686	4.36 %
Freescale Semiconductor Inc.	Manufacturing Plant	30,716,624	0.89
TWC - Chandler LLC	Enclosed Mall	28,340,105	0.82
Countrywide Home Loans Inc.	Mortgage Brokerage	26,107,445	0.76
Wells Fargo	Financial Services	21,123,410	0.61
Fulton Homes Corporation	Residential Subdivided	15,843,150	0.46
Qwest Corporation	Telecommunications	15,551,378	0.45
Vestar California LLC	Open Shopping Center	15,180,667	0.44
Chandler Festival LLC	Open Shopping Center	11,656,095	0.34
Wells REIT - Santan	Office Building	10,744,798	0.31
Total		\$ 325,964,358	9.43%
Total City Net Secondary Assessed Valuation		\$ 3,455,175,278	

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

- (a) Some of the Major Taxpayers, including Intel Corporation, Motorola Inc., Freescale Semiconductor Inc, Qwest Corporation, and Wells Fargo Bank are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copies are available at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

SPECIAL NOTE: The assessed valuation of the taxable property located within the City which is owned by the Salt River Project Agricultural Improvement and Power District ("SRP") is not included in the assessed valuation of the City herein or in any other information set forth in this Official Statement. Such property is subject to the levy of governmental property taxes in the same manner as publicly-owned utility companies. However, because of SRP's quasi-municipal nature, such property tax levies and subsequent property tax payments are characterized as "voluntary" property tax "contributions in lieu" of ordinary property taxes pursuant to special legislation enacted specifically for the purpose of taxing such property. The fiscal year 2007/08 secondary assessed valuation of SRP taxable property located within the City is \$32,570,424. The secondary "contribution" by SRP to the City in lieu of property taxes in fiscal year 2007/08 is \$273,592. The fiscal year 2008/09 secondary assessed valuation of SRP taxable property located within the City is estimated to be \$31,755,469.

Comparative Secondary Assessed Valuation Histories

<u>Fiscal Year</u>	<u>City of Chandler</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2008/09	\$ 3,455,175,278	\$ 58,303,635,287	\$ 86,183,351,753
2007/08	2,989,189,878	49,534,573,831	71,837,099,233
2006/07	2,187,907,238	36,294,693,601	54,394,761,521
2005/06	1,979,157,042	33,197,218,398	48,931,946,145
2004/05	1,805,748,802	30,066,986,670	44,461,738,026

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

Estimated Net Full Cash Value (a)

<u>Fiscal Year</u>	<u>Estimated Full Cash Value</u>
2008/09	\$ 28,122,916,181
2007/08	24,174,174,640
2006/07	17,275,361,406
2005/06	15,220,118,638
2004/05	13,844,817,823

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

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

APPENDIX C

SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

[TO COME]

APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF CHANDLER, ARIZONA
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
CITY OF CHANDLER, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2008
evidencing a proportionate interest of the Owners
thereof in Payments under a Purchase Agreement
Dated: _____, 2008

(CUSIP No. _____)

This Continuing Disclosure Certificate (this "*Disclosure Certificate*") is undertaken by the City of Chandler, Arizona (the "*City*") in connection with the issuance of \$_____ Excise Tax Revenue Obligations, Series 2008 (the "*Obligations*"). In consideration of the initial sale and delivery of the Obligations, the City covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is for the benefit of the Obligation Owners 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.

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

"*Central Post Office*" shall mean an entity approved as a Central Post Office by the Securities and Exchange Commission as a single point for filing under the Rule for distribution to the Repositories. At present the Internet-based electronic filing system operated by the Municipal Advisory Council of Texas under the name of "Disclosure USA" at the following internet address site: www.DisclosureUSA.org is approved for such purpose.

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

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

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"*Obligation Owner*" shall mean any registered owner or beneficial owner of the Obligations.

"*Official Statement*" shall mean the final official statement dated _____, 2008, 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.

"*Repository*" shall mean each National Repository and each State Repository.

"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.

"State Repository" shall mean any public or private repository or entity designated by the State of Arizona as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the "Filing Date"), commencing February 1, 2009, provide to the Central Post Office 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. 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 to the Central Post Office an Annual Report or any part thereof by the Filing Date required in subsection (a) above, the City shall promptly send a notice to the Central Post Office 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 the Central Post Office a copy of its audited financial statements within 30 days of receipt thereof by the City, then the City shall promptly send a notice to the Central Post Office 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 name and address of the Central Post Office or, if none, each National Repository and each State Repository, if any; and (if the Dissemination Agent is other than the City); and

(ii) 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 to the Central Post Office or listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising 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 the Central Post Office 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 following subsections of the Official Statement:

(1) City of Chandler, Excise Tax Collections.

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an

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

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The audited annual financial statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the City's audited annual financial statements is contained in Note 1 of the audited financial 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 the Central Post Office, each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) 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, if material:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (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 or events affecting the tax-exempt status of the Obligations;
- (7) Modifications to rights of bondholders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Obligations; and
- (11) Rating changes.

(b) Whenever a Listed Event occurs, then the City, if such Listed Event is material, shall promptly file a notice of such occurrence with the Central Post Office and the Municipal Securities Rulemaking Board; provided, that any event under subsection (a)(1), (6), (8), (9) or (11) will always be deemed to be material.

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

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

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

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

(b) This Disclosure Certificate, as amended, would, in the opinion of Bond Counsel, have complied with

the requirements of the Rule at the time of the primary offering of the Obligations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

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

Section 9. Central Post Office. In the event the Central Post Office, as determined by the Securities and Exchange Commission, is not an acceptable filing repository for purposes of the Rule, the District shall, or shall cause the Dissemination Agent to, file all items required under this Disclosure Certificate to be filed with the Central Post Office with each National Repository and, if any, the State Repository.

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

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

Section 12. Compliance by City. The City hereby covenants to comply with the terms of this Disclosure Certificate. The City expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter, Bond Counsel or the City's financial advisor.

Section 13. Limited Source for Payment of Costs; Subject to Appropriation. The costs of the City's compliance with the undertaking to provide information under this Disclosure Certificate is payable solely from Excise Taxes, as defined in the Official Statement. The City may use other funds to pay such costs but use of other funds is subject to appropriation.

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

Section 15. Governing Law. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this 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.

Section 16. Notice Concerning Cancellation of Contracts. To the extent applicable by provision of law, this Disclosure Certificate is subject to cancellation pursuant to Arizona Revised Statutes, Section 38-511, as amended.

Date: _____, 2008

CITY OF CHANDLER, ARIZONA

By _____
Its Management Services Director

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Chandler, Arizona

Name of Issue: \$ _____ Excise Tax Revenue Obligations, Series 2008

Dated of Obligations: _____, 2008

CUSIP: _____

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Obligations as required by Section 3(a) of the Disclosure Certificate dated _____, 2008. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

City of Chandler, Arizona

By _____
Its _____

EXHIBIT B

**NOTICE TO REPOSITORIES OF FAILURE TO
FILE AUDITED FINANCIAL STATEMENTS**

Name of Issuer: City of Chandler, Arizona

Name of Issue: \$ _____ Excise Tax Revenue Obligations, Series 2008

Dated of Obligations: _____, 2008

CUSIP: _____

NOTICE IS HEREBY GIVEN that the City failed to provide its audited financial statements with its Annual Report or, if not then available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated _____, 2008 with respect to the above-named Obligations. The City anticipates that the audited financial statements for the fiscal year ended June 30, ____ will be filed by _____.

Dated: _____

City of Chandler, Arizona

By _____
Its _____

BOOK-ENTRY-ONLY SYSTEM

The description set forth below of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, and interest on, the Bonds 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 Bonds is based solely on information furnished by DTC to the City for inclusion in this Official Statement. None of the City, the Bond Registrar and Paying Agent, or the Financial Advisor make any representations as to the accuracy or completeness thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers, and dealers, banks, trust companies, and clearing corporations, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Direct Participants and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com or www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; DTC records only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participants or Indirect Participant and not of DTC nor its nominee, the Bond Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

A. The Purchase Agreement, the Payments 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; and

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;

all rights declared in trust by the Trustee to 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 of this Trust Agreement, unto the Trustee and its successors and assigns, forever, subject, however, to the rights of the City, its successors and assigns, under the Purchase Agreement;

IN TRUST, however, for the equal and proportionate benefit and security of the Owners from time to time of the 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.