



Town of Chino Valley

MEETING NOTICE TOWN COUNCIL

**SPECIAL MEETING
Tuesday, December 16, 2014
6:00 P.M.**

**Council Chambers
202 N. State Route 89
Chino Valley, Arizona**

AGENDA

- 1) CALL TO ORDER; ROLL CALL**
- 2)** Consideration and possible action to adopt Resolution No. 14-1054 approving the form and authorizing the execution and delivery of a loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) from its Clean Water State Revolving Fund Program.

Recommended Action: Adopt Resolution No. 14-1054.
- 3)** Pursuant to A.R.S. § 38-481.03(A)(1) for discussion or consideration of employment, assignments, appointment, promotion, dismissal, salary of Town Manager Robert Smith, and pursuant to A.R.S. § 38-481.03(A)(4) for discussion or consultation with the Town Attorney in order to consider its position and instruct the Town Attorney regarding the Town's position regarding the contract with Town Manager Robert Smith. (Mayor and Council)
- 4)** Consideration and possible action to approve an employment agreement with Town Manager Robert Smith or an amendment to his current agreement with the Town. (Mayor and Council)

Recommended Action: Approve an employment agreement with Town Manager Robert Smith or an amendment to his current agreement with the Town.
- 5) ADJOURNMENT**

Dated this 11th day of December, 2014.

By: **Jami C. Lewis, Town Clerk**

The Town of Chino Valley endeavors to make all public meetings accessible to persons with disabilities. Please call 636-2646 (voice) or 1-(800) 347-1695 (Arizona Relay Service) 48 hours prior to the meeting to request a reasonable accommodation to participate in this meeting.

Supporting documentation and staff reports furnished to the Council with this agenda are available for review on the Town website at <http://www.chinoaz.net/clerk/townagenda.shtml>, and in the Public Library and Town Clerk's Office.

CERTIFICATION OF POSTING

The undersigned hereby certifies that a copy of this notice was duly posted at Chino Valley South Campus, Chino Valley Post Office, and Chino Valley North Campus in accordance with the statement filed by the Town Council with the Town Clerk.

Date: _____ Time: _____ By: _____
Jami C. Lewis, Town Clerk



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Special Meeting

Item No. 2.

Meeting Date: 12/16/2014
Contact Person: Joe Duffy, Finance Director
 Phone: 928-636-2646 x-1211
Department: Finance
Item Type: Action Item
Estimated length of staff presentation: 5 minutes
Physical location of item: N/A

Information

AGENDA ITEM TITLE:

Consideration and possible action to adopt Resolution No. 14-1054 approving the form and authorizing the execution and delivery of a loan agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) from its Clean Water State Revolving Fund Program (CWSRF).

RECOMMENDED ACTION:

Adopt Resolution No. 14-1054

SITUATION AND ANALYSIS:

The Town of Chino Valley has submitted details of the Waste Water Treatment Plant Settlement Agreement to the Water Infrastructure Authority of Arizona (WIFA). WIFA has scored the projects and determined the Town of Chino Valley is a disadvantaged community. This status will allow the Town to receive an interest rate discount of 25% off the final interest rate to be determined at loan closing.

The Town also qualifies to have a portion of the principal forgiven in the amount of \$478,829.

On November 18, 2014 the Town approved Resolution 14-1051 to authorize the application for a CWSRF loan from WIFA.

Resolution 14-1054 authorizes the execution and delivery of the loan agreement with WIFA. The proposed loan closing date is December 30, 2014.

Fiscal Impact

Fiscal Impact?: Yes

If Yes, Budget Code:

Available:

Funding Source:

Fiscal Impact will be discussed during the presentation.

Attachments

WIFA Loan Documents

Sources and Uses

Bond Council and Financial Advisor Info

Resolution 04-711, 1% sales tax allocations



Water Infrastructure Finance Authority of Arizona

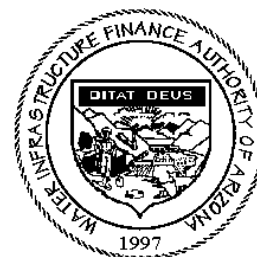
Arizona's Clean Water Revolving Fund

Town of Chino Valley

Loan Agreement #910163-15

December 30, 2014

Borrower Copy



Town of Chino Valley and

Water Infrastructure Finance Authority of Arizona

Borrower – Table of Contents

<u>Document</u>	<u>Tab</u>
Town of Chino Valley’s Borrowing Resolution.....	1.
WIFA Board Resolution	2.
Loan Agreement.....	3.
Loan Agreement Addendum-Wage Rate and Forgivable Principal Requirements for Compliance with P.L. 111-88	4.
Loan Agreement Addendum-American Iron and Steel Requirements for Compliance with Federal Law	5.
Exhibit A of Loan Agreement: Financial Terms and Conditions	6.
Exhibit B of Loan Agreement: Technical Terms and Conditions	7.
Exhibit C of Loan Agreement: Reporting Requirements	8.
Exhibit D of Loan Agreement: Source of Repayment and Rate Covenant Provisions	9.
Exhibit E of Loan Agreement: Debt Service Reserve Provisions	10.
Exhibit F of Loan Agreement: Replacement Reserve Provisions	11.
Exhibit G of Loan Agreement: Form of Opinion of Local Borrower.....	12.
Exhibit H of Loan Agreement: Tax Compliance Certificate of Local Borrower	13.
IRS Form 8038-G	14.
Standard Terms and Conditions.....	15.
WIFA Disbursement Requisition Procedures and Payment Requisitions (on CD)	

RESOLUTION NO. 14-1054

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, ARIZONA, APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT WITH THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA FROM ITS CLEAN WATER REVOLVING FUND PROGRAM AND, IF NECESSARY, GUAR- ANTY OR SIMILAR AGREEMENTS TO PROVIDE INSURANCE POLICIES OR SURETY BONDS NECESSARY IN CONNECTION THEREWITH; DELEGATING THE DETERMINATION OF CER- TAIN MATTERS RELATING THERETO TO THE TOWN MANAGER OF THE TOWN; PROVIDING FOR THE TRANSFER OF CERTAIN MONEYS AND MAKING CERTAIN COVENANTS AND AGREEMENTS WITH RESPECT THERETO AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY SUCH LOAN AGREEMENT AND THIS RESOLUTION

WHEREAS, the Mayor and Common Council of the Town of Chino Valley, Arizona (the "Town"), has heretofore applied to the Water Infrastructure Finance of Arizona (the "Authority"), for a loan (the "Loan") from the Authority's Clean Water Revolving Fund Program (the "Program") to provide funds to pay the construction costs of the waste water treatment plant serving the Town as well as the cost of a new screen for such plant (collectively, the "Project"); and

WHEREAS, the terms and conditions under which the Loan will be made and the obligations of the Town with respect to the Loan will be set forth in a loan agreement to be executed and delivered by the Town and the Authority (the "Loan Agreement"); and

WHEREAS, the Loan and the loan repayments payable by the Town pursuant to the Loan Agreement (the "Loan Repayments") will be secured by a pledge of certain revenues to be received by the Town from the ownership, use or operation of the properties and facilities of the complete sewer plant and system of the Town and, initially, revenues from the unrestricted transaction privilege (sales) tax, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures which the Town imposes; provided that the Mayor and Common Council of the Town may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Common Council and revenues from any excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State of Arizona or any agency thereof and returned, allocated or apportioned to the Town, except the

Town's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes (collectively, the "Source of Payment"); and

WHEREAS, the Mayor and Common Council of the Town have determined that it will be beneficial to the citizens of the Town to enter into and to perform the Loan Agreement, whereby the Town will borrow not to exceed \$3,442,500 from the Authority; and

WHEREAS, the Loan shall be repaid before or on twenty (20) years from the date of the execution and delivery of the Loan Agreement and the Loan shall bear interest at a rate not to exceed three and three-quarters percent (3.75%) per annum; and

WHEREAS, the proposed form of the Loan Agreement has been placed on file with the Clerk of the Town and presented at the meeting at which this Resolution was adopted;

NOW THEREFORE, BE IT RESOLVED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, ARIZONA, THAT:

Section 1. The form, terms and provisions of the Loan Agreement, in the form of such document (including the exhibits thereto) presented at the meeting at which this Resolution was adopted are hereby approved, with such insertions, omissions and changes, not inconsistent with the Town's application to the Authority or the requirements of the federal government or the Authority or which would result in terms more adverse to the Town, as shall be approved by the Town Manager of the Town, the execution of such document being conclusive evidence of such approval, and the Mayor or, in the absence thereof, the Vice Mayor of the Town and the Clerk of the Town are hereby authorized and directed, for and on behalf of the Town, to execute and attest and deliver, respectively, the Loan Agreement.

Section 2. For the payment of the principal of and interest on the Loan, the Town shall pay the Loan Repayments provided for in the Loan Agreement. (The Town shall also pay all other amounts required to be paid by the Town pursuant to the provisions of the Loan Agreement.)

Section 3. The obligation of the Town to pay the Loan Repayments provided for in the Loan Agreement (as well as to make the other payments provided for in the Loan Agreement) is limited to payment from the Source of Repayment, and the obligations of the Town under the Loan Agreement shall not constitute nor give rise to a general obligation of the Town or any claim against its *ad valorem* property taxing powers or constitute an indebtedness within the meaning of any statutory or constitutional debt limitation applicable to the Town.

Section 4. The appropriate officials and officers of the Town are hereby authorized and directed to take all action necessary or reasonably required to carry out, give effect to and to consummate the transactions contemplated by the Loan Agreement and by this Resolution, including, without limitation, the execution and delivery of any closing and other documents reasonably required to be delivered in connection therewith.

Section 5. If any section, paragraph, subdivision, sentence, clause or phrase of this Resolution is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Resolution. The Mayor and Common Council of the Town hereby declare that it would have adopted this Resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the execution and delivery of the Loan Agreement 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. All resolutions or parts thereof, inconsistent herewith, are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any resolution or any part thereof.

Section 6. All actions of the officers and agents of the Town including the Mayor and Common Council of the Town which conform to the purposes and intent of this Resolution and which further the execution and delivery of the Loan Agreement as contemplated by this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved. The proper officers and agents of the Town are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the Town as may be necessary to carry out the terms and intent of this Resolution.

Section 7. All acts and conditions necessary to be performed by the Town or to have been met precedent to and in the execution and delivery of the Loan Agreement in order to make it a legal, valid and binding obligation of the Town will at the time of delivery of the Loan Agreement have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the execution and delivery of the Loan Agreement.

Section 8. All formal actions of the Mayor and Common Council of the Town concerning and relating to the passage of this Resolution were taken in an open meeting of the Mayor and Common Council of the Town, and all deliberations of the Mayor and Common Council of the Town and of any committees that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements.

Section 9. The immediate operation of the provisions of this Resolution is necessary for the preservation of the public health and welfare and for the further reason that the execution and delivery at the earliest possible date of the Loan Agreement is urgently needed to attempt to secure the lowest possible interest cost to the City; therefore, an emergency is hereby declared to exist and this Resolution is enacted as an emergency measure and shall be in full force and effect from and after the passage and adoption by the Mayor and Council of the City, as required by law, and this Resolution is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

Section 10. After the execution and delivery of the Loan Agreement and upon receipt of the Loan from the Authority, this Resolution shall be and remain irrevocable until the Loan and the Loan Agreement and the interest thereon shall have been fully paid, cancelled and discharged.

PASSED AND ADOPTED on December 16, 2014.

.....
Chris Marley, Mayor

ATTEST:

.....
Jami C. Lewis, Town Clerk

APPROVED AS TO FORM:

.....
Curtis, Goodwin, Sullivan, Udall &
Schwab, PLC, Town Attorneys
By: Phyllis Smiley

CERTIFICATION

I hereby certify that the foregoing Resolution No. 14-1054 was duly passed and adopted by the Mayor and Common Council of the Town of Chino Valley, Arizona, at a meeting held on the 16th day of December, 2014, and the vote was ____ayes and ____nays and that the Mayor and ____ Councilmembers were present thereat.

.....
Jami C. Lewis, Town Clerk

Loan Resolution 2015-001 – Town of Chino Valley

Water Infrastructure Finance Authority of Arizona

Section 1: Resolution

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

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

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

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

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

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

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

Dated: August 20, 2014

By :


Chairman

Attest:


Executive Director

Loan Resolution 2015-001 – Town of Chino Valley

Water Infrastructure Finance Authority of Arizona

Section 2: Project Summary

2.1 Project Number(s)

CW 003-2015

2.2 Project Priority Data

<u>PL Rank</u>	<u>Funding Cycle</u>	<u>Population Served</u>	<u>Subsidy Rate</u>
3	CW 2015	5,100	75%

2.3 Project Description(s)

Due to economic conditions over the past several years and future projections for economic growth, the Town no longer desires to have Fann obligated to construct phases V or VI to increase the wastewater treatment plant (WWTP) capacity from 0.5 MGD to 1.0 MGD.

The Town's major transportation corridor, State Route 89, suffers from a lack of infrastructure. In particular, the area between Road 2 North and Road 3 North along State Route 89 has hundreds of residential and commercial septic systems.

The loan would address two project components. The first is to purchase the existing debt for the construction of the Town's WWTP. The agreed-upon settlement amount is \$3,030,000. The second component will extend sewer along State Route 89 between Road 2 North and Road 3 North for a cost of \$3,112,500.

2.4 Previous Board or Committee Actions

July 17, 2002 – Board adopted Loan Resolution #2002-018 for a \$750,000 Short-term Design Loan to the Town of Chino Valley (Loan #710049-03) for planning and design of wastewater system improvements.

April 19, 2006 – Board adopted Loan Resolution #2006-009 for \$1,580,000 to the Town of Chino Valley (Loan #910087-07) to convert single family homes from septic to sewer.

June 20, 2007 – Board adopted Loan Resolution #2007-025 for \$4,853,000 to the Town of Chino Valley (Loan #910126-08) to convert single family homes from septic to sewer.

Within the 2007 Technical Assistance Funding Cycle, the Board awarded the Town of Chino Valley \$35,000 for clean water technical assistance for a Wastewater System Master Plan.

Loan Resolution 2015-001 – Town of Chino Valley

Water Infrastructure Finance Authority of Arizona

Within the 2011 Technical Assistance Funding Cycle, the Board awarded the Town of Chino Valley \$20,000 for clean water technical assistance to design a septic to sewer project along Center Street Sewer.

2.5 Project Finance Committee Recommendations

N/A

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

Financial Assistance Amount: \$6,142,500 with \$478,829 in forgivable principal

Primary Repayment Source: Sewer System Revenues or General Obligation

Secondary Repayment Source: Excise Taxes or None

Loan Term: 20 years

Frequency of Repayment: Semi-Annual

Loan Structure: Standard Governmental – Level 1 – Disadvantaged Community

Debt Service Reserve Fund Requirements: Local, No Separate Account

Repair and Replacement Fund Requirements: None

Requirements Prior to Loan Execution:

Require Legal Opinion: Yes

Other: Yes

Results of General Obligation election and clarification of appropriate repayment pledge.

Requirements Prior to Construction: No Requirement

Requirement During Construction: No Requirement

Requirements Prior to Final Disbursements: No Requirement

Loan Category: Qualified, Not Pledged

Policy Exceptions: None

Loan Resolution 2015-001 – Town of Chino Valley

Water Infrastructure Finance Authority of Arizona

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

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

Additional Observations: at least one site observation within each 12 month period

Final Observation: 80% construction budget disbursement

Withholding Percentage: 10% (released after deliverables received)

Requirements Prior to Loan Execution: Yes

30 day public comment period after WIFA's issuance of the FONSI.

Requirements Prior to Construction:

Prior Review and Approval of Construction Bids: Yes

Require Construction Signs: Yes

The Local Borrower shall erect a construction sign displaying information on the Project and the funding sources. The Authority shall provide specifications for such construction signs.

Other: No Requirement

Requirements During Construction:

Prior Review of Changes in Project Scope: Yes

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

Other: No Requirement

Requirements Prior to Final Disbursements:

Require Plan of Operation: Yes

Require Final Approval: Yes

Other: No Requirement

Policy Exceptions: None

Loan Resolution 2015-001 – Town of Chino Valley
Water Infrastructure Finance Authority of Arizona

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

WIFA to generate Press Release: Yes

Other: Wage rate reporting requirements and use of American Iron and Steel requirements.

Loan Agreement

Water Infrastructure Finance Authority of Arizona
(the “Authority”)

and

Town of Chino Valley
(the “Local Borrower”)

Evidencing a Loan from the
Authority to the Local Borrower

Dated as of December 30, 2014

Table of Contents

Article 1 Description of the Loan

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

Article 2 Description of the Project

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

Article 3 Loan to Local Borrower; Amounts Payable

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

Exhibit A	Financial Assistance Terms and Conditions; Borrower Payment Instructions; and Loan Repayment Schedule
Exhibit B	Technical Assistance Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Source of Repayment
Exhibit E	Debt Service Reserve Requirements
Exhibit F	Replacement Reserve Requirements
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Tax Compliance Certificate of Local Borrower

Loan Agreement

This Loan Agreement (this “*Loan Agreement*”) is made and entered into as of 12/30/2014 by and between the Water Infrastructure Finance Authority of Arizona (the “*Authority*”), and Town of Chino Valley (the “*Local Borrower*”), a political subdivision of the State of Arizona.

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

The Authority and the Local Borrower agree as follows:

Article 1 Description of the Loan

Section 1.1 Name and Address of Local Borrower.

Town of Chino Valley
 Attention: Mr. Joe Duffy, Finance Director
 202 N. State Route 89
 Town of Chino Valley, Arizona 86323-0406
 Telephone: 928-636-2646, ext. 1211
 Fax: 928-636-2144

Section 1.2 Authorized Officer(s) of Local Borrower.

Town of Chino Valley
 Attention: Mr. Robert Smith, Town Manager
 202 N. State Route 89
 Chino Valley, Arizona 86323-0406
 Telephone: 928-636-2646, ext. 115
 Fax: 928-636-2144

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

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

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

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

- Exhibit A** Financial Assistance Terms and Conditions; Borrower Payment Instructions; and Loan Repayment Schedule
- Exhibit B** Technical Assistance Terms and Conditions
- Exhibit C** Reporting Requirements
- Exhibit D** Source of Repayment
- Exhibit E** Debt Service Reserve Requirements
- Exhibit F** Replacement Reserve Requirements
- Exhibit G** Form of Opinion of Counsel to Borrower
- Exhibit H** Tax Compliance Certificate of Local Borrower

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

Article 2 Description Of The Project

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

Section 2.2 Description of System. The term “System” means and includes all of the properties and facilities of the complete Sewer plant and system of the Local Borrower, whether lying within or without the boundaries of the Local Borrower, as now existing and as they may hereafter be improved or extended, all improvements, additions and extensions thereto or replacements thereof hereafter constructed or acquired by purchase, contract or otherwise and all contracts, rights, agreements, leases and franchises of every nature owned by the Local Borrower and used or useful or held for use in the operation of said plant and system or any part or portion thereof.

Article 3 Loan to Local Borrower; Amounts Payable

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

available for disbursement. The Local Borrower shall use the proceeds of the Loan strictly in accordance with the requirements of this Loan Agreement.

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

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

Section 3.4 Tax Covenants.

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

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

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

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

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

Water Infrastructure Finance Authority of Arizona

By: _____
Sandy Sutton, Executive Director

Town of Chino Valley

By: _____
Mr. Robert Smith, Town Manager

Attest:

By: _____
Clerk

LOAN AGREEMENT ADDENDUM

Wage Rate and Forgivable Principal Requirements for Compliance with P.L. 111-88

Water Infrastructure Finance Authority of Arizona

This document (this “Wage Rate and Forgivable Principal Addendum”) sets forth additional requirements applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona (“WIFA”) that are subject to the requirements of Public Law 111-88, “Making appropriations for the Department of the Interior, environment, and related agencies for the fiscal year ending September 30, 2010, and for other purposes,” enacted October 30, 2009 (“P.L. 111-88”). The provisions in this Wage Rate and Forgivable Principal Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under P.L. 111-88, and that the requirements of P.L. 111-88 include those set forth in this Wage Rate and Forgivable Principal Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA’s obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan, together with interest and fees as provided in the Loan Agreement (including interest and fees at rates adjusted from those originally in effect as described herein).

Additional Requirement for Subrecipients that are not Governmental Entities:

Obtaining Wage Determinations - Under this Wage Rate and Forgivable Principal Addendum, the non-governmental borrower must submit its proposed Davis Bacon wage determinations to WIFA for approval prior to including the wage determination in any solicitation, contract task orders, work assignments, or similar instruments to existing contractors. **THIS PARAGRAPH DOES NOT APPLY TO GOVERNMENTAL ENTITIES.**

Section 1. P.L. 111-88 Compliance - Forgivable Principal Portion.

(a) Section 1 of Exhibit A to the Loan Agreement specifies the Total Financial Assistance Amount, the amount, if any, designated as the Forgivable Principal Portion, the Intended Repayment Amount, and the required amount of reserves to be established based upon the Intended Repayment Amount. Section 2 of Exhibit A to the Loan Agreement specifies a schedule of interest and principal payments based on the Intended Repayment Amount. If the Local Borrower fails to comply with the requirements of P.L. 111-88, including those set forth in this Wage Rate and Forgivable Principal Addendum:

(i) WIFA will provide a revised Exhibit A for the Loan Agreement to amortize the entire Total Financial Assistance Amount with the Forgivable Principal Portion set to \$478,829.00, adjusted, as necessary, to incorporate, previous principal payments.

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

Section 2. P.L. 111-88 Compliance - Wage Rate Requirements.

This language must be included in all Davis Bacon covered construction contracts and subcontracts. (29 CFR Part 5.5)

(a) The Local Borrower shall insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a treatment work under the CWSRF or a construction project under the DWSRF, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in Sec. 5.1, or the FFY 2010 appropriation, the following clauses:

(1) **Minimum wages.** (i) All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR part 3)), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of paragraph (a)(1)(iv) of this section; also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period. Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in Sec. 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under paragraph (a)(1)(ii) of this section) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers. Local Borrowers may obtain wage determinations from the U. S. Department of Labor's web site, www.wdol.gov.

(ii)(A) The Local Borrower, on behalf of EPA, shall require that any class of laborers or mechanics, including helpers, which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. The WIFA award official shall approve an additional classification and wage rate and fringe benefits therefore only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(B) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and the Local Borrower agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by the Local Borrower to the WIFA award official. The WIFA award official will transmit the report, to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, DC 20210 and to the EPA Davis Bacon Regional Coordinator concurrently. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise the WIFA award official or will notify the WIFA award official within the 30-day period that additional time is necessary.

(C) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and the Local Borrower do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), the award official shall refer the questions, including the views of all interested parties and the recommendation of the WIFA award official, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise the contracting officer or will notify the contracting officer within the 30-day period that additional time is necessary.

(D) The wage rate (including fringe benefits where appropriate) determined pursuant to paragraphs (a)(1)(ii) (B) or (C) of this section, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program.

(2) **Withholding.** The Local Borrower shall upon its own action or upon written request of WIFA, EPA award official or an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics,

including apprentices, trainees, and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee, or helper, employed or working on the site of the work, all or part of the wages required by the contract, the (Agency) may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased.

(3) **Payrolls and basic records.** (i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in section 1(b)(2)(B) of the Davis-Bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5(a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs.

(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the Local Borrower. Such documentation shall be available on request of WIFA or EPA. As to each payroll copy received, the subrecipient shall provide written confirmation in a form satisfactory to the State indicating whether or not the project is in compliance with the requirements of 29 CFR 5.5 (a)(1) based on the most recent payroll copies for the specified week. **The payrolls shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i), except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number).** The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at <http://www.dol.gov/whd/forms/wh347.pdf> or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to the Local Borrower for transmission to WIFA or EPA, if requested by EPA, WIFA, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this section for a prime contractor to require a

subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to the Local Borrower.

(B) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under Sec. 5.5 (a)(3)(ii) of Regulations, 29 CFR part 5, the appropriate information is being maintained under Sec. 5.5 (a)(3)(i) of Regulations, 29 CFR part 5, and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in Regulations, 29 CFR part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(C) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B) of this section.

(D) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under section 1001 of title 18 and section 231 of title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under paragraph (a)(3)(i) of this section available for inspection, copying, or transcription by authorized representatives of WIFA, EPA or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, the Federal agency or WIFA may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

(4) Apprentices and trainees - (i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above,

shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under this part shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR part 30.

(5) **Compliance with Copeland Act requirements.** The contractor shall comply with the requirements of 29 CFR part 3, which are incorporated by reference in this contract.

(6) **Subcontracts.** The contractor or subcontractor shall insert in any subcontracts the clauses contained in 29 CFR 5.5(a)(1) through (10) and such other clauses as the EPA determines may be appropriate, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in 29 CFR 5.5.

(7) **Contract termination: debarment.** A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract, and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

(8) **Compliance with Davis-Bacon and Related Act requirements.** All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR parts 1, 3, and 5 are herein incorporated by reference in this contract.

(9) **Disputes concerning labor standards.** Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and the Local Borrower, WIFA, EPA, the U.S. Department of Labor, or the employees or their representatives.

(10) **Certification of eligibility.** (i) By entering into this contract, the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1).

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001.

(b) **Contract Work Hours and Safety Standards Act.** The Local Borrower shall insert the following clauses set forth in paragraphs (b)(1), (2), (3), and (4) of this section in full in any contract in an amount in excess of \$100,000 and subject to the overtime provisions of the Contract Work Hours and Safety Standards Act. These clauses shall be inserted in addition to the clauses required by Sec. 5.5(a) or 4.6 of part 4 of this title. As used in this paragraph, the terms laborers and mechanics include watchmen and guards.

(1) **Overtime requirements.** No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of forty hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in paragraph (b)(1) of this section the contractor and any subcontractor responsible therefore shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in paragraph (b)(1) of this section, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in paragraph (b)(1) of this section.

(3) Withholding for unpaid wages and liquidated damages. The Local Borrower, upon its own action or upon written request of the EPA Award Official or an authorized representative of the Department of Labor shall withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime contractor, such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b)(2) of this section.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (b)(1) through (4) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (b)(1) through (4) of this section.

(c) In addition to the clauses contained in paragraph (b), in any contract subject only to the Contract Work Hours and Safety Standards Act and not to any of the other statutes cited in 29 CFR Sec. 5.1, the Local Borrower shall insert a clause requiring that the contractor or subcontractor shall maintain payrolls and basic payroll records during the course of the work and shall preserve them for a period of three years from the completion of the contract for all laborers and mechanics, including guards and watchmen, working on the contract. Such records shall contain the name and address of each such employee, social security number, correct classifications, hourly rates of wages paid, daily and weekly number of hours worked, deductions made, and actual wages paid. Further, the Local Borrower shall insert in any such contract a clause providing that the records to be maintained under this paragraph shall be made available by the contractor or subcontractor for inspection, copying, or transcription by authorized representatives of WIFA, EPA and the Department of Labor, and the contractor or subcontractor will permit such representatives to interview employees during working hours on the job.

Section 3. General Provisions.

(a) Binding Effect. This Wage Rate and Forgivable Principal Addendum shall inure to the benefit of and shall be binding upon WIFA and the Local Borrower and their respective successors and assigns.

(b) Severability. In the event any provision of this Wage Rate and Forgivable Principal Addendum shall be held illegal, invalid or unenforceable by any court of competent

jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

(c) Amendments, Supplements and Modifications. This Wage Rate and Forgivable Principal Addendum may not be amended, supplemented or modified without the prior written consent of WIFA and the Local Borrower.

(d) Execution in Counterparts. This Wage Rate and Forgivable Principal Addendum may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(e) Applicable Law. This Wage Rate and Forgivable Principal Addendum shall be governed by and construed in accordance with the laws of the State of Arizona.

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

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

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

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

[SIGNATURE PAGE FOLLOWS]

WIFA and the Local Borrower are signing this Wage Rate and Forgivable Principal Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By: _____

Sandra Sutton, Executive Director

Town of Chino Valley

By: _____

Robert Smith, Town Manager

[Signature page to Wage Rate and Forgivable Principal Addendum to Loan Agreement]

LOAN AGREEMENT ADDENDUM

American Iron and Steel Requirements for Compliance with Federal Law

Water Infrastructure Finance Authority of Arizona

This document (this "American Iron and Steel Addendum") sets forth additional requirements made applicable to state revolving fund Loans made by the Water Infrastructure Finance Authority of Arizona ("WIFA") by federal law. The provisions in this American Iron and Steel Addendum are a part of the Loan Agreement. Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

The parties acknowledge and agree that funds disbursed by WIFA to the Local Borrower will include funds made available to WIFA by the federal government under federal law, and that the requirements of federal law include those set forth in this American Iron and Steel Addendum. The Local Borrower agrees to comply with all of those requirements and agrees that failure to do so is a breach of the provisions of the Loan Agreement which may result in a default under the Loan Agreement, termination of WIFA's obligation to make disbursements on the Loan and the Local Borrower being required to repay all amounts that have been disbursed by WIFA on the Loan, together with interest and fees as provided in the Loan Agreement.

Federal law requires that WIFA include in all assistance agreements, including the Loan Agreement, for the construction, alteration, maintenance, or repair of treatment works under the Clean Water State Revolving Fund and for the construction, alteration, maintenance, or repair of a public water system under the Drinking Water State Revolving Fund, a provision requiring the application of American Iron and Steel requirements for the entirety of the construction activities financed by the assistance agreement through completion of construction, no matter when construction commences. Whether or not the project has multiple sources of funding, the American Iron and Steel requirements apply to the entire project and not just to the activities funded by the money made available to WIFA by the federal government.

Section 1. American Iron and Steel Requirements. In accordance with federal law:

(a)(1) None of the funds made available to WIFA as authorized by title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.) or as authorized by section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12) shall be used for a project for the construction, alteration, maintenance, or repair of a public water system or treatment works unless all of the iron and steel products used in the project are produced in the United States.

(2) In this section, the term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.

(b) Subsection (a) shall not apply in any case or category of cases in which the Administrator of the Environmental Protection Agency (in this section referred to as the "Administrator") finds that—

- (1) applying subsection (a) would be inconsistent with the public interest;
- (2) iron and steel products are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- (3) inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

(c) If the Administrator receives a request for a waiver under this section, the Administrator shall make available to the public on an informal basis a copy of the request and information available to the Administrator concerning the request, and shall allow for informal public input on the request for at least 15 days prior to making a finding based on the request. The Administrator shall make the request and accompanying information available by electronic means, including on the official public Internet Web site of the Environmental Protection Agency.

Section 2. General Provisions.

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

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

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

(d) Execution in Counterparts. This American Iron and Steel Addendum may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(e) Applicable Law. This American Iron and Steel Addendum shall be governed by and construed in accordance with the laws of the State of Arizona and applicable federal law.

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

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

(h) Prohibition Against Discrimination. In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order 2009-9, entitled "Prohibition of Discrimination in State Contracts Non-Discrimination in Employment by Government Contractors and Subcontractors," which mandates that all persons, regardless of race, color, religion, sex, age, or national origin shall have equal access to employment opportunities, and all other applicable state and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Local Borrower shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

(i) Arbitration. In the event of a dispute, the parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by Arizona Revised Statutes Section 12-1518, and the prevailing party shall be entitled to attorney's fees and costs with respect thereto.

(j) Notice of Arizona Revised Statutes Section 38-511 - Cancellation. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to this American Iron and Steel Addendum under the law of the State of Arizona.

[SIGNATURE PAGE FOLLOWS]

WIFA and the Local Borrower are signing this American Iron and Steel Addendum to be effective as part of the Loan Agreement.

Water Infrastructure Finance Authority of Arizona

By: _____

Sandy Sutton, Executive Director

[LOCAL BORROWER]

By: _____

Robert Smith, Town Manager

[Signature page to American Iron and Steel Addendum to Loan Agreement]

Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions Town of Chino Valley 20-Nov-14

Loan Number..... 910163-15

Closing Date..... 12/30/14

First Payment Period..... 07/01/15

Financial Assistance Terms and Conditions

Original Loan Amount as of the Closing Date.....	\$	3,442,500.00
Forgivable Principal Amount.....	\$	478,829.00
Intended Repayment Amount.....	\$	2,963,671.00
Loan Term.....		20
Combined Interest & Fee Rate		3.750%
Total # of Payment Periods within Loan Term.....		40

Principal Repayments

Period Principal Repayments Begin.....	2
First Principal Repayment Date.....	07/01/15
Final Principal Repayment Date.....	07/01/34

Combined Interest and Fee Payment Dates

First Combined Interest and Fee Payment Date*.....	07/01/15
Final Combined Interest and Fee Payment Date.....	07/01/34

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

Debt Service Reserve Fund Requirements

Total Reserve Amount.....	\$	213,271.98
Annual Amount.....	\$	42,654.40
Reserve Funded by (Date).....		01/01/20

Repair and Replacement Fund Requirement

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

Annual Payment

Years 1 through 5.....	\$	213,271.98
Years 6 through 10.....	\$	213,271.98
Years 11 through 15.....	\$	213,271.98
Years 16 through 20.....	\$	213,271.98

Section 2: Loan Repayment Schedule Town of Chino Valley 20-Nov-14						
Year Period		Semi-Annual Payment Dates	Combined Interest and Fee Rate	Semi-Annual Combined Interest and Fee Payment	Annual Principal Repayment	Total Annual Payment
1	1	01/01/15	3.750%	0.00		
1	2	07/01/15	3.750%	55,877.55	102,134.32	158,011.87
2	3	01/01/16	3.750%	53,653.82		
2	4	07/01/16	3.750%	53,653.82	105,964.34	213,271.98
3	5	01/01/17	3.750%	51,666.98		
3	6	07/01/17	3.750%	51,666.98	109,938.02	213,271.98
4	7	01/01/18	3.750%	49,605.65		
4	8	07/01/18	3.750%	49,605.65	114,060.68	213,271.98
5	9	01/01/19	3.750%	47,467.00		
5	10	07/01/19	3.750%	47,467.00	118,337.98	213,271.98
6	11	01/01/20	3.750%	45,248.17		
6	12	07/01/20	3.750%	45,248.17	122,775.64	213,271.98
7	13	01/01/21	3.750%	42,946.13		
7	14	07/01/21	3.750%	42,946.13	127,379.72	213,271.98
8	15	01/01/22	3.750%	40,557.75		
8	16	07/01/22	3.750%	40,557.75	132,156.48	213,271.98
9	17	01/01/23	3.750%	38,079.82		
9	18	07/01/23	3.750%	38,079.82	137,112.34	213,271.98
10	19	01/01/24	3.750%	35,508.97		
10	20	07/01/24	3.750%	35,508.97	142,254.04	213,271.98
11	21	01/01/25	3.750%	32,841.70		
11	22	07/01/25	3.750%	32,841.70	147,588.58	213,271.98
12	23	01/01/26	3.750%	30,074.42		
12	24	07/01/26	3.750%	30,074.42	153,123.14	213,271.98
13	25	01/01/27	3.750%	27,203.35		
13	26	07/01/27	3.750%	27,203.35	158,865.28	213,271.98
14	27	01/01/28	3.750%	24,224.63		
14	28	07/01/28	3.750%	24,224.63	164,822.72	213,271.98
15	29	01/01/29	3.750%	21,134.20		
15	30	07/01/29	3.750%	21,134.20	171,003.58	213,271.98
16	31	01/01/30	3.750%	17,927.89		
16	32	07/01/30	3.750%	17,927.89	177,416.20	213,271.98
17	33	01/01/31	3.750%	14,601.33		
17	34	07/01/31	3.750%	14,601.33	184,069.32	213,271.98
18	35	01/01/32	3.750%	11,150.03		
18	36	07/01/32	3.750%	11,150.03	190,971.92	213,271.98
19	37	01/01/33	3.750%	7,569.32		
19	38	07/01/33	3.750%	7,569.32	198,133.34	213,271.98
20	39	01/01/34	3.750%	3,854.32		
20	40	07/01/34	3.750%	3,854.32	205,563.36	213,272.00
				1,246,508.51	2,963,671.00	4,210,179.51

Exhibit B

Technical Terms and Conditions

Section 1 Budget

Uses by Budget Item	Amount Budgeted
Planning.....	\$0.00
Design & Engineering.....	\$0.00
Legal/Debt Authorization.....	\$0.00
Financial Advisor.....	\$0.00
Land/System Acquisition.....	\$0.00
Equipment/Materials.....	\$132,500.00
Construction/Installation/Improvement.....	\$0.00
Inspection & Construction Management.....	\$0.00
Project Officer.....	\$0.00
Administration.....	\$0.00
Staff Training.....	\$0.00
Capitalized Interest.....	\$0.00
Refinance Loan.....	\$3,310,000.00
Other.....	\$0.00
Total Budget.....	\$3,442,500.00

Section 2 Project Description

Due to economic conditions over the past several years and future projections for economic growth, the Town no longer desires to have Fann obligated to construct phases V or VI and increase the wastewater treatment plant capacity from 0.5 MGD to 1.0 MGD.

The loan would address two project components, detailed below. The first is to buy out the remaining obligations for the construction of the Town's WWTP. The second component is to install a new screen at the WWTP.

Section 3 Estimated Observation and Disbursement Schedule

Observation Schedule B:

Observation 1: Upon borrower notification of construction commencement

Additional Observations: at least one site observation within each 12 month period

Final Observation: 80% construction budget disbursement

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

Withholding Percentage: 10% (released after deliverables received)

Section 4

Requirements Prior To Construction

Section 4.1 **Construction Bids.** The Local Borrower shall submit to the Authority for review and approval prior to execution:

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

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

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

Section 4.4 **Federal Clean Water Act.** The Local Borrower covenants that, to the extent legally applicable, the Project will meet the requirements of the Federal Clean Water Act in effect on the date of Loan Closing and any amendments thereto that may retroactively apply to

the Loan, and the Local Borrower agrees that the Project will comply with applicable provisions of those federal laws and authorities listed in Article 9 of the Standard Terms and Conditions.

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

Section 4.6 **Signs**. No Requirement.

Section 5 Requirements During Construction

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

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

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

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

Section 5.5 **Archaeological Artifacts**. In the event that archaeological artifacts or historical resources are discovered during construction excavation of the Project, the Local Borrower shall

stop or cause to be stopped construction activities and will notify the State Historic Preservation Office and the Authority of such discovery.

Section 6

Requirements Prior To Final Disbursements

Section 6.1 **Plan of Operation**. After construction is 50% complete and prior to the release of the withholding, the Local Borrower will submit to the Authority a plan of operation which provides a concise, sequential description of an implementation schedule for those activities necessary to assure efficient and reliable start-up and continual operation of the Project.

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

Exhibit C

Reporting Requirements

Section 1. **Annual Loan Review.** The Authority's Annual Loan Review Form and annual financial statements in a format approved by the Authority, including the report of any annual audit(s) and all audit reports required by governmental auditing standards and any applicable Arizona rules, shall be provided by the Local Borrower to the Authority within one-hundred and eighty (180) days after the end of each fiscal year of the Local Borrower. The Local Borrower shall complete all audits and submit all reports required by the federal Single Audit Act within the time limits under that federal law, currently within the earlier of 30 days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the federal agency that provided the funding or a different period is specified in a program-specific audit guide.

Section 2. **Records and Accounts.** The Local Borrower shall keep accurate records and accounts for the System, including records and accounts for the Project (the "*System Records*"), separate and distinct from its other records and accounts (the "*General Records*"). The Local Borrower must maintain the System Records in accordance with generally accepted accounting principles (GAAP), including standards relating to the reporting of infrastructure assets, as issued by the Governmental Accounting Standards Board (GASB) or by the Financial Accounting Standards Board (FASB), as applicable to the Local Borrower. If required by law, the Local Borrower must have the System Records audited annually by an independent accountant, which audit may be part of the annual audit of the General Records of the Local Borrower. The Local Borrower must make all System Records and General Records available for inspection by the Authority at any reasonable time.

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

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

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

Section 6. **Notice of Default.** Promptly after becoming aware thereof, Local Borrower shall give notice to the Authority of (i) the occurrence of any Event of Default under the Loan Agreement or (ii) the occurrence of any breach, default, Event of Default, or event which with the giving of notice or lapse of time, or both, could become a material breach, default, or Event of Default (a "Future Breach") under any agreement, indenture, mortgage, or other instrument

(other than the Loan Agreement) to which the Local Borrower is a party or by which it or any of its property is bound or affected. Local Borrower shall provide written notice to the Authority if the effect of such breach, default, Event of Default or Future Breach is to accelerate, or to permit the acceleration of, the maturity of any indebtedness under such agreement, indenture, mortgage, or other instrument; provided, however, that the failure of the Local Borrower to give such notice shall not affect the right and power of the Authority to exercise any and all of the remedies specified herein.

Section 7. **Notice of Construction Commencement.** The Local Borrower shall promptly notify the Authority immediately upon commencement of construction activities.

Section 8. **Notice of Non-Environmental Litigation.** Promptly after the commencement or overt threat thereof, Local Borrower shall provide the Authority with written notice of the commencement of all actions, suits, or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting Local Borrower which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 9. **Notice of Environmental Litigation.** Without limiting the provisions of Section 8 above, promptly after receipt thereof, Local Borrower shall provide the Authority with written notice of the receipt of all pleadings, orders, complaints, indictments, or other communication alleging a condition that may require Local Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury to any person or property damage as a result of environmental factors or conditions or which, if adversely determined, could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or on the ability of Local Borrower to perform its obligations under the Loan Agreement.

Section 10. **Regulatory and Other Notices.** Promptly after receipt or submission thereof, Local Borrower shall provide the Authority with copies of any notices or other communications received from or directed to any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition (financial or otherwise), operations, properties, or business of Local Borrower, or the ability of Local Borrower to perform its obligations under the Loan Agreement, or which reveals a substantial non compliance with any applicable law, regulation or rule.

Section 11. **Other Information.** The Local Borrower shall submit to the Authority other information regarding the condition (financial or otherwise), or operation of the Local Borrower as the Authority may, from time to time, reasonably request.

Section 12. **Additional Reporting Requirements.** The Local Borrower shall refer to the Loan Agreement Addendum for wage rate reporting requirements.

Exhibit D Source of Repayment: System Revenues and Excise Taxes

Section 1 Certain Definitions

As used in this Loan Agreement, the hereinafter defined Parity (First) Lease Agreement (RD), Parity (Second) Lease Agreement (RD), Parity Loan Agreement, Parity Loan Agreement (WIFA), Parity Purchase Agreement (Trustee/Seller) and any Additional Parity Obligations, the following terms shall have the meanings set forth below unless the context clearly requires otherwise:

“Additional GADA/Authority Loan Agreements” shall mean any agreement for any loan from GADA in addition to the Parity Loan Agreement (GADA) or for any loan from the Authority subject to Section 49-1225(F) or 49-1245(F), Arizona Revised Statutes, as amended, hereinafter consummated.

“Additional Non-System Revenue Obligations” shall mean any additional obligations which may hereafter be issued or incurred by the Local Borrower (or any financing conduit acting on behalf of the Local Borrower) having a lien upon and payable from Non-System Revenues on a parity with the Parity Loan Agreement (GADA) and the Parity Purchase Agreement (Trustee/Seller) in compliance with the terms of the Parity Loan Agreement (GADA) and the terms below under the heading “Additional Non-System Revenue & Parity Obligations Provisions.”

“Additional Parity Obligations” shall mean any additional parity lien obligations which may hereafter be issued or incurred by the Local Borrower (or any financing conduit acting on behalf of the Local Borrower) having a lien upon and payable from System Revenues and Non-System Revenues on a parity with this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD) and the Parity (Second) Lease Agreement (RD) in compliance with the terms below under the heading “Additional Non-System & Parity Obligations Provisions.”

“Administrative Expenses” shall mean the reasonable cost or value of all services rendered by the Local Borrower and its various departments with respect to the System.

“Available Coverage” shall mean, for any fiscal year, the sum of Net System Revenues actually received in such fiscal year plus the excess of Non-System Revenues actually received in such fiscal year over the maximum amount of debt service due or to come due on the Parity Loan Agreement (GADA), the Parity Purchase Agreement (Trustee/Seller) and any Additional Non-System Revenue Obligations in that or any future fiscal year.

“Available Revenues” shall mean, for any fiscal year, the sum of Net System Revenues actually received in such fiscal year plus the excess of Non-System Revenues actually received in such fiscal year over the debt service due or to come due on the Parity Loan Agreement (GADA), the Parity Purchase Agreement (Trustee/Seller) and any Additional Non-System Revenue Obligations in that fiscal year.

“Corporation” shall mean the Town of Chino Valley, Arizona Municipal Property Corporation.

“Excise Tax Revenues” shall mean revenues from the unrestricted transaction privilege (sales) tax, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures which the Local Borrower imposes; provided that the Mayor and Council of the Local Borrower may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council.

“GADA” shall mean the Greater Arizona Development Authority, a body corporate and politic constituting a governmental instrumentality duly organized and existing within the State under the Constitution and laws of the State.

“Net System Revenues” shall mean that portion of the System Revenues remaining after providing sufficient funds for the System Operation and Maintenance Expenses.

“Non-System Revenues” shall mean, collectively, Excise Tax Revenues and State Shared Revenues.

“Parity Loan Agreement (GADA)” shall mean the Loan Payment Agreement, dated as of May 1, 2007, by and between the Local Borrower and GADA.

“Parity Loan Agreement (WIFA)” shall mean the Loan Agreement, dated as of January 12, 2008, by and between the Local Borrower and WIFA.

“Parity (First) Lease Agreement (RD)” shall mean the First Series 2007 Town Lease, dated May 10, 2008, by and between the Local Borrower and the Corporation.

“Parity Purchase Agreement (Trustee/Seller)” shall mean the First Purchase Agreement, dated as of December 10, 2010, by and between the Local Borrower and U.S. Bank N.A, as trustee, in its separate capacity as seller.

“Parity (Second) Lease Agreement (RD)” shall mean the Second Series 2007 Town Lease, dated May 16, 2008, by and between the Local Borrower and the Corporation.

“Prior Lease Agreement (RD)” shall mean the Series 2006 Town Lease, dated February 16, 2007, by and between the Local Borrower and the Corporation.

“Prior Loan Agreement (WIFA)” shall mean the Loan Agreement, dated as of January 12, 2007, by and between the Local Borrower and the Authority.

“State Intercept” shall mean the limitations provided by Section 10(a)(iii) of the Parity Loan Agreement (GADA) and by the corresponding sections in any Additional GADA/Authority Loan Agreements.

“State Shared Revenues” shall mean revenues from any excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State of Arizona or any agency thereof and returned, allocated or apportioned to the Local Borrower, except the Local Borrower’s share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

“System Operation and Maintenance Expenses” shall mean all costs reasonably incurred in connection with the operation, use and maintenance of the System, including repairs necessary to keep the System in efficient and economical operating condition, the payments of premiums for insurance hereinafter required to be carried on the System and generally all expenses of the System except depreciation, interest expense related to this Loan Agreement, the Lease Agreement and any Additional Parity Obligations, interest expenses on obligations subordinate to such obligations and payments of Administrative Expenses.

“System Revenues” shall mean and include all income, moneys and receipts (except amounts to be paid to Fann Contracting Inc. with respect to the wastewater treatment portion of the System)^{*} to be received

^{*}This parenthetical should be included in the same place in the Prior Loan Agreement (WIFA).

by the Local Borrower, directly or indirectly, from the ownership, use or operation of the System including any waste material or by-products of the System and also including investment income.

Section 2 Source of Repayment and Rate Covenant Provisions

Source of Repayment; Pledge

It is understood and agreed that all payments with respect to the Loan shall be made only from the Source of Repayment, which is hereby pledged to the payment of all amounts due under the Loan. After making all prior payments secured as hereinafter described as well as the payments required with respect to the "Reserve Fund Account" and the "Reserve Account" required by Exhibit E to the Prior Loan Agreement (WIFA) and the "Replacement Reserve" required by Exhibit F to the Prior Loan Agreement (WIFA), the Local Borrower shall then make all such payments out of the aforesaid sources and thereafter may use the remaining funds for any other lawful purpose, but only to the extent that, taking into account the reasonably anticipated receipts, such sources will not be reduced to such a level that the Local Borrower will be unable to make the next payment hereunder. The Source of Repayment is Net System Revenues and Non-System Revenues, as hereinafter provided. Net System Revenues and, except as limited by the State Intercept, Non-System Revenues are hereby pledged by the Local Borrower to the payment of all amounts due under the Loan, and such amounts shall be secured, subject only to the paramount and first lien for the Prior Loan Agreement (WIFA) and the Prior Lease Agreement (RD), by a subordinate and second lien on and pledge of Net System Revenues and, subject only to the paramount and first lien for the Prior Loan Agreement (WIFA) and the Prior Lease Agreement (RD), the subordinate and second lien on and pledge of Non-System Revenues, in each case on parity with the pledge and lien hereby granted by the Local Borrower for the payment and security of any Additional Parity Obligations. The amounts due under this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations (exclusive of the Local Borrower's repayment obligations with respect to the reserve fund credit instruments in connection with this Loan and any similar obligations with respect to reserve fund credit instruments to be entered into by the Local Borrower with respect to Additional Parity Obligations which shall be secured on a subordinate basis) shall be equally and ratably secured by said pledge and lien without priority one over the other. The Local Borrower intends that this pledge shall be, subject only to the Prior Loan Agreement (WIFA) and the Prior Lease Agreement (RD), a subordinate and second lien on and pledge of Net System Revenues and, subject only to the Prior Loan Agreement (WIFA) and the Prior Lease Agreement (RD), a subordinate and second lien on and pledge of Non-System Revenues, as will be sufficient to make all payments on this Loan, the Parity Loan Agreement (WIFA), the Parity (First) Lease

**The words "the Lease Agreement" should be excluded the first time they appear from the following sentences in Section 2 of the Prior Loan Agreement (WIFA):

Net System Revenues and Non-System Revenues are hereby pledged by the Local Borrower to the payment of all amounts due under the Loan, and such amounts shall be secured by a prior and paramount lien on and pledge of Net System Revenues and, subject only to the Non-System Revenue Obligation, the Lease Agreement and any Additional Non-System Revenue Obligations, a subordinate and second lien on and pledge of Non-System Revenues, in each case on parity with the pledge and lien hereby granted by the Local Borrower for the payment and security of any Additional Parity Obligations.

The Local Borrower intends that this pledge shall be a prior and paramount lien on and a first pledge of Net System Revenues and, subject only to the Non-System Revenue Obligation, the Lease Agreement and any Additional Non-System Revenue Obligations, a subordinate and second lien on and pledge of Non-System Revenues, as will be sufficient to make all payments on the Loan and the Lease Agreement, and the Local Borrower covenants to make the payments under the Loan, the Lease Agreement and any Additional Parity Obligations from Net System Revenues and Non-System Revenues, except to the extent that it chooses to make such payments from other legally available funds at its sole option.

Agreement (RD), the Parity (Second) Lease Agreement (RD), the Parity Loan Agreement (GADA), and the Parity Purchase Agreement (Trustee/Seller). The Parity Loan Agreement (GADA) and any Additional Non-System Revenue Obligations which are also Additional GADA/Authority Loan Agreements shall have the benefit of the State Intercept. The Local Borrower covenants to make the payments under this Loan, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations from Net System Revenues and Non-System Revenues, except to the extent that it chooses to make such payments from

other legally available funds at its sole option. *** No part of such payments shall be payable out of any ad valorem taxes imposed by the Local Borrower, from bonds or other obligations, for the payment of which the general taxing authority of the Local Borrower is liable or pledged, or from its general funds, unless (i) the same shall have been duly budgeted by the Local Borrower according to law, (ii) such payment or payments shall be within the budget or expenditure limitations of the Constitution and laws of the State of Arizona, and (iii) such payment is not in conflict with the Constitution and laws of the State of Arizona. In no event shall the Local Borrower be required to make the payments on this Loan, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the (Parity)Second) Lease Agreement (RD) or any Additional Parity Obligations from any revenues, receipts or sources not derived from Net System Revenues or Non-System Revenues.

Rate Covenant

Prior to the release of the pledge of, and lien on, Non-System Revenues as hereinafter described, the Local Borrower hereby covenants and agrees that, to the extent permitted by applicable law, the Excise Tax Revenues shall be retained and maintained so that the amounts received from the Excise Tax Revenues and the State Shared Revenues, when combined mathematically for such purpose only, all within and for the most recently completed fiscal year of the Local Borrower, shall have been equal to at least two (2) times the total of interest and principal requirements for the current fiscal year of the Local Borrower for the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (GADA), this Loan Agreement, the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD), the Parity Purchase Agreement (Trustee/Seller) and any Additional Non-System Revenue Obligations. If the revenues from the Excise Tax Revenues and the State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1¼) times the total of the interest and principal requirements for the current fiscal year of the Local Borrower for the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (GADA), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD), the Parity Loan Agreement (GADA), the Parity Purchase Agreement

***The words "the Lease Agreement" should be excluded the first time they appear from the following sentences in Section 2 of the Prior Loan Agreement (WIFA):

Net System Revenues and Non-System Revenues are hereby pledged by the Local Borrower to the payment of all amounts due under the Loan, and such amounts shall be secured by a prior and paramount lien on and pledge of Net System Revenues and, subject only to the Non-System Revenue Obligation, the Lease Agreement and any Additional Non-System Revenue Obligations, a subordinate and second lien on and pledge of Non-System Revenues, in each case on parity with the pledge and lien hereby granted by the Local Borrower for the payment and security of any Additional Parity Obligations.

The Local Borrower intends that this pledge shall be a prior and paramount lien on and a first pledge of Net System Revenues and, subject only to the Non-System Revenue Obligation, the Lease Agreement and any Additional Non-System Revenue Obligations, a subordinate and second lien on and pledge of Non-System Revenues, as will be sufficient to make all payments on the Loan and the Lease Agreement, and the Local Borrower covenants to make the payments under the Loan, the Lease Agreement and any Additional Parity Obligations from Net System Revenues and Non-System Revenues, except to the extent that it chooses to make such payments from other legally available funds at its sole option.

(Trustee/Seller) and any Additional Non-System Revenue Obligations or if at any time it appears that the Excise Tax Revenues and the State Shared Revenues will not be sufficient to meet such requirements, the Local Borrower shall, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which will be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed fully sufficient at all times, after making allowance for contingencies and errors, in each fiscal year of the Local Borrower in order that (a) the Excise Tax Revenues and the State Shared Revenues will be sufficient to meet all current requirements hereunder and (b) the Excise Tax Revenues and the State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this paragraph. Further, prior to release of the pledge of, and lien on, Non-System Revenues as hereinafter described, the Local Borrower hereby covenants and agrees that it shall maintain Available Revenues in each fiscal year in an amount equal to or greater than the sum of: (1) one hundred twenty percent (120%) of the debt service or comparable payments due in such fiscal year on the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD), and any Additional Parity Obligations; plus (2) one hundred percent (100%) of the aggregate amounts payable in such fiscal year and secured by a lien that is subordinate to the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and such Additional Parity Obligations; plus (3) one hundred percent (100%) of any additional amounts required to maintain or fund necessary fund balances under the resolutions or agreements of the Local Borrower relating to the obligations of the Local Borrower described in (1) above. If Available Revenues for any such preceding fiscal year shall not equal such amount or if at any time it appears that the current receipts will not be sufficient to meet such payment requirements under the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations, the Local Borrower shall, to the extent permitted by applicable law, either impose new exactions of the type from which the Excise Tax Revenues come or increase the rates for the exactions of the type from which the Excise Tax Revenues come currently imposed or increase rates, fees and charges for services supplied by the System in order that (i) Available Revenues will be sufficient to meet all current requirements under the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations and (ii) Available Revenues will be reasonably calculated to attain the level as required above for the succeeding fiscal year's payment requirements.

Release of Non-System Revenues

The Local Borrower may request that the Authority release the pledge of Non-System Revenues under this Loan Agreement, and the Authority, in its sole discretion, may so release such pledge upon receipt by the Authority from the Local Borrower of evidence satisfactory to the Authority that System Revenues for five consecutive full fiscal years have been sufficient to (a) pay the System Operation and Maintenance Expenses, and (b) to produce an aggregate amount of System Revenues in each fiscal year sufficient to pay (i) one hundred twenty percent (120%) of the aggregate of the debt service or comparable payments payable on the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations in such fiscal year, and (ii) one hundred percent (100%) of the aggregate of the debt service or comparable payments, separately, payable and secured on a basis subordinate to the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations by System Revenues, and (c) to maintain all necessary fund balances required under the resolutions or agreements of the Local Borrower authorizing the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement,

the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations.

In the event the Authority, in its sole discretion, agrees to release the pledge of Non-System Revenues, as provided in the above paragraph, the Local Borrower covenants and agrees that from such date of release forward, it will maintain schedules of rates, fees and charges for all services supplied by the System, after making reasonable allowance for contingencies and errors in estimates to produce System Revenues in each fiscal year that are sufficient, (a) to pay Operation and Maintenance Expenses, and (b) to produce an aggregate amount of System Revenues in each fiscal year sufficient to pay (i) one hundred twenty percent (120%) of the aggregate of the debt service or comparable payments payable on the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations, including all amounts due on the Loan, in such fiscal year, and (ii) one hundred percent (100%) of the aggregate of the debt service on comparable payments, separately payable and secured on a basis subordinate to the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations by System Revenues, and (c) to maintain all necessary fund balances required under the resolutions or agreements of the Local Borrower authorizing the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations.

Section 3 Additional Non-System Revenue & Parity Obligations Provisions

The Local Borrower covenants and agrees that no other obligations of any kind will be issued that are payable from or enjoy a pledge of Non-System Revenues or System Revenues having priority over this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligation except as described in the next paragraph.

It is understood and agreed that Additional Non-System Revenue Obligations having a lien upon and payable from Non-System Revenues may be issued on parity with the Parity Loan Agreement (GADA), this Loan Agreement, the Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD), the Parity Purchase Agreement (Trustee/Seller) and any Additional Non-System Revenue Obligations, but only if the Excise Tax Revenues plus the State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the Local Borrower, shall have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the Local Borrower for the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (GADA), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD), the Parity Purchase Agreement (Trustee/Seller) and any Additional Non-System Revenue Obligations secured or so proposed to be secured by such pledge of the Excise Tax Revenues and the State Shared Revenues on a parity of lien therewith; provided, however, that until the release of the pledge of, and lien on, Non-System Revenues, if such amount would be less than six (6) times, then the Local Borrower hereby agrees not to incur Additional Non-System Revenue Obligations without the prior written consent of the Authority.

It is understood and agreed that Additional Parity Obligations having a lien upon and payable from System Revenues and Non-System Revenues may be issued on parity with this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease

Agreement (RD) or any Additional Parity Obligations, but only as provided herein and only to provide funds to make improvements and expansions to the System, to purchase capacity rights in water production plant facilities owned by other political subdivisions of the State, to purchase capacity rights in sewage treatment plant facilities owned by other political subdivisions of the State, to acquire land, rights in land or water rights for the System, to provide reasonable reserves for Additional Parity Obligations, to refund this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations theretofore issued or incurred or to refund other bonds of the Local Borrower, if any, whether revenue bonds, general obligation bonds or other bonds or obligations, issued to provide funds to construct or acquire additions, extensions, improvements, expansions or replacements to the System, subject to the following conditions:

- (a) The Local Borrower will not, at the time of the issuance of such Additional Parity Obligations, be in material default under the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (GADA), the Parity Purchase Agreement (Trustee/Seller), any Additional Non-System Revenue Obligations, this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations theretofore issued or incurred or under any resolution or other document related thereto or providing for the issuance of the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (GADA), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations theretofore issued or incurred or any related credit or reserve fund credit instrument;
- (b) The issuance of Additional Parity Obligations will be duly authorized at an election, if required by law, except as to any bonds or obligations to be issued exclusively for the purpose of refunding this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations theretofore issued or incurred;
- (c) The issuance of Additional Parity Obligations will be provided for by a resolution duly adopted by the Local Borrower's governing body and such Additional Parity Obligations will mature and interest will be paid on the same days of the year as this Loan Agreement, the Lease Agreement and any Additional Parity Obligations theretofore issued and incurred; and
- (d) The Additional Parity Obligation Reserve Requirement (as defined in Exhibit E) shall be available in the Reserve Fund (as defined in Exhibit E) in one of the following ways: (i) Additional Parity Obligation proceeds shall be immediately deposited to an Additional Parity Obligation Reserve Account (as defined in Exhibit E) in an amount equal to the Additional Parity Obligation Reserve Requirement, or a surety or insurance policy acceptable to the Authority shall be purchased in such amount instead; or (ii) proceeds of Additional Parity Obligations, or any other revenues of the Local Borrower lawfully available to be used for such deposit, shall be deposited to the Additional Parity Obligation Reserve Fund Account in equal monthly deposits such that the Additional Parity Obligation Reserve Requirement shall be satisfied not more than 4 years from the date of delivery of such Additional Parity Obligations; or (iii) any combination of (i) and (ii).

In addition to the covenants listed above and prior to the release of the pledge of, and lien on, Non-System Revenues the Local Borrower further covenants and agrees that prior to incurring or issuing any Additional Parity Obligations, Available Coverage for the last full fiscal year immediately preceding the issuance of such Additional Parity Obligations shall have been equal to or greater than the sum of:

(a) one hundred twenty percent (120%) of the highest year's debt service or comparable payments on the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations theretofore issued or incurred then outstanding and on the Additional Parity Obligations then to be issued or incurred; plus (b) one hundred percent (100%) of the aggregate amounts payable in such fiscal year and secured by a lien that is subordinate to the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations theretofore issued or incurred; plus (c) one hundred percent (100%) of any additional amounts required to maintain or fund necessary fund balances under the resolutions or agreements of the Local Borrower relating to the obligations of the Local Borrower described in (a) above. In order to meet the minimum requirement for Available Coverage:

- (A) (1) For the purpose of this subparagraph, if subsequent to the beginning of a fiscal year, the Local Borrower has imposed exactions of the type from which the Excise Tax Revenues come or increased the rates for exactions of the type from which the Excise Tax Revenues come imposed by the Local Borrower and the increase will remain in effect for the life of the Additional Parity Obligations proposed to be incurred, there may be added to Non-System Revenues for the fiscal year the additional amounts which would have been in effect throughout the fiscal year.
- (2) For the purposes of calculations under this subparagraph, if Additional Parity Obligations are to be issued exclusively for the purpose of refunding or retiring a portion of the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations theretofore issued or incurred, the percentage requirement on such obligations will be taken into consideration only in any future fiscal year in which any fractional part of such obligations will remain outstanding after the issuance of such Additional Parity Obligations; provided that nothing contained herein shall be construed to limit or restrict the issuance of any Additional Parity Obligations if, before or as a result of the issuance and delivery of such Additional Parity Obligations, any other obligations theretofore issued will no longer be outstanding, or full payment for any such obligations will be provided for by funds from the bond or obligation proceeds.
- (B) (1) For the purposes of this subparagraph, additional amounts may be added to Net System Revenues as shown on the accountant's certificate or report in the following circumstances:
 - (i) If revenues have been increased as a result of construction of additions or acquisitions to the System made prior to the issuance of such Additional Parity Obligations but during either the fiscal year in which the Additional Parity Obligations are to be issued or in the preceding fiscal year, such increased System Revenues may be treated as if such additions to the System were completed on the first day of the fiscal year used for purposes of computation. The System Revenues derived from such additions and acquisitions to the System may be converted for purposes of computation to estimated Net System Revenues which would have been derived therefrom if said additions and acquisitions had

actually been completed on the first day of the year used for computation purposes, such estimates to be made by a professional firm experienced in estimating future revenues and expenses of water and sewer systems and having a recognized reputation for that work ~~an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.~~****

- (ii) If all or part of the proceeds of the Additional Parity Obligations are to be expended for the acquisition of existing sewage treatment plant facilities, there may be added to Net System Revenues of such preceding fiscal year Net System Revenues which would be been derived from the operation of such facilities if such facilities had been acquired and operated by the Local Borrower under the Local Borrower's applicable rate schedule during the entire preceding fiscal year, such Net System Revenues to be estimated by a professional firm experienced in estimating future revenues and expenses of water and sewer systems and having a recognized reputation for that work ~~an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.~~****
- (iii) If prior to the issuance of the Additional Parity Obligations and subsequent to the first day of such preceding fiscal year, the Local Borrower shall have increased its rates or charges imposed for sewer services, there may be added to Net System Revenues of such fiscal year the additional Net System Revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, such additional Net System Revenues to be estimated by a professional firm experienced in estimating future revenues and expenses of water and sewer systems and having a recognized reputation for that work ~~an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.~~****
- (2) For purposes of calculations under this subparagraph, if Additional Parity Obligations are to be issued exclusively for the purpose of refunding or retiring a portion of the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations theretofore issued or incurred then outstanding, the percentage requirement on such obligations will be taken into consideration only in any future fiscal year in which any fractional part of such obligations will remain outstanding after the issuance of such Additional Parity Obligations; provided that nothing herein contained shall be construed to limit or restrict the issuance of any Additional Parity Obligations if before or as a result of the issuance and delivery of such Additional Parity Obligations, any other obligations theretofore issued will no longer be outstanding, or full payment for any such obligations will be provided for by funds from the bond or obligation proceeds.

****The Prior Loan Agreement (WIFA) and the Parity Loan Agreement (WIFA) are hereby amended to provide the same changes thereto.

In addition to the covenants listed above and after the release of the pledge of and lien on Non-System Revenues, the Local Borrower further covenants and agrees that prior to incurring or issuing any Additional Parity Obligations, the aggregate amount of Net System Revenues for the last full fiscal year immediately preceding the issuance of such Additional Parity Obligations, as shown in a certificate or report of an independent public accountant or firm of such accountants presented to the Authority, have been at least equal to the sum of the following: (a) not less than one hundred twenty percent (120%) of the highest year's debt service or comparable payments on the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations theretofore issued or incurred then outstanding and on the Additional Parity Obligations then to be issued or incurred, and (b) not less than one hundred percent (100%) of the aggregate of amounts payable in such fiscal year and secured on a subordinate basis by such Net System Revenues and (c) not less than one hundred percent (100%) of any additional amounts required to maintain or fund necessary fund balances under the resolutions or agreements of the Local Borrower relating to the obligations described in (a). In order to meet the minimum coverage requirements for Net System Revenues:

- (A) For the purposes of this subparagraph, additional amounts may be added to Net System Revenues as shown on the accountant's certificate or report in the following circumstances:
 - (i) If revenues have been increased as a result of construction of additions or acquisitions to the System made prior to the issuance of such Additional Parity Obligations but during either the fiscal year in which the Additional Parity Obligations are to be issued or in the preceding fiscal year, such increased System Revenues may be treated as if such additions to the System were completed on the first day of the fiscal year used for purposes of computation. The System Revenues derived from such additions and acquisitions to the System may be converted for purposes of computation to estimated Net System Revenues which would have been derived therefrom if said additions and acquisitions had actually been completed on the first day of the year used for computation purposes, such estimates to be made by a professional firm experienced in estimating future revenues and expenses of water and sewer systems and having a recognized reputation for that work ~~an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.~~ *****
 - (ii) If all or part of the proceeds of the Additional Parity Obligations are to be expended for the acquisition of existing sewage treatment plant facilities, there may be added to Net System Revenues of such preceding fiscal year Net System Revenues which would be been derived from the operation of such facilities if such facilities had been acquired and operated by the Local Borrower under the Local Borrower's applicable rate schedule during the entire preceding fiscal year, such Net System Revenues to be estimated by a professional firm experienced in estimating future revenues and expenses of water and sewer systems and having a recognized reputation for that work ~~an independent engineer or~~

*****The Prior Loan Agreement (WIFA) and the Parity Loan Agreement (WIFA) are hereby amended to provide the same changes thereto.

~~firm of such engineers having a favorable reputation with respect to such matters.~~

- (iii) If prior to the issuance of the Additional Parity Obligations and subsequent to the first day of such preceding fiscal year, the Local Borrower shall have increased its rates or charges imposed for sewer services, there may be added to Net System Revenues of such fiscal year the additional Net System Revenues which would have been received from the operation of the System during such fiscal year had such increase been in effect throughout such fiscal year, such additional Net System Revenues to be estimated by a professional firm experienced in estimating future revenues and expenses of water and sewer systems and having a recognized reputation for that work ~~an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.~~*****

- (B) For purposes of calculations under this subparagraph, if Additional Parity Obligations are to be issued exclusively for the purpose of refunding or retiring a portion of the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations theretofore issued or incurred then outstanding, the percentage requirement on such obligations will be taken into consideration only in any future fiscal year in which any fractional part of such obligations will remain outstanding after the issuance of such Additional Parity Obligations; provided that nothing herein contained shall be construed to limit or restrict the issuance of any Additional Parity Obligations if, before or as a result of the issuance and delivery of such Additional Parity Obligations, any other obligations theretofore issued will no longer be outstanding, or full payment for any such obligations will be provided for by funds from the bond or obligation proceeds.

Section 4 Other Provisions

In addition to the other remedies provided herein, as a matter of right, without notice and without giving any bond or surety to the Local Borrower or anyone claiming under the Local Borrower, a receiver of System Revenues and Non-System Revenues shall be appointed upon the bringing of a suit to collect payments in default under this Loan Agreement, the Lease Agreement or any Additional Parity Obligations and request of enforcement of pledges and foreclosure of the liens set forth hereinabove, with such powers as the court making such appointment shall confer, and the Local Borrower does hereby irrevocably consent to such appointment.

In order to secure payment of the amounts due pursuant to the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (GADA), the Parity Purchase Agreement (Trustee/Seller), the Additional Non-System Revenue Obligations, this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations and to create separate and special funds which shall contain only Non-System Revenues and shall not contain any other moneys of the Local Borrower, the Local Borrower has created and shall continue to maintain special funds known as the "Excise Tax Revenue Fund" and

The Prior Loan Agreement (WIFA) and the Parity Loan Agreement (WIFA) are hereby amended to provide the same changes thereto.

the "State Shared Revenue Fund." Upon receipt by the Local Borrower, Non-System Revenues shall be deposited in and to the appropriate of such Funds. Such Funds shall be funded only from Non-System Revenues and from no other source. After paying therefrom amounts of Non-System Revenues for the purposes described in the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (GADA), the Parity Purchase Agreement (Trustee/Seller), any Additional Non-System Revenue Obligations, this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations, such Funds may be reduced to zero each January 2 and July 2, including by transferring any such balance to the "General Fund" of the Local Borrower.

In order to secure payment of the amounts due pursuant to the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), this Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations and to create a separate and special fund which shall contain only System Revenues and shall not contain any other moneys of the Local Borrower, the Local Borrower has created and shall continue to maintain a special fund to be known as the "System Revenue Fund." Upon receipt by the Local Borrower, System Revenues shall be deposited in and to the System Revenue Fund. The System Revenue Fund shall be funded only from System Revenues and from no other source. After paying therefrom amounts of System Revenues for the purposes described herein and in the Prior Loan Agreement (WIFA), the Prior Lease Agreement (RD), the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and any Additional Parity Obligations, the System Revenue Fund may be reduced to zero each January 2 and July 2, including by transferring any such balance to the "General Fund" of the Local Borrower.

Exhibit E Debt Service Reserve

Held by Local Borrower – Separate Account

As used in this Loan Agreement (as such term is defined in Exhibit D), the following terms shall have the meanings set forth below unless the context clearly requires otherwise:

“Additional Parity Obligation Reserve Requirements” shall mean the amounts established with respect to any Additional Parity Obligations as required by the Authority.

“Loan Reserve Requirement” shall mean an amount equal to the highest amount of Loan Repayments to be paid by the Local Borrower in any fiscal year pursuant to the Loan Agreement, which the Local Borrower and the Authority agree, is the initial amount of the Loan Reserve Requirement with respect to the Loan Agreement. The amount of the Loan Reserve Requirement with respect to the Loan Agreement, and the amount of the required monthly build up of cash in the hereinafter described Reserve Fund Account with respect to the Loan Agreement, will be adjusted to reflect any adjustment of the Loan Repayment Schedule upon and after the delivery of Authority Bonds to finance the Loan or any other adjustment to the Loan Repayment Schedule.

The Local Borrower covenants and agrees that it will fund a “Reserve Fund,” which fund shall be established by the Local Borrower and maintained separate and distinct by the Local Borrower in cash in accordance with this Exhibit. As described below, the Reserve Fund will be divided into separate and discrete accounts each pledged to the Loan Reserve Requirement with respect to the Loan Agreement and to each different Additional Parity Obligation Reserve Requirement, as applicable.

The Local Borrower shall establish and maintain within the Reserve Fund a Reserve Fund Account (as hereinafter defined) with respect to the Loan Agreement, which account shall be established by the Local Borrower and maintained separate and distinct by the Local Borrower in accordance with the requirements of the Loan Agreement, in the amount of the applicable Loan Reserve Requirement to secure payment to the Authority of Loan Repayments payable under the Loan (the “Reserve Fund Account”). After payment of amounts due pursuant to Section 2 of Exhibit D, the Local Borrower shall cause to be deposited into the Reserve Fund Account on or before the first Business Day of each month that monthly deposit as required to cause the Loan Reserve Requirement to be fully funded. Such obligation should be pro-rata according to respective principal amounts as to the requirements for the “Reserve Account” in each of the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD) and the Parity (Second) Lease Agreement (RD). If, on any date payment is due, the Local Borrower has not paid to the Authority an amount equal to the amount of principal and interest due on the Loan pursuant to the Loan Agreement, the Authority will direct the Local Borrower to transfer, and the Local Borrower shall transfer, the amount of the deficiency from the Reserve Fund Account to the Authority. The Local Borrower shall then deposit in the Reserve Fund Account from the first Non-System Revenues or Net Revenues available (after provision is made for payment of any amounts which have become due under the Loan Agreement, the Parity Loan Agreement (WIFA), the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) or any Additional Parity Obligations) amounts sufficient to cause the amount credited to the

Reserve Fund Account, pro-rata, according to respective principal amounts, to be at least equal to the amount then required to be on deposit therein.

In the event any Additional Parity Obligations are outstanding at the time of any such requested transfer from, or resulting obligation to deposit to, the Reserve Fund Account, such transfers and deposits shall be made pro-rata, according to the respective principal amounts of the Loan, the Parity (First) Lease Agreement (RD), the Parity (Second) Lease Agreement (RD) and such Additional Parity Obligations, from and to the accounts in the Reserve Fund and the Reserve Fund Account.

Amounts credited to the various accounts of the Reserve Fund may be invested by the Local Borrower in investments permitted by law, subject to the requirement that Reserve Fund moneys shall be readily available to cover deficiencies in payments as necessary in a timely manner. Investments shall be valued annually as of June 30 at market value. Earnings on investments credited to the various accounts of the Reserve Fund shall be retained in the corresponding account, if and to the extent necessary to cause the amount credited to such account to be at least equal to the amount required to be on deposit therein. Any moneys in the Reserve Fund not invested shall be held as a demand deposit bearing no interest and shall be secured by direct obligations of the United States of America in an amount at all times at least equal to the amount of the deposit. Excess amounts shall be credited against the next debt service payment due.

The Local Borrower shall keep adequate and accurate records of moneys, investments and investment earnings on amounts credited to the Reserve Fund, and the Authority shall have the right to audit the records of the Local Borrower insofar as they pertain to the Reserve Fund.

When all amounts payable by the Local Borrower under the corresponding loan have become due, and all such amounts have been paid or the Local Borrower has on deposit in the corresponding Reserve Fund Account moneys necessary for their payment, any amounts set aside for such Reserve Fund Account will become available to the Local Borrower for general use.

The Local Borrower covenants and agrees that the investment of any Reserve Fund Account for the corresponding Loan Repayments shall at all times after the issuance of Authority Bonds to fund the corresponding loan be restricted to a yield not greater than the yield on the Authority's Bonds, which shall be certified at the date of such issuance of such Authority Bonds to the Local Borrower by the Authority based upon certification to the Authority by the underwriters of the Authority's Bonds. The Local Borrower shall maintain adequate records of investment to reflect compliance with this covenant.

Exhibit F Replacement Reserve Requirements

No Replacement Reserve Required

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

Exhibit H Form of Tax Compliance Certificate of Local Borrower

Water Infrastructure Finance Authority of Arizona

\$ 3,442,500.00 Loan to Town of Chino Valley

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

I. DEFINITIONS

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

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

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

“Issue” means the Loan.

“Issuer” means the Local Borrower.

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

“Reserve Fund” is defined in 3.40(a).

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

II. ISSUE DATA

2.10. Issuer. The Issuer is a Governmental Unit.

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

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

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

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

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

2.70. Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) the Minor Portion to the extent provided in 3.80, (B) those Gross Proceeds identified in 3.10, 3.20, and 3.30, but only during the applicable Temporary Periods there described for those Gross Proceeds, and (C) Gross Proceeds held in the Reserve Fund (if any) to the extent set forth in 3.40(a).

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

III. ARBITRAGE (NONREBATE) MATTERS

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

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

(B) Payment of Costs of the Project.

(1) All of the Net Sale Proceeds will be used to pay costs of the Project. Such Sale Proceeds may be used to acquire or hold Higher Yielding Investments for a period ending on the third anniversary of the Issuance Date (such period being the Temporary Period for such amount) because the following three tests are reasonably expected to be satisfied:

(i) At least 85% of the Net Sale Proceeds will be allocated to expenditures on the Project by the end of the Temporary Period;

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

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

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

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

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

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

3.40. Reserve Funds.

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

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

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

3.50. No Other Replacement Fund or Assured Available Funds. Except as described in 3.30 and, if and to the extent applicable, 3.40(A), , the Issuer has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay Debt Service on the Issue. Except for money referred to in 3.30 and Proceeds of a Refunding Issue, if any, no other money or Investment Property is or will be pledged as collateral or used for the payment of Debt Service on the Issue (or for the reimbursement of any others who may provide money to pay that Debt Service), or is or will be restricted, dedicated, encumbered, or set aside in any way as to afford the holders of the Issue reasonable assurance of the availability of such money or Investment Property to pay Debt Service on the Issue.

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

3.70. Other Uses of Proceeds Negated. Except as stated otherwise in this Certificate, none of the Proceeds of the Issue will be used:

(A) to pay principal of or interest on, refund, renew, roll over, retire, or replace any other obligations issued by or on behalf of the Issuer or any other Governmental Unit,

(B) to replace any Proceeds of another issue that were not expended on the project for which such other issue was issued,

(C) to replace any money that was or will be used directly or indirectly to acquire Higher Yielding Investments,

(D) to make a loan to any person or other Governmental Unit,

(E) to pay any Working Capital Expenditure other than expenditures identified in Regulations §1.148-6(d)(3)(ii)(A) and (B) (i.e., Issuance Costs of the Issue, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee or for a Qualified Hedge, interest on the Issue for a period commencing on the Issuance Date of the Issue and ending on the date that is the later of three years from such Issuance Date or one year after the date on which the project financed or refinanced by the Issue was or will be placed in service, payments of the Rebate Amount, and costs, other than those already described, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed or deemed financed by the Issue, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, and principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund), or

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

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

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

3.90. No Other Replacement Proceeds. That portion of the Issue that is to be used to finance Capital Expenditures has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of the property resulting from such Capital Expenditures.

IV. REBATE MATTERS

4.10. Issuer Obligation Regarding Rebate. Consistently with its covenants contained in the Loan Agreement, the Issuer will calculate and make, or cause to be calculated and made,

payments of the Rebate Amount in the amounts and at the times and in the manner provided in Section 148(f) with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

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

4.30. Exceptions.

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

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

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

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

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

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

and sign here: _____

(B) General Exception. Notwithstanding the foregoing, the computations and payments of amounts to the United States referred to in IV need not be made to the extent that the Issuer will not thereby fail to comply with any requirements of Section 148(f) and the Instructions based on an opinion of bond counsel.

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

V. OTHER TAX MATTERS

5.10. Not Private Activity Bonds or Pool Bonds. No obligation of the Issue will be a Private Activity Bond or a pooled financing bond (within the meaning of Section 149(f)), based on the following:

(A) Not more than 5% of the Proceeds, if any, directly or indirectly, will be used for a Private Business Use and not more than 5%, if any, of the Debt Service on the Issue, directly or indirectly, will be secured by any interest in property used or to be used for a Private Business Use or payments in respect of such property, or will be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use.

(B) Less than 5% of the Proceeds, if any, will be used to make or finance loans to any Private Person or Governmental Unit other than the Issuer.

(C) The lesser of the Proceeds that are being or will be used for any Private Business Use or the Proceeds with respect to which there are payments or (borrowed money) that are being or will be used for any Private Business Use does not exceed \$15,000,000 and none of the Proceeds will be used with respect to an "output facility" (other than a facility for the furnishing of water) within the meaning of Section 141(b)(4).

(D) The Issuer does not expect to sell or otherwise dispose of the Project or any portion thereof during the term of the Issue except for dispositions of property in the normal course at the end of such property's useful life to the Issuer. With respect to tangible personal property, if any, that is part of the Project, the Issuer reasonably expects that:

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

(2) The weighted average maturity of the obligations of the Issue financing such property (treating the obligations of the Issue properly allocable to such personal property as a separate issue for this purpose) will not be greater than 120% of the reasonably expected actual use of such property for governmental purposes;

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

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

(5) The amounts received from any disposition of such property are required to be, and will be, commingled with substantial tax or other governmental revenues and will be spent on governmental programs within 6 months from the date of such deposit and commingling.

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

5.30. Not Hedge Bonds. At least 85% of the Spendable Proceeds will be used to carry out the governmental purposes of the Issue within three years from the Issuance Date. Not more than 50%, if any, of the Proceeds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more (including but not limited to any investment contract or fixed yield investment having a maturity of four years or more). The reasonable expectations stated above are not based on and do not take into account (A) any expectations or assumptions as to the occurrence of changes in market interest rates or changes of federal tax law or regulations or rulings thereunder or (B) any prepayments of items other than items that are customarily prepaid.

5.40. Hedge Contracts. The Issuer has not entered into, and does not reasonably expect to enter into, any Hedge with respect to the Issue, or any portion thereof. The Issuer acknowledges that entering into a Hedge with respect to the Issue, or any portion thereof, may change the Yield and that Bond Counsel should be contacted prior to entering into any Hedge with respect to the Issue in order to determine whether payments/receipts pursuant to the Hedge will be taken into account in computing the Yield.

5.50. Internal Revenue Service Information Return. Within the time and on the form prescribed by the Internal Revenue Service under Section 149(e), the Issuer will file with the Internal Revenue Service an Information Return setting forth the required information relating to the Issue. The information reported on that Information Return will be true, correct, and complete to the best of the knowledge and belief of the undersigned.

5.60. Responsibility of Officer.

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

(B) To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate are the expectations of the Issuer and are reasonable, all facts stated are true, and there are no other existing facts, estimates, or circumstances that would or could materially change the statements made in this Certificate. The certifications and representations made in this Certificate are intended to be relied upon as certifications described in Regulations § 1.148-2(b). The Issuer acknowledges that any change in the facts or expectations from those set forth in this Certificate may result in different requirements or a change in status of the Issue or interest thereon under the Code, and that bond counsel should be contacted if such changes are to occur or have occurred.

Town of Chino Valley

By: _____

Name: _____

Title: _____

List of Attachments

Attachment A -- Definitions for Tax Compliance Certificate

Attachment A-1 -- Rebate Instructions

Attachment A

Definitions for Tax Compliance Certificate of Local Borrower

The following terms, as used in Attachment A and in the Tax Compliance Certificate to which it is attached and in the other Attachments to the Tax Compliance Certificate, have the following meanings unless therein otherwise defined or unless a different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in Attachment A have the meanings ascribed to them in the Tax Compliance Certificate to which this Attachment A is attached. The word “Issue,” in lower case, refers either to the Issue or to another issue of obligations or portion thereof treated as a separate issue for the applicable purposes of Section 148, as the context requires. The word “obligation” or “obligations,” in lower case, includes any obligation, whether in the form of bonds, notes, certificates, or any other obligation that is a “bond” within the meaning of Section 150(a)(1). All capitalized terms used in this Certificate include either the singular or the plural. All terms used in this Attachment A or in the Tax Compliance Certificate to which this Attachment A is attached, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. All references to Section, unless otherwise noted, refer to the Code.

“Advance Refunding Issue” means any Refunding Issue that is not a Current Refunding Issue.

“Advance Refunding Portion” means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as an Advance Refunding Issue if it had been issued as a separate issue.

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

“Available Construction Proceeds” means an amount equal to (a) the sum of (i) the Issue Price of an issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocable to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocable to the underwriter’s discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocable to the issue. “Available Construction Proceeds” does not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocable to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the project financed by the issue is substantially completed, provided, however, that such Investment Proceeds or earnings shall be excluded from “Available Construction Proceeds” if the Issuer has timely elected such exclusion. If an issue is a Multipurpose Issue that includes a New Money Portion that is a Construction Issue, this definition shall be applied by substituting “New Money Portion” for “issue” each place the latter term appears. If an issue or the New Money Portion of a Multipurpose Issue, as applicable, is

not a Construction Issue, and the Issuer makes the bifurcation election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting “Construction Portion” for “issue” each place the latter term appears.

“Bona Fide Debt Service Fund” means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more issues, the portion of that fund properly allocable to an issue), or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues with Debt Service on an issue within each Bond Year and that is depleted at least once each year except for a reasonable carryover amount not to exceed the greater of the earnings thereon for the immediately preceding Bond Year or one-twelfth of the annual Debt Service on the issue for the immediately preceding Bond Year.

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

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

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

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

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

“Conduit Borrower” means the obligor on a purpose investment.

“Conduit Financing Issue” means an issue the Proceeds of which are reasonably expected to be used to finance one or more Conduit Loans.

“Conduit Loan” means a purpose investment acquired by the Issuer with Proceeds of a Conduit Financing Issue, thereby effecting a loan to the Conduit Borrower.

“Construction Expenditures” means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

“Construction Issue” means an issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization. If an issue is a Multipurpose Issue that includes a New Money Portion, this definition shall be applied by substituting “New Money Portion” for “Construction Issue” each place the latter term appears. If an election under Section 148(f)(4)(C)(v) and Regulations §1.148-7(j) is made to bifurcate an issue or the New Money Portion of a Multipurpose Issue, this definition shall be applied by substituting “Construction Portion” for “Construction Issue” each place the latter term appears.

“Construction Portion” means that portion of an issue or the New Money Portion of a Multipurpose Issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization and that finances 100% of the Construction Expenditures.

“Controlled Group” means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Regulations §1.150-1(e).

“Current Refunding Issue” means a Refunding Issue that is issued not more than 90 days before the last expenditure of any Proceeds of the Refunding Issue for the payment of Debt Service on the Refunded Bonds.

“Current Refunding Portion” means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as a Current Refunding Issue if it had been issued as a separate issue.

“Debt Service” means principal of and interest and any redemption premium on an issue.

“Excess Gross Proceeds” means all Gross Proceeds of an Advance Refunding Issue that exceed an amount equal to 1% of the Sale Proceeds of such Advance Refunding Issue, other than Gross Proceeds allocable to: (a) payment of Debt Service on the Refunded Bonds; (b) payment of Pre-Issuance Accrued Interest on the Advance Refunding Issue and interest on the Advance Refunding Issue that accrues for a period up to the completion date of any capital project financed by the Prior Issue, plus one year; (c) a reasonably required reserve or replacement fund for the

Advance Refunding Issue or Investment Proceeds of such fund; (d) payment of Issuance Costs of the Advance Refunding Issue; (e) payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Advance Refunding Issue, or investments of the Advance Refunding Issue; (f) Transferred Proceeds allocable to expenditures for the governmental purpose of the Prior Issue (treating for this purpose all unspent Proceeds of the Prior Issue properly allocable to the Refunded Bonds as of the Issuance Date of the Advance Refunding Issue as Transferred Proceeds); (g) interest on purpose investments; (h) Replacement Proceeds in a sinking fund for the Advance Refunding Issue; and (i) fees for a Qualified Guarantee for the Advance Refunding Issue or the Prior Issue. If an Issue is a Multipurpose Issue that includes an Advance Refunding Portion, this definition shall be applied by substituting “Advance Refunding Portion” for “Advance Refunding Issue” each place the latter term appears.

“Federally Guaranteed” means that (a) the payment of Debt Service on an issue, or the payment of principal or interest with respect to any loans made from the Proceeds of the issue, is directly or indirectly guaranteed in whole or in part by the United States or by an agency or instrumentality of the United States, within the meaning of Section 149(b) of the Code, or (b) more than 5% of the Proceeds of an issue will be invested directly or indirectly in federally insured deposits or accounts. The preceding sentence does not apply to (a) Proceeds invested during an initial Temporary Period until such Proceeds are needed to pay costs of the project, (b) investments of a Bona Fide Debt Service Fund, (c) direct purchases from the United States of obligations issued by the United States Treasury, or (d) other investments permitted by Section 149(b) or Regulations §1.149(b)-1(b).

“501(c)(3) Organization” means an organization described in Section 501(c)(3) and exempt from tax under Section 501(a).

“Fixed Yield Issue” means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

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

“Gross Proceeds” means Proceeds and Replacement Proceeds of an issue.

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

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

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

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

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

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

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

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

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

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

“Minor Portion” means an amount equal to the lesser of \$100,000 or 5% of the Sale Proceeds of an issue.

“Multipurpose Issue” means an issue the bonds of which are allocable to two or more separate governmental purposes within the meaning of Regulations §1.148-9(h).

“Net Proceeds” means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue.

“Net Sale Proceeds” means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and the portion invested as a part of a Minor Portion for the issue.

“New Money Issue” means an issue that is not a Refunding Issue.

“New Money Portion” means that portion of a Multipurpose Issue other than the Refunding Portion.

“Nonpurpose Investments” means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of an issue. “Nonpurpose Investments” does not include any investment that is not regarded as “investment property” or a “nonpurpose investment” for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a “nonpurpose investment” within the applicable meaning of Section 148.

“Placed in Service” means the date on which, based on all the facts and circumstances, a facility has reached a degree of completion that would permit its operation at substantially its design level and the facility is, in fact, in operation at such level.

“Pre-Issuance Accrued Interest” means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after such Issuance Date.

“Preliminary Expenditures” means any Capital Expenditures that are “preliminary expenditures” within the meaning of Regulations §1.150-2(f)(2), *i.e.*, architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project other than land acquisition, site preparation, and similar costs incident to commencement of construction. The aggregate amount of Preliminary Expenditures may not exceed 20% of the aggregate Issue Price of the issue or issues that financed or are reasonably expected to finance the project for which such Preliminary Expenditures are or were incurred.

“Prior Issue” means an issue of obligations all or a portion of the Debt Service on which is paid or provided for with Proceeds of a Refunding Issue. The Prior Issue may be a Refunding Issue.

“Private Activity Bond” means (a) obligations of an issue more than 10% of the Proceeds of which, directly or indirectly, are or are to be used for a Private Business Use and more than 10% of the Debt Service on which, directly or indirectly, is or is to be paid from or secured by payments with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue, the Proceeds of which are or are to be used to make or finance loans to any Private Person that, in the aggregate, exceed the lesser of 5% of such Proceeds or \$5,000,000. In the event of Unrelated or Disproportionate Use, the tests in (a) shall be applied by substituting 5% for 10% each place the latter term is used.

“Private Business Use” means use (directly or indirectly) in a trade or business carried on by any Private Person other than use as a member of, and on the same basis as, the general public. Any activity carried on by a Private Person (other than a natural person) shall be treated as a trade or business. In the case of a Qualified 501(c)(3) Bond, Private Business Use excludes use by a 501(c)(3) Organization that is not an unrelated trade or business activity by such 501(c)(3) Organization within the meaning of Section 513(a).

“Private Person” means any natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Unit. “Private Person” includes the United States and any agency or instrumentality of the United States.

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

“Qualified Administrative Costs” means reasonable direct administrative costs (other than carrying costs) such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount are not Qualified Administrative Costs.

“Qualified 501(c)(3) Bonds” means an issue of obligations that satisfies the requirements of Section 145(a).

“Qualified Guarantee” means any guarantee of an obligation that constitutes a “qualified guarantee” within the meaning of Regulations §1.148-4(f).

“Qualified Hedge” means a Hedge that is a “qualified hedge” within the meaning of Regulations §1.148-4(h)(2).

“Rebate Amount” means the excess of the future value, as of any date, of all receipts on Nonpurpose Investments acquired with Gross Proceeds of an issue over the future value, as of that date, of all payments on those Nonpurpose Investments, computed in accordance with Section 148(f) and Regulations §1.148-3.

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

“Refunding Bonds” means obligations of a Refunding Issue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(End of Attachment A)

ATTACHMENT A-1
to
Tax Compliance Certificate of Local Borrower

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

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

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount¹ with respect to the Issue must be paid (rebated) to the United States to prevent the bonds of the Issue from being arbitrage bonds, the interest on which is subject to federal income tax. In general, the Rebate Amount is the amount by which the actual earnings on Nonpurpose Investments purchased (or deemed to have been purchased) with Gross Proceeds of the Issue exceed the amount of earnings that would have been received if those Nonpurpose Investments had a Yield equal to the Yield on the Issue.²

Stated differently, the Rebate Amount for the Issue as of any date is the excess of the Future Value, as of that date, of all Receipts on Nonpurpose Investments over the Future Value, as of that date, of all Payments on Nonpurpose Investments, computed using the Yield on the Issue as the Future Value rate.³

If the Issue is a Fixed Yield Issue, the Yield on the Issue generally is the Yield to maturity, taking into account mandatory redemptions prior to maturity. If the Issue is a Variable Yield Issue, the Yield on the Issue is computed separately for each Yield Period selected by the Issuer.

SECTION 1.02. SPECIAL DEFINITIONS.

1. Capitalized terms that are not defined in these Instructions are defined in Attachment A to the Tax Compliance Certificate of the Issuer.
2. Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount since none of the obligations of the Issue are Private Activity Bonds, the rates of interest on the Issue do not vary and the average maturity of the Issue is at least 5 years.
3. The scope of these Instructions does not permit a detailed description of the computation of the Rebate Amount with respect to the Issue. If you need assistance in computing the Rebate Amount on the Issue, please contact your bond counsel.

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

“Available Construction Proceeds” means an amount equal to (a) the sum of (i) the Issue Price of the issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocated to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocated to the Underwriter’s discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocated to the issue. Available Construction Proceeds do not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocated to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the Projects financed by the issue is substantially completed. If the issue consists of a New Money Portion and a Refunding Portion and the New Money Portion is a Construction Issue, this definition shall be applied by substituting “New Money Portion” for “issue” each place the latter term appears. If the issue or the New Money Portion, as applicable, is not a Construction Issue, and the Issuer makes the election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting “Construction Portion” for “issue” each place the latter term appears.

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

“Bond Counsel’s Opinion” means an opinion or opinions of a nationally recognized bond counsel firm whose opinion is given with respect to the Issue when issued, or its successors or other nationally recognized bond counsel appointed by the Issuer.

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

“Computation Date” means each date on which the Rebate Amount for an issue is required to be computed under Regulations §1.148-3(e). In the case of a Fixed Yield Issue, the first Computation Date shall not be later than 5 years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than 5 years after the immediately preceding Computation Date for which an installment payment of the Rebate Amount was paid. In the case of a Variable Yield Issue, the first Computation Date shall be the last day of any Bond Year irrevocably selected by the Issuer ending on or before the fifth anniversary of the Issuance Date of such issue and

subsequent Computation Dates shall be the last day of each Bond Year thereafter or each fifth Bond Year thereafter, whichever is irrevocably selected by the Issuer after the first date on which any portion of the Rebate Amount is required to be paid to the United States. The final Computation Date is the date an issue is retired.

“Construction Expenditures” means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

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

“Fixed Yield Issue” means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

“Future Value” means the value of a Payment or Receipt at the end of a period determined using the economic accrual method as the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the Issue, using the same compounding interval and financial conventions that were used to compute that Yield.

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

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

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

“Qualified Administrative Costs” means the reasonable, direct administrative costs, other than carrying costs, of purchasing or selling Nonpurpose Investments such as separately stated brokerage or selling commissions. Qualified Administrative Costs do not include legal and accounting fees, recordkeeping, custody, and similar costs, general overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount. In general, Qualified Administrative Costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or

a reasonably comparable investment if acquired with a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

“Reasonable Retainage” means an amount, not to exceed 5% of the Net Sale Proceeds of the Issue, that is retained for reasonable business purposes relating to the property financed with Proceeds of the Issue. For example, Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

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

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

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

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

PART II: EXCEPTIONS TO REBATE

SECTION 2.01. SPENDING EXCEPTIONS.

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

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

Refunding Issues. The only spending exception available for a Refunding Issue⁴ is the 6-Month Spending Exception.

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

Special Transferred Proceeds Rules. In applying the Spending Exceptions to a Refunding Issue, unspent Proceeds of the Prior Issue that become Transferred Proceeds of the Refunding Issue are ignored. If the Prior Issue satisfies one of the rebate Spending Exceptions, the Proceeds of the Prior Issue that are excepted from rebate under that exception are not subject to rebate either as Proceeds of the Prior Issue or as Transferred Proceeds of the Refunding Issue.

However, if the Prior Issue does not satisfy any of the Spending Exceptions and is not otherwise exempt from rebate, the Transferred Proceeds from the Prior Issue will be subject to rebate, even if the Refunding Issue satisfies the 6-Month Spending Exception. The Rebate Amount will be calculated on the Transferred Proceeds on the basis of the Yield of the Prior Issue up to each transfer date and on the basis of the Yield of the Refunding Issue after each transfer date.

Application of Spending Exceptions to a Multipurpose Issue. If the Issue is a Multipurpose Issue, the Refunding Portion and the New Money Portion are treated for purposes of the rebate Spending Exceptions as separate issues. Thus, the Refunding Portion is eligible to use only the 6-Month Spending Exception. The New Money Portion is eligible to use any of the three Spending Exceptions.

Expenditures for Governmental Purposes of the Issue. Each of the spending exceptions requires that expenditures of Gross Proceeds be for the governmental purposes of the Issue. These purposes include payment of interest (but not principal) on the Issue.

SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

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

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

SECTION 2.03. 18-MONTH SPENDING EXCEPTION.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PART III: COMPUTATION AND PAYMENT.

SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

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

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

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

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

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

SECTION 3.02. BOOKS AND RECORDS.

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

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

SECTION 3.03. FAIR MARKET VALUE.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.

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

SECTION 3.05. ADMINISTRATIVE COSTS.

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

PART IV: COMPLIANCE AND AMENDMENT

SECTION 4.01. COMPLIANCE.

The Issuer, Trustee or Rebate Analyst, as applicable, shall take all necessary steps to comply with the requirements of these Instructions in order to ensure that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103(a) of the Code. However, compliance shall not be required in the event and to the extent stated therein the Issuer and the Trustee receive a Bond Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Issue, or (B) compliance with some other requirement in lieu of such requirement will comply with Section 148(f) of the Code, in which case compliance with the other requirement specified in the Bond Counsel's Opinion shall constitute compliance with such requirement.

SECTION 4.02. LIABILITY.

If for any reason any requirement of these Instructions is not complied with, the Issuer and the Trustee, if applicable, shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence. The Trustee shall have no duty or responsibility to independently verify any of the Issuer's, or the Rebate Analyst's, calculations with respect to the payments of the Rebate Amount due and owing to the United States. Under no circumstances whatsoever shall the Trustee be liable to the Issuer, any bondholder or any other person for any inclusion of the interest on the Issue in gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with these Instructions and the operative documents pertaining to the Issue.

(End of Attachment A-1)

Form **8038-G**
(Rev. September 2011)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority		If Amended Return, check here ☐	
1 Issuer's name		2 Issuer's employer identification number (EIN)	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a	
4 Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	5 Report number (For IRS Use Only)	
6 City, town, or post office, state, and ZIP code		7 Date of issue	
8 Name of issue		9 CUSIP number	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions)		10b Telephone number of officer or other employee shown on 10a	

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17		
18 Other. Describe ►	18		
19 If obligations are TANs or RANs, check only box 19a ☐			
If obligations are BANs, check only box 19b ☐			
20 If obligations are in the form of a lease or installment sale, check box ☐			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	\$	\$	years	%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

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

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	►	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	►	years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	►	
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)		

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 9-2011)

Part VI Miscellaneous

- | | | |
|------------|--|--|
| 35 | | |
| 36a | | |
| 37 | | |
- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)
- b** Enter the final maturity date of the GIC ▶ _____
- c** Enter the name of the GIC provider ▶ _____
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:
- b** Enter the date of the master pool obligation ▶ _____
- c** Enter the EIN of the issuer of the master pool obligation ▶ _____
- d** Enter the name of the issuer of the master pool obligation ▶ _____
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ☐
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ☐
- 41a** If the issuer has identified a hedge, check here ☐ and enter the following information:
- b** Name of hedge provider ▶ _____
- c** Type of hedge ▶ _____
- d** Term of hedge ▶ _____
- 42** If the issuer has superintegrated the hedge, check box ☐
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ☐
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box ☐
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ☐ and enter the amount of reimbursement ▶ _____
- b** Enter the date the official intent was adopted ▶ _____

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

▶ _____ Date _____ ▶ _____
 Signature of issuer's authorized representative Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶ _____			Firm's EIN ▶ _____	
Firm's address ▶ _____			Phone no. _____	

LOAN AGREEMENT STANDARD TERMS AND CONDITIONS

Water Infrastructure Finance Authority of Arizona

ARTICLE 1 COVENANTS OF THE LOCAL BORROWER RELATING TO THE SYSTEM AND THE PROJECT	1
Section 1.1 Operation and Maintenance of System.....	1
Section 1.2 Additions and Modifications	1
Section 1.3 Disposition of Project and System.....	1
Section 1.4 Cost of Project.....	1
ARTICLE 2 ADDITIONAL COVENANTS OF THE LOCAL BORROWER	2
Section 2.1 Unconditional Obligations.....	2
Section 2.2 Performance Under Loan Agreement.....	2
Section 2.3 Disclaimer of Warranties.....	2
Section 2.4 Loan Repayments; Prepayments; Adjustments; Late Charges	2
Section 2.5 Source of Repayment of Local Borrower's Obligations and Pledge	3
Section 2.6 Insurance	3
Section 2.7 No Liens	3
Section 2.8 Disadvantaged Business Enterprises	3
ARTICLE 3 REPRESENTATIONS OF LOCAL BORROWER.....	5
Section 3.1 Organization and Authority	5
Section 3.2 Full Disclosure	5
Section 3.3 Pending Litigation	5
Section 3.4 Compliance with Existing Laws and Agreements.....	6
Section 3.5 No Defaults.....	6
Section 3.6 Governmental Consent	6
Section 3.7 Compliance with Law.....	6
ARTICLE 4 ASSIGNMENT.....	7
Section 4.1 Assignment and Transfer by Authority	7
Section 4.2 Assignment by Local Borrower.....	7
ARTICLE 5 DEFAULTS AND REMEDIES.....	7
Section 5.1 Events of Default.....	7
Section 5.2 Notice of Default	8
Section 5.3 Remedies on Default	8
Section 5.4 Attorney's Fees and Other Expenses.....	8
Section 5.5 Application of Moneys.....	8
Section 5.6 No Remedy Exclusive; Waiver; Notice.....	8
Section 5.7 Retention of Authority's Rights	9
Section 5.8 Default by the Authority.....	9

ARTICLE 6 PROVISIONS APPLICABLE TO LOANS FINANCED BY OR PLEDGED TO SECURE AUTHORITY BONDS	9
Section 6.1 General	9
Section 6.2 Tax Covenants	9
Section 6.3 Third Party Beneficiaries	10
Section 6.4 Additional Documents Relating to Authority Bonds	10
Section 6.5 Disclosure Regarding Authority Bonds	10
Section 6.6 Assignment and Transfer by Authority to Trustee	11
Section 6.7 Conditions to Assignment by Local Borrower	11
Section 6.8 Sale or Other Disposition of Project or System	12
Section 6.9 Deficiencies Under Bond Documents Caused by Failure to Make Loan Repayment	12
Section 6.10 Indemnification	12
Section 6.11 Compliance with Master Trust Indenture	12
Section 6.12 Provisions Relating to Default	12
Section 6.13 Tax Compliance Certificate	13
ARTICLE 7 MISCELLANEOUS	13
Section 7.1 Binding Effect	13
Section 7.2 Severability	13
Section 7.3 Amendments, Supplements and Modifications	13
Section 7.4 Execution in Counterparts	13
Section 7.5 Captions	13
Section 7.6 Further Assurances	13
Section 7.7 State of Arizona Contract Provisions	13
ARTICLE 8 DEFINITIONS	15
Section 8.1 Definitions	15
Section 8.2 Rules of Interpretation	18
ARTICLE 9 LIST OF FEDERAL LAWS AND AUTHORITIES	18

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

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

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

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

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

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

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

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

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

Section 1.4 **Cost of Project.** The Local Borrower certifies that the estimated Eligible Project Costs as listed in Section 1 of Exhibit B is a reasonable and accurate estimation of the Eligible Project Costs and, upon the direction of the Authority the Local Borrower will supply the Authority with a certificate from its engineer stating that such estimated Eligible Project Costs is a reasonable and accurate estimation.

Article 2 Additional Covenants of the Local Borrower

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

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

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

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

(a) The Local Borrower may at any time deliver to the Authority a written request for approval to prepay the principal of the Loan in whole or in part. The request must specify the proposed prepayment date. If the proposed prepayment date is on or after the tenth anniversary of the final loan draw, the Authority will approve prepayment without penalty so long as the request is received at least 60 days before the proposed prepayment date. If the proposed prepayment date is before the tenth anniversary of the final loan draw, the Authority will determine, in its sole discretion, whether to permit such prepayment, when the prepayment may occur and the terms and conditions of any prepayment approval. If the Local Borrower makes partial prepayments of the Repayment Principal Amount, the amount of each Principal Installment due as set forth in the Loan Repayment Schedule contained in Exhibit A shall be adjusted pro rata. Upon such adjustment, the Authority shall compute the adjusted combined interest and fee amounts to reflect the adjusted principal amounts and shall enter the results in the Loan Repayment Schedule with notice to Local Borrower.

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

(c) In addition to the other payments required by this Section, the Local Borrower shall pay a late charge for any payment that is received by the Authority later than the tenth (10) day following its due date, in an amount equal to

six percent (6%) per annum on such late payment from its due date to the date it is actually paid; provided, however, that the combined interest and fee rate payable on the Loan including such late charge shall not be in excess of the maximum rate permitted by law or any proceedings or resolution authorizing the execution of this Loan Agreement.

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

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

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

Section 2.7 No Liens. Except for

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

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

Section 2.8 Disadvantaged Business Enterprises. For Loan Agreements in excess of \$250,000:

Local Borrowers and their prime contractors must follow, document, and maintain documentation of their good faith efforts as listed below to ensure that Disadvantage Business Enterprises (DBEs) have the opportunity to participate in the project by increasing DBE awareness of procurement efforts and outreach.

- (i) Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities; including placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
- (ii) Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitation for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.

(iii) Consider in the contracting process whether firms competing for large contracts could be subcontracted with DBEs. This will include dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.

(iv) Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.

(v) Use the services and assistance of the Small Business Administration and the Minority Business Development Agency of the U. S. Department of Commerce.

(vi) If the prime contractor awards subcontracts, require the prime contractor to take the steps in sections (i) through (v) above.

These conditions must be included in all procurement contracts entered into by the Local Borrower for all DWRP and CWRP projects:

(i) The prime contractor must pay its subcontractor for satisfactory performance no more than 30 days from the prime contractor's receipt of payment from the owner.

(ii) The prime contractor must notify the owner in writing prior to the termination of any Disadvantage Business Enterprise subcontractor for convenience by the prime contractor.

(iii) If a Disadvantage Business Enterprise contractor fails to complete work under the subcontract for any reason, the prime contractor must employ the six good faith efforts if soliciting a replacement contractor.

(iv) The prime contractor must continue to employ the six good faith efforts even if the prime contractor has achieved its fair share objectives.

(v) The prime contractor must provide EPA Form 6100-2 DBE Program Subcontractor Participation Form to all of its Disadvantaged Business Enterprise subcontractors. Disadvantaged Business Enterprise subcontractors may send completed Form 6100-2 directly to the Region 9 DBE Coordinator listed below.

Joe Ochab, EPA Region 9, 75 Hawthorne St. (P-22), San Francisco, CA 94105

(vi) The prime contractor must have its Disadvantaged Business Enterprise subcontractors complete EPA Form 6100-3 – DBE Program Subcontractor Performance Form. The prime contractor must include all completed forms as part of the prime contractor's bid or proposal package to the Local Borrower.

(vii) The prime contractor must complete and submit EPA 6100-4 DBE Program Subcontractor Utilization Form as part of the prime contractor's bid or proposal package to the Local Borrower.

(viii) A Local Borrower must ensure that each procurement contract it awards contains the following terms and conditions:

The contractor shall not discriminate on the basis of race, color, national origin or sex in the performance of this contract. The contractor shall carry out applicable requirements of 40 CFR Part 33 in the award and administration of contracts awarded under EPA financial assistance agreements. Failure by the contractor to carry out these requirements is a material breach of this contract which may result in the termination of this contract or other legally available remedies.

Article 3 Representations of Local Borrower

The Local Borrower represents for the benefit of the Authority that the representations contained in this Loan Agreement are true at the time of execution and delivery of this Loan Agreement and, other than with respect to

events outside of Local Borrower's control, will be true in all material respects at all times during the term of this Loan Agreement.

Section 3.1 Organization and Authority.

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

Section 3.2 Full Disclosure.

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

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

Section 3.4 Compliance with Existing Laws and Agreements. The authorization, execution and delivery of this Loan Agreement by the Local Borrower, the observance and performance by the Local Borrower of its duties,

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

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

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

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

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

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

Article 4 Assignment

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

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

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

Article 5 Defaults and Remedies

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

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

such dismissal shall be final and not subject to appeal; or the Local Borrower becoming insolvent or bankrupt or making an assignment for the benefit of its creditors; or the appointment of a custodian (including, without limitation, a receiver, liquidator or trustee of the Local Borrower or any of its property including the System) by court order, or possession of the Local Borrower or its property or assets is taken if such order remains in effect or such possession continues for more than thirty (30) days.

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

Section 5.3 **Remedies on Default.**

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

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

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

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

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

Section 5.6 **No Remedy Exclusive; Waiver; Notice.** No remedy conferred upon or reserved to the Authority hereunder is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it as described in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

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

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

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

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

Tax Covenants.

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

(b) **Modification Based on Bond Counsel Opinion.** Notwithstanding any provision of this Section, if the Local Borrower provides to the Authority a bond counsel opinion to the effect that any action required under this Section

is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of interest on the Loan or the Authority Bonds pursuant to Section 103(a) of the Internal Revenue Code, the provisions of this Section and the covenants in this Section shall be deemed to be modified to that extent.

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

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

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

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

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

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

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

Section 6.5 **Disclosure Regarding Authority Bonds**.

(a) The information, if any, relating to the Local Borrower (including without limitation the financial and statistical data contained therein) which has been furnished by the Local Borrower to be included in, and which is included in, a Preliminary Official Statement of the Authority (the “*Preliminary Official Statement*”), or a final Official Statement (the “*Final Official Statement*”) of the Authority concerning any Authority Bonds, as of the respective dates of each such document and at all times subsequent thereto up to and including the Bond Closing, will be (if necessary by amendment provided by the Local Borrower) true and correct and will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. To the extent permitted by law, and notwithstanding any other provision of this Loan Agreement, the Local Borrower will indemnify, save and hold harmless the Authority and each other local borrower, if any, included in the Final Official Statement, and each of such parties’ respective

agents, for, from and against any and all claims, damages, liability and court awards including costs, expenses and attorneys fees incurred as a result of any omission or misstatement of a material fact in the Local Borrower's information in the Final Official Statement, as it may have been supplemented or amended by the Local Borrower.

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

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

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

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

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

Section 6.7 **Conditions to Assignment by Local Borrower.** Notwithstanding Section 4.2, this Loan Agreement may not be assigned by the Local Borrower for any reason, unless the following conditions shall be satisfied: (i) the Authority, the Trustee and the Credit Enhancer, if any, of the Authority Bonds shall have approved said assignment in writing; (ii) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Internal Revenue Code or another entity acceptable to the Authority and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Local Borrower's duties, covenants, agreements and obligations hereunder; (iii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Local Borrower hereunder; (iv) the Authority and the Trustee shall have received an opinion of bond counsel to the effect that such assignment will not adversely affect the exclusion of interest on the Authority Bonds from gross income for purposes of Federal income taxation under Section 103(a) of the Code or make the Authority Bonds or the Loan AMT Obligations; and (v) the Authority and the Trustee shall receive an opinion of counsel to the effect that such assignment will not

violate the provisions of the Master Trust Indenture or any agreement entered into by the Authority with, or condition of any grant received by the Authority from, the United States of America relating to the Capital Grant Facility or any capitalization grants received by the Authority or the State under the Federal Water Pollution Control Act and the Federal Safe Drinking Water Act.

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

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

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

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

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

Section 6.12 Provisions Relating to Default.

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

(b) Notwithstanding the provisions of Section 5.3, paragraph (a) and Section 5.7, so long as a Credit Enhancer is not in default of its obligations with respect to its payment guarantee of the Authority Bonds and such guarantee is

in effect, the Credit Enhancer shall have the right to direct the exercise of remedies provided for herein and the Trustee and the Authority shall not pursue any remedy except with the prior written consent of the Credit Enhancer.

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

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

Article 7 Miscellaneous

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

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

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

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

Section 7.5 **Captions.** The captions or headings in this Loan Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 7.6 **Further Assurances.** The Local Borrower shall, at the request of the Authority, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights and agreements granted or intended to be granted by this Loan Agreement.

Section 7.7 **State of Arizona Contract Provisions.**

1. **Books and Records.** As required by the provisions of Arizona Revised Statutes Section 35-214, the Local Borrower agrees that all books, accounts, reports, files and other records relating to this Loan Agreement shall be retained and shall be subject at all reasonable times to inspection and audits by the Authority for five years after completion of this Loan Agreement, and that upon request by the Authority such records shall be produced at any of the Authority offices designated herein as the place at which notices to the Authority are to be given.
2. **Prohibition Against Discrimination.** In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order 2009-9, entitled "Prohibition of Discrimination in State Contracts Non-Discrimination in Employment by Government Contractors and Subcontractors," which mandates that all persons, regardless of race, color, religion, sex, age, or national origin shall have equal access to employment opportunities, and all other applicable state and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. The Local Borrower shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

3. Governing Law and Forum. This Loan Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of Arizona, except as such laws may be preempted by any federal rules or regulations. The parties hereto expressly acknowledge and agree and all Local Borrowers by their acceptance thereof shall be deemed to have acknowledged and agreed that any judicial action to interpret or enforce the terms of this Loan Agreement against the Authority shall be brought and maintained in the Superior Court of the State of Arizona in and for Maricopa County or in the United States District Court in and for the District of Arizona.
4. Arbitration. In the event of a dispute, the parties agree to use arbitration, after exhausting applicable administrative review, to the extent required by Arizona Revised Statutes Section 12-1518, and the prevailing party shall be entitled to attorney's fees and costs with respect thereto.
5. Notice of Arizona Revised Statutes Section 38-511 – Cancellation. Notice is hereby given of the provisions of Arizona Revised Statutes Section 38-511, as amended. By this reference, the provisions of said statute are incorporated herein to the extent of their applicability to this Loan Agreement under the law of the State of Arizona.
6. Additional Warranties and Certifications from the Local Borrower. In compliance with Section 23-214(B) of the Arizona Revised Statutes, the Local Borrower warrants to the Authority that either (a) it is not an "employer" (within the meaning of Arizona Revised Statutes Section 23-214(B)) or (b) it is registered with and is participating in the employment verification pilot program as jointly administered by the United States department of homeland security and the social security administration or any of its successor programs (the "E-Verify Program") and that the proof submitted to the Authority of that registration and participation is true and correct. The Local Borrower agrees that, until the Loan is fully paid, at all times during which it is an "employer" (within the meaning of Arizona Revised Statutes Section 23-214(B)) it will be registered with and will participate in the E-Verify Program. The breach by the Local Borrower of the foregoing shall be deemed a material breach by the Local Borrower of this Loan Agreement and may result in penalties up to and including the termination of this Loan Agreement. If the Authority determines that the Local Borrower is not so registered and participating when required, the Authority will notify the Local Borrower by certified mail of the determination of noncompliance and the Local Borrower's right to appeal the determination. On a final determination of noncompliance, the Local Borrower shall repay all monies received as an economic development incentive (within the meaning of Arizona Revised Statutes Section 23-214(B)) to the Authority within thirty days of the final determination.

Article 8 Definitions

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

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

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

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

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

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

"*Authorized Officer*" means, (i) with respect to the Local Borrower, the person whose name is set forth in this Loan Agreement or such other person or persons authorized by the Local Borrower to act as an authorized officer of the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Event of Default” means any occurrence or event specified in Section 5.1 hereof.

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

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

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

“Loan Closing” means the date of execution and delivery of this Loan Agreement.

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

“Loan Repayments” means the payments payable by the Local Borrower pursuant to this Loan Agreement.

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

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

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

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

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

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

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

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

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

“*State*” means the State of Arizona.

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

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

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

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

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

(a) Words of one gender include the corresponding words of other genders; words of neuter include both genders; and words in the singular include words in the plural and vice versa.

(b) Words indicating persons, parties, or entities (and the like) include firms, associations, partnerships (including limited partnerships), limited liability companies (and the like), corporations, trusts and other legal entities, including public and governmental bodies, as well as natural persons.

(c) References to a statute refer to the statute, as amended, and any successor statute, and to all regulations promulgated under or implementing the statute or successor statute, as in effect at the relevant time.

(d) References to a governmental or quasi-governmental entity or representatives thereof also refer to an entity that succeeds to the functions of the governmental or quasi-governmental entity and representatives thereof.

(e) Headings preceding sections of text and any table of contents are solely for convenience of reference and are not part of this Loan Agreement and are not to affect its meaning, interpretation or effect.

(f) Actions permitted under this Loan Agreement may be taken at any time and from time to time in the actor’s sole discretion.

(g) The word “including” means “including, but not limited to” and the word “include” means “include, among others.”

- (h) The terms “hereby,” “hereof,” “herein,” and “hereunder” (and the like) refer to this Loan Agreement.
- (i) Indications of time of day mean local time in Phoenix, Arizona.
- (j) This Loan Agreement shall be governed by and construed in accordance with the applicable law of the State of Arizona, except for its conflict of law rules and except as preempted by federal.

Article 9 List of Federal Laws and Authorities

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

Environmental:

1. Archaeological and Historical Preservation Act of 1974, Pub. L. 93-291; 16 U.S.C. § 469a-1.
2. Clean Air Act, Pub. L. 95-95, as amended; 42 U.S.C. § 7401 et. seq.
3. Clean Water Act, Titles II, IV, and V, Pub. L. 92-500, as amended.
4. Coastal Barrier Resources Act, Pub. L. 97-348; 16 U.S.C. § 3501 et. seq.
5. Coastal Zone Management Act, Pub. L. 92-583, as amended; 16 U.S.C. § 1451 et. seq.
6. Endangered Species Act, Pub. L. 93-205, as amended; 16 U.S.C. § 1531 et seq.
7. Environmental Justice, Executive Order 12898.
8. Farmland Protection Policy Act, Pub. L. 97-98; 7 U.S.C. § 4201 et seq.
9. Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended.
10. Floodplain Management, Executive Order 11988, as amended by Executive Order 12148.
11. Magnuson-Stevens Fishery Conservation and Management Act, Pub L. 94-265, as amended; 16 U.S.C. § 1801 et. seq.
12. National Historic Preservation Act of 1966, Pub. L. 89-665, as amended; 16 U.S.C. § 470 et. seq.
13. Protection and Enhancement of the Cultural Environment, Executive Order 11593.
14. Protection of Wetlands, Executive Order 11990, as amended by Executive Order 12608; Pub. L. 99-645, as codified at 16 U.S.C. § 3901 et. seq.
15. Safe Drinking Water Act, section 1424(e), Pub. L. 92-523, as amended; 42 U.S.C. § 300f et. seq.
16. Wild and Scenic Rivers Act, Pub. L. 90-542, as amended; 16 U.S.C. § 1271 et. seq.

Social Legislation:

1. Age Discrimination Act, Pub. L. 94-135; 42 U.S.C. § 6102.
2. Civil Rights Act of 1964, Pub. L. 88-352, Title VI; 42 U.S.C. § 2000d.
3. Equal Employment Opportunity, Executive Order 11246, as amended.

4. Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA) Financial Assistance Agreements.
 - a. Promoting the use of Small, Minority, and Women-owned Businesses, Executive Orders 11625, 12138 and 12432.
 - b. Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590.
 - c. Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1993, Pub. L. 102-389; 42 U.S.C. § 437d.
 - d. Title X Clean Air Act, Pub. L. 101-549; 42 U.S.C. § 7601 note.
5. Rehabilitation Act of 1973, Pub. L. 93-112; 29 U.S.C. § 794 (including Executive Order 11914 and 11250).
6. Section 13 of the Federal Water Pollution Control Act, Pub. L. 92-500; 33 U.S.C. § 1251.
7. The Drug Free Workplace Act Of 1988, Pub. L. 100-690.

Economic and Miscellaneous Authority:

1. Anti-Lobbying Provision (40 CFR Part 34) and New Restrictions on Lobbying, Section 319 of Pub. L. 101-121.
2. Debarment and Suspension, Executive Order 12549.
3. Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended; 42 U.S.C. § 3331 et. seq.
4. Preservation of Open Competition and Government Neutrality, Executive Order 13502.
5. Prohibitions relating to violators of the Clean Air Act, Section 306 of the Clean Air Act, 42 U.S.C. § 7505; Section 508 of the Clean Water Act, 33 U.S.C. § 1368; Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
6. Uniform Relocation and Real Property Acquisition Policies Act of 1970, Pub. L. 91-646, as amended; 42 U.S.C. §§ 4601-4655.

SOURCES AND USES OF FUNDS

Town of Chino Valey, Arizona
Sewer (CW) Obligations, Series 2014 (Fann Acquisition)
[Assumes WIFA closing on December 30, 2014 [subject to change], 20-Year Amortization,
1.98% [based on 12/9/2014 Index- subject to change until closing]
(Does not include Debt Service Reserve Fund Requirement - to be funded equally over 5-years)

Sources:

Bond Proceeds:	
Par Amount	2,963,671.00
Other Sources of Funds:	
Town Cash Contribution to Pay Legal and Financial	200,000.00
Estimated WIFA Grant (Forgivable Principal)	478,829.00
	678,829.00
	3,642,500.00

Uses:

Project Fund Deposits:	
Fann Acquisition	3,310,000.00
WWTP Screen	132,500.00
Financial Advisor Fee	92,000.00
Special Counsel Legal Fee	100,000.00
Miscellaneous Contingency Closing Fees	8,000.00
	3,642,500.00

BOND DEBT SERVICE

Town of Chino Valey, Arizona

Sewer (CW) Obligations, Series 2014 (Fann Acquisition)

[Assumes WIFA closing on December 30, 2014 [subject to change], 20-Year Amortization,

1.98% [based on 12/9/2014 Index- subject to change until closing]

(Does not include Debt Service Reserve Fund Requirement - to be funded equally over 5-years)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
07/01/2015	63,333.40	1.980%	29,503.34	92,836.74	92,836.74
01/01/2016			28,713.34	28,713.34	
07/01/2016	127,220.90	1.980%	28,713.34	155,934.24	184,647.58
01/01/2017			27,453.86	27,453.86	
07/01/2017	129,739.90	1.980%	27,453.86	157,193.76	184,647.62
01/01/2018			26,169.43	26,169.43	
07/01/2018	132,308.70	1.980%	26,169.43	158,478.13	184,647.56
01/01/2019			24,859.57	24,859.57	
07/01/2019	134,928.50	1.980%	24,859.57	159,788.07	184,647.64
01/01/2020			23,523.78	23,523.78	
07/01/2020	137,600.00	1.980%	23,523.78	161,123.78	184,647.56
01/01/2021			22,161.54	22,161.54	
07/01/2021	140,324.50	1.980%	22,161.54	162,486.04	184,647.58
01/01/2022			20,772.33	20,772.33	
07/01/2022	143,102.90	1.980%	20,772.33	163,875.23	184,647.56
01/01/2023			19,355.61	19,355.61	
07/01/2023	145,936.40	1.980%	19,355.61	165,292.01	184,647.62
01/01/2024			17,910.84	17,910.84	
07/01/2024	148,825.90	1.980%	17,910.84	166,736.74	184,647.58
01/01/2025			16,437.46	16,437.46	
07/01/2025	151,772.70	1.980%	16,437.46	168,210.16	184,647.62
01/01/2026			14,934.91	14,934.91	
07/01/2026	154,777.80	1.980%	14,934.91	169,712.71	184,647.62
01/01/2027			13,402.61	13,402.61	
07/01/2027	157,842.40	1.980%	13,402.61	171,245.01	184,647.62
01/01/2028			11,839.97	11,839.97	
07/01/2028	160,967.70	1.980%	11,839.97	172,807.67	184,647.64
01/01/2029			10,246.39	10,246.39	
07/01/2029	164,154.80	1.980%	10,246.39	174,401.19	184,647.58
01/01/2030			8,621.26	8,621.26	
07/01/2030	167,405.10	1.980%	8,621.26	176,026.36	184,647.62
01/01/2031			6,963.95	6,963.95	
07/01/2031	170,719.70	1.980%	6,963.95	177,683.65	184,647.60
01/01/2032			5,273.83	5,273.83	
07/01/2032	174,100.00	1.980%	5,273.83	179,373.83	184,647.66
01/01/2033			3,550.24	3,550.24	
07/01/2033	177,547.10	1.980%	3,550.24	181,097.34	184,647.58
01/01/2034			1,792.52	1,792.52	
07/01/2034	181,062.60	1.980%	1,792.52	182,855.12	184,647.64
	2,963,671.00		637,470.22	3,601,141.22	3,601,141.22

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- *12) Authorization to pay \$6,420 to **RM CAT Environmental** for decontamination and removal of material from the Keener property; funds to come from Community Clean-Up line item.
- *13) Approval of a **Technical Assistance Contract** between the Town of Chino Valley and Northern Arizona Council of Governments (NACOG), to complete an income survey of Chino Meadows homeowners to determine their qualification in CDBG and USDA grants and loans.
- *14) Acceptance of Hancock Arbitration and Mediation and Michael R. Murphy as **arbitrators** for the following year per Grievance Policy 805.
- *15) Selection of the law firm of Greenberg Traurig to serve as **Bond Counsel** for the Town of Chino Valley.

Councilmember Fann MOVED, seconded by Vice Mayor St. Pierre, to accept Consent Agenda items 5 through 15. The motion PASSED unanimously 5-0.

Action Items

- 17) Consideration and possible adoption of **Ordinance No. 528 to rezone** Assessor's Parcel No. 306-33-005F from "CL/AR-5" (Commercial Light/Agricultural-Residential, 5 acre minimum) to "CL" (Light Commercial). Said property is comprised of approx. 6 acres and is located at 1328 South Highway 89 (west side of the highway, approx. 600 feet north of Road 3 South). Applicant: Betty Buonamici.

Ms. Anderson informed staff and the public that, due to technical difficulties, the Planning and Zoning Commission meeting held November 19 would be broadcast on Friday, November 22 at 7:00 p.m. and Saturday, November 23 at 1:00 p.m. Regarding said rezone, 11 notices were mailed out and four (4) responses were received, all in favor of the rezone request. On November 5, the Planning and Zoning Commission voted unanimously to recommend approval. The request was in compliance with the General Plan and presented no conflicts with surrounding zoning and staff also recommended approval.

Ms. Buonamici told Council that the parcel was given to her and her sister by their parents and they intended to split the property. She desired to place a beauty school on her portion.

Councilmember Fann MOVED, seconded by Vice Mayor St. Pierre, to adopt Ordinance No. 528 to rezone APN 306-33-005F from "CL/AR-5" to "CL." The motion PASSED unanimously 5-0.

- 18) Consideration and possible adoption of **Ordinance No. 529 to rezone** Assessor's Parcel No. 306-29-033 from "CL/AR-5" (Commercial Light/Agricultural-Residential, 5 acre minimum) to "CL" (Light Commercial). Said property is comprised of approx. 27 acres

**STRATEGIC ALLIANCE FOR VOLUME EXPENDITURES (SAVE)
COOPERATIVE PURCHASING AGREEMENT**

This Agreement is entered into this 22nd day of January, 2013, between school districts and governmental jurisdictions in the State of Arizona, as listed in Appendix "A" through their duly authorized representative to form a cooperative purchasing agreement named "STRATEGIC ALLIANCE FOR VOLUME EXPENDITURES" (S.A.V.E.)

WHEREAS, voluntary purchasing agreements between and among public agencies in the State of Arizona have been shown to improve competition, quality, services, provide lower prices for materials and services, and avoid duplication of efforts; and

WHEREAS, the parties hereto desire the free exchange of information, technology, and other services that may assist in improving the efficiency or economy of the procurement of necessary materials and services and,

WHEREAS, cooperative purchasing results from written agreements wherein lead agencies volunteer to purchase specified materials and services for themselves and participating cooperative members by compiling quantity estimates, preparing the bid or proposal solicitation, receiving bid or proposals and awarding a contract for use by all participating members. And, wherein the lead agency is responsible for placing, receipt and payment of its own orders only, while individual procuring parties separately process and pay for their own requirements; and

WHEREAS, the Cooperative Purchasing Agreement will serve these ends:

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement, and for the mutual benefits to result therefrom, the parties agree as follows:

1. The purpose of the Agreement is a cooperative purchase agreement for the procurement of materials and or services.
2. Receipt, inspection, acceptance and payment for materials and services ordered under this Agreement shall be the exclusive obligation of the ordering entity.
3. The exercise of any rights or remedies by a procuring entity shall be the exclusive obligation of such procuring entity.
4. In this Agreement, failure of an entity to secure performance under its purchase order, does not necessarily require another entity to exercise its own rights or remedies.
5. The cooperative use of bids or proposals obtained by a party to this Agreement shall be in accordance with the terms and conditions of the bid or proposal, except as modification of those terms and conditions otherwise allowed by law.
6. The participation in a specific bid or proposal will be at the option of the individual entity, except that procuring entities and their requirements specifically identified within a bid or proposal shall be required to participate in the Agreement unless the resulting contract is canceled, as provided for within the terms and conditions of the specific bid or proposal.
7. That lead entity of the bid or proposal will comply with the competitive procurement and contract requirements of the procurement rules and laws.
8. The parties will make available, upon reasonable request and subject to convenience, necessity and, in appropriate circumstance a reasonable fee or charge, any information, technology, or other service, which may assist in improving the efficiency or economy of each party's procurement or disposal of material or service.
9. A procuring party will make timely payments to the vendor for materials and services received in accordance with the terms and conditions of the procurement. Payment for materials, services, inspections, acceptance of materials and services ordered by the procuring party shall be the exclusive obligation of such procuring party.
10. The procuring party shall not use this Agreement as a method for obtaining additional concessions or reduced prices for similar materials and services.

11. The procuring party shall be responsible for the ordering of materials or services under this Agreement. A non-procuring party shall not be liable in any fashion for any violation by a procuring party, and the procuring party shall hold non-procuring party harmless from any liability, which may arise from action or inaction of the procuring party.
12. Any procurement unit may terminate without notice this Agreement if another eligible procurement unit fails to comply with the terms of this Agreement.
13. This Agreement is exempt from the provisions of A.R.S. 11-952.
14. This Agreement shall remain in effect until participation has been terminated by all but one of the parties. Except as provided in Paragraph 12, any party to this Agreement may terminate their participation in this Agreement by giving 30 day written notice to all other parties to this Agreement.
15. This Agreement shall take effect after execution by participating parties. Pursuant to A.R.S. Section 41-2632 and Subsection R7-2-1191 of A.A.C. R7-2-1001 this Agreement need not be filed with the County Recorder or the Secretary of State to be effective, except as may be required by the laws, rules and/or regulations of a participating public agency.
16. This Agreement may be canceled pursuant to provisions of A.R.S. Section 38-511 which provisions are incorporated herein by this reference.
17. This Cooperative Purchasing Agreement shall become effective upon approval and execution by the authorized representative of all public agencies listed in Appendix "A".
18. The parties to this Agreement hereby agree that other agencies may be added to this Cooperative Purchasing Group.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective the date written below

JURISDICTION: < NAME OF AGENCY > TOWN OF CHINO VALLEY

THIS AGREEMENT IS HEREBY EXECUTED THIS 22nd DAY OF January, 2013


Signature

Chris Marley
Name

Mayor
Title

Strategic Alliance for Volume Expenditures

S.A.V.E. --- Cooperative Purchasing Agreements

The following 230 agencies have signed the Cooperative Purchasing Agreement with the S.A.V.E. association as of October 3, 2012.

Municipalities

City of Apache Junction
City of Avondale
City of Bullhead City
City of Casa Grande
City of Chandler
City of Cottonwood
City of Douglas
City of Eloy
City of Flagstaff
City of Glendale
City of Goodyear
City of Maricopa
City of Mesa
City of Page
City of Peoria
City of Phoenix
City of Prescott
City of Safford
City of Scottsdale
City of Sierra Vista
City of Somerton
City of Surprise
City of Tempe
City of Tucson
City of Willcox
City of Winslow
City of Yuma
Town of Buckeye
Town of Camp Verde
Town of Cave Creek
Town of Florence
Town of Fountain Hills
Town of Gila Bend
Town of Gilbert
Town of Marana
Town of Oro Valley
Town of Paradise Valley
Town of Prescott Valley
Town of Queen Creek
Town of Sahuarita
Town of Superior
Town of Wickenburg

Counties

Apache County
Cochise County
Coconino County
Gila County
Graham County
La Paz County
Maricopa County
Mohave County
Navajo County
Pima County
Pinal County

Santa Cruz County
Yavapai County
Yuma County

Higher Education

Arizona State University
Arizona Western College
Central Arizona College
Central Arizona Valley Institute of Technology (CAVIT)
Cochise County Community College District
Coconino County Community College District
Diné College
East Valley Institute of Technology (EVIT)
Gila Institute for Technology, a Joint Technology Education District (JTED)
Graham County Community College District
Maricopa Community College District
Mohave Community College
Northern Arizona University
Pima Community College
Pima Prevention Partnership dba Pima Partnership Academy, Pima Partnership High School & Phoenix Collegiate High School
University of Arizona
Yavapai College

Political Agencies

Arizona Supreme Court
Central Arizona Project
Housing Authority of Maricopa County
Maricopa Association of Governments
Maricopa Integrated Health System
Superior Court of Arizona, Maricopa County
Tucson Airport Authority
Valley Metro Regional Public Transit Authority
Phoenix-Mesa Gateway Airport Authority

Misc. Agencies

Central Arizona Water Conservation District (CAWCD)
Central Yavapai Fire District
Drexel Heights Fire District
Fire District of Sun City West
Mary C. O'Brien ASD
Mountain Institute JTED
Mt. Lemmon Fire District
North Country Community Health Center
Northeast AZ Tech Institute of Voc Ed
Northwest Fire District
Pima County Joint Technology District #11 (JTED)
Pima County School Reserve Fund
Shonto Preparatory Schools
Superstition Mtn Community Facilities District
Sun City West Fire District

School Districts

Agua Fria Union High School District # 216
 Alhambra Elementary School District # 68
 Altar Valley School District #51
 Amphitheater Unified School District #10
 Antelope Union High School #50
 Apache Junction Unified School District # 43
 Arlington Elementary School District #47
 Ash Fork Joint Unified School District
 Avondale Elementary School District #44
 Balsz Elementary School District #31
 Beaver Creek School District #26
 Benson Unified School District #9
 Bisbee Unified School District #2
 Blue Ridge Unified School District #32
 Bonita School District #6
 Bouse Elementary School District
 Buckeye Elementary School District #33
 Buckeye Union High School District #201
 Bullhead City Elementary School District #15
 Camp Verde Unified School District #28
 Cartwright Elementary School District #83
 Casa Blanca Middle School dba Vah Ki Middle School
 Casa Grande Elementary School District
 Casa Grande Union High School District
 Catalina Foothills Unified School District #16
 Cave Creek Unified School District #93
 Cedar Unified School District #25
 Chandler Unified School District # 80
 Chinle Unified School District #24
 Chino Valley Unified School District #51
 Clarkdale-Jerome School District #3
 Coconino County Regional Accommodation District #99
 Colorado River Union High School District
 Continental Elementary School District #39
 Coolidge Unified School District #21
 Cottonwood-Oak Creek School District #6
 Crane Elementary School District # 13
 Creighton School District #14
 Deer Valley Unified School District #97
 Double Adobe Elementary School District #45
 Douglas Unified School District #27
 Dysart Unified School District # 89
 Eloy Elementary School District #11
 Elfrida Elementary School District #12
 Flagstaff Unified School District # 1
 Florence Unified School District # 1
 Flowing Wells Unified School District #8
 Fort Huachuca Accommodation School District
 Fort Thomas Unified School District #7
 Fountain Hills Unified School District #98
 Fowler Elementary School District #45
 Gadsden Elementary School District # 32
 Ganado Unified School District #20
 Gila Bend Unified Schools
 Gilbert Unified School District #41
 Glendale Elementary School District #40
 Glendale Union High School District
 Globe Unified School District #1
 Grand Canyon Unified School District #4
 Hackberry Elementary School District #3
 Heber-Overgaard Unified School District #6
 Higley Unified School District #60
 Holbrook Unified School District #3
 Humboldt Unified School District #22
 Hyder Elementary School District #6
 Indian Oasis-Baboquivari School District #40
 Isaac Elementary School District # 5
 J.O. Combs Elementary School District #44
 Joseph City Unified School District #2
 Kayenta Unified School District #27
 Kingman Unified School District #20
 Kyrene Elementary School District #28
 Lake Havasu Unified School District # 1
 Laveen Elementary School District #59
 Liberty Elementary School District #25
 Litchfield Elementary School District #79
 Littlefield Unified School District #9
 Littleton Elementary School District #65
 Madison Elementary School District #38
 Maine Consolidated School District
 Mammoth-San Manuel Unified School District #8
 Marana Unified School District #6
 Maricopa Regional School District #509
 Maricopa Unified School District
 Mayer Unified School District #43
 Mesa Unified School District # 4
 Mobile Elementary School District #86
 Mohave Valley Elementary School District #16
 Mohawk Valley School District # 17
 Morenci Unified School District #18
 Murphy Elementary School District #21
 Naco Unified School District #9
 Nadaburg Elementary District #81
 Nogales Unified School District # 1
 Osborn Elementary School District #8
 Page Unified School District #8
 Palo Verde Elementary School District #49
 Paradise Valley Unified School District #69
 Parker Unified School District #27
 Patagonia Elementary School District #6
 Patagonia Union High School District #92
 Payson Unified School District #10
 Peach Springs Unified School District #8
 Pendergast School District #92
 Peoria Unified School District #11
 Phoenix Elementary School District # 1
 Phoenix Union High School District #210
 Picacho Elementary School District #33
 Pima Unified School District #6
 Pine Strawberry Elementary School District #12
 Pinon Unified School District #4
 Prescott Unified School District #1
 Quartzsite Elementary School District #4
 Queen Creek Unified School District # 95
 Red Mesa Unified School District
 Riverside Elementary School District #2
 Roosevelt Elementary School District # 66
 Round Valley Unified School District #10
 Sacaton Elementary School District #18
 Saddle Mountain Unified School District #90
 Safford Unified School District #1
 Sahuarita Unified School District #30
 Sanders Unified School District #18
 Santa Cruz Valley Unified School District #35

Santa Cruz Valley Union High School District #840
Scottsdale Unified School District # 48
Sedona-Oak Creek Unified School District #9
Sentinel Elementary School District #71
Show Low Unified School District #10
Sierra Vista Unified School District # 68
Snowflake Unified School District #5
Somerton Elementary School District #11
Stanfield Elementary School District #24
St. David Unified School District #21
St. Johns Unified School District
Sunnyside Unified School District #12
Superior Unified School District #15
Tanque Verde Unified School District #13
Tempe Elementary School District # 3
Tempe Union High School District # 213
Thatcher Unified Schools
Toltec Elementary School District #22
Tolleson Elementary School District #17
Tolleson Union High School District # 214

Tombstone Unified School District #1
Tuba City Unified School District #15
Tucson Unified School District
Union Elementary School District #82
Vail Unified School District #20
Valley Union High School District #22
Washington Elementary School District # 6
Wellton Elementary School District #24
West-MEC District #402
Whiteriver Unified School District #20
Wickenburg Unified School District #9
Willcox Unified School District
Williams Unified School District #2
Wilson Elementary School District #7
Window Rock Unified School District #8
Winslow Unified School District #1
Young Public School District
Yuma Elementary School District # 1
Yuma Union High School District # 70



CRANE ELEMENTARY SCHOOL DISTRICT NO. 13

TAB 5 - COST PROPOSAL

The cost proposal form (as provided) must be completed and include the fees of the proposed services to be provided including those provided at no charge.

V. It must be understood by the offeror that payment for services rendered to the Districts will be paid from the bond funds upon the sale of bonds or debt obligations. Should the Governing Board not call for the bond election, or the bond election fail to pass, any services rendered will be on a no charge basis, except for any fees (hourly or otherwise) associated with additional services outlined in the cost proposal.

VI. The proposal response is to be submitted as Dollars per \$1,000.00 (one thousand dollars) of principal amounts of bond. For small bonds, a rate with a minimum is suggested. List below, the dollar cost for all services that you will provide relating to authorization and the issuance of bonds where there is a charge.

VII. Cost Form

We believe our proposed fees as outlined below are competitive and within the range of other proposers having equivalent and comparable services and expertise. Our fees also reflect the greater level of services we offer and the value we add to our clients that many other firms do not currently offer.

It is possible that some firms may submit extremely low bids to this RFP. A concern with an extremely low bid is that if it is too far below the national average, service and attention to the District's account might be compromised and the compensation available to sell the bonds may not be sufficient to market bonds at the lowest possible interest rates. The resulting increase in interest costs may far exceed any "savings" from selecting the Firm that bids the lowest fee for a particular service resulting in a false economy.

We respectfully request the District to consider all the factors presented in this response including:

- The overall service and range of services provided to the District (including those services of Dr. Judy Richardson and Randie Stein that would be included at no additional cost).
- The strength of our underwriting desk to secure the lowest interest rates possible for the District.
- The experience, diversity and proven capability we have in the Arizona sector.
- The dedication and professionalism we provide every one of our clients.

Our cost proposal covers the three major types of debt obligations that the District, SAVE, and YEPA members might issue. The prices below for underwriting assume a 10-year amortization and an uninsured financing with at least an "AA" underlying credit rating. Prices on the next page are shown on a fee per bond basis, assuming bond increments of \$1,000. The underwriting and financial advisor fee for any issuance will not be lower than fees stated for smaller financing sizes. See notes on page 39 for additional information and potential adjustments.



CRANE ELEMENTARY SCHOOL DISTRICT NO. 13

	Less than 2 Million	2 to 9.999 Million	10 to 24.999 Million	25 to 49.999 Million	50 to 74.999 Million	75 to 99.999 Million	100 Plus Million
New General Obligation Bonds							
Fee for Underwriting when there is no Financial Advisor	up to \$35,000	\$6.40 (minimum \$25,000)	\$5.60	\$5.25	\$4.75	\$4.50	\$4.00
Fee for Financial Advisor	up to \$25,000	\$3.00 (minimum \$25,000)	\$2.00 (minimum \$30,000)	\$1.50 (minimum \$50,000)	\$1.30 (minimum \$75,000)	\$1.25 (minimum \$97,500)	\$1.10 (minimum \$125,000)
Fee for Underwriting when there is a Financial Advisor	up to \$20,000	\$5.90 (minimum \$20,000)	\$5.15	\$4.75	\$4.25	\$4.10	\$3.65

New Revenue Bonds							
Fee for Underwriting when there is no Financial Advisor	up to \$45,000	\$9.00 (minimum \$35,000)	\$7.90	\$6.80	\$5.75	\$5.25	\$4.75
Fee for Financial Advisor	up to \$30,000	\$3.50 (minimum \$30,000)	\$2.50 (minimum \$35,000)	\$2.25 (minimum \$62,500)	\$1.80 (minimum \$112,500)	\$1.55 (minimum \$135,000)	\$1.20 (minimum \$155,000)
Fee for Underwriting when there is a Financial Advisor	up to \$25,000	\$7.00 (minimum \$20,000)	\$5.90	\$5.30	\$4.75	\$4.25	\$4.00

New Certificates of Participation (Lease Purchase)							
Fee for Underwriting when there is no Financial Advisor	up to \$40,000	\$9.50 (minimum \$30,000)	\$8.40	\$7.30	\$6.00	\$5.50	\$5.00
Fee for Financial Advisor	up to \$30,000	\$3.50 (minimum \$30,000)	\$2.50 (minimum \$35,000)	\$2.25 (minimum \$62,500)	\$1.80 (minimum \$112,500)	\$1.55 (minimum \$135,000)	\$1.20 (minimum \$155,000)
Fee for Underwriting when there is a Financial Advisor	up to \$27,500	\$7.50 (minimum \$20,000)	\$6.40	\$5.80	\$5.25	\$4.75	\$4.50



CRANE ELEMENTARY SCHOOL DISTRICT NO. 13

	Less than 2 Million	2 to 9.999 Million	10 to 24.999 Million	25 to 49.999 Million	50 to 74.999 Million	75 to 99.999 Million	100 Plus Million
Refinancing General Obligation Bonds							
Fee for Underwriting when there is no Financial Advisor	up to \$40,000	\$7.40 (minimum \$30,000)	\$6.60	\$6.25	\$5.50	\$5.15	\$4.50
Fee for Financial Advisor	up to \$30,000	\$3.10 (minimum \$30,000)	\$2.10 (minimum \$35,000)	\$1.60 (minimum \$52,5000)	\$1.40 (minimum \$80,000)	\$1.35 (minimum \$105,000)	\$1.20 (minimum \$135,000)
Fee for Underwriting when there is a Financial Advisor	up to \$25,000	\$6.90 (minimum \$25,000)	\$6.15	\$5.75	\$5.00	\$4.75	\$4.15

Refinancing Revenue Bonds							
Fee for Underwriting when there is no Financial Advisor	up to \$50,000	\$10.50 (minimum \$40,000)	\$8.90	\$7.80	\$6.50	\$5.90	\$5.25
Fee for Financial Advisor	up to \$35,000	\$3.60 (minimum \$35,000)	\$2.60 (minimum \$40,000)	\$2.35 (minimum \$65,000)	\$1.90 (minimum \$117,500)	\$1.65 (minimum \$142,000)	\$1.30 (minimum \$165,000)
Fee for Underwriting when there is a Financial Advisor	up to \$30,000	\$8.00 (minimum \$25,000)	\$6.90	\$6.30	\$5.50	\$4.90	\$4.50

Refinancing Certificates of Participation (Lease Purchase)							
Fee for Underwriting when there is no Financial Advisor	up to \$45,000	\$10.50 (minimum \$35,000)	\$9.40	\$8.30	\$6.75	\$6.15	\$5.50
Fee for Financial Advisor	up to \$35,000	minimum \$35,000	\$2.60 (minimum \$40,000)	\$2.35 (minimum \$65,000)	\$1.90 (minimum \$117,500)	\$1.65 (minimum \$142,500)	\$1.30 (minimum \$165,000)
Fee for Underwriting when there is a Financial Advisor	up to \$32,500	\$8.50 (minimum \$25,000)	\$7.40	\$6.80	\$6.00	\$5.40	\$5.00



CRANE ELEMENTARY SCHOOL DISTRICT NO. 13

Services and Fees	
Override Election Services Per Hour	Included in the above fees for no extra charge, contingent upon a debt financing being completed during the term of the contract.
Other Charges for Services you may provide	Debt Defeasance - \$7,500 minimum plus \$1,000 for each additional debt issue.
	Federal Tax Credit Financings (QZABs, QSCBs, CREBs, etc.), Private Lease Purchase Agreements (including Performance Contracting/Energy Savings) - Financial Advisor fee: up to 2% of total loan. Placement Agent fee: up to 2% of total loan.
	Escrow Restructuring - Lesser of 0.25% of escrow value and 10% of net cost savings (\$25,000 minimum)
	Tax Anticipation Notes – Financial Advisor: \$1.00 per \$1,000, \$10,000 min; Underwriter: \$2.00 per \$1,000, \$10,000 min
Value Added Services and Number of Hours Included	In addition to assistance with M&O and capital outlay override elections, we also provide a membership in the School Capital Finance Support Service and the additional services listed on p. 28. These services are not limited to a specific number of hours and are available for members anticipated to complete a debt financing during the term of the contract.
Fee for Additional Hours of Value Added Services	\$96 - \$200 per hour for School Finance Consulting Services outside of the School Capital Finance Support Service (see p. 28-29 for details) and \$100-\$250 for hourly banking support services outside those described directly above and on page 29. These hourly rates also apply to other municipalities for non-financing related services.
List all items that you would expect to be reimbursed for during the course of the resulting contract	Assembly and publishing of Official Statement or placement memorandum (typically not exceeding \$25,000) Costs of issuance that we pay at the request of the issuer, such as rating agency or counsel fees DTC/CUSIPs/Other Industry Fees Travel expenses (i.e., rating trips) Fed Ex/UPS Charges Telephone conference calls Auditor's Consent (if requested) Assembly of term sheet or other disclosure documentation (when applicable)

Notes:

Adjustments to fees listed above for underwriting, placement agent or financial advisor (as applicable):

- The underwriting and financial advisor fee for any issuance will not be lower than fees stated for smaller financing sizes.
- Impact Aid Revenue Bonds less than \$25 million -- add up to \$3.00 per \$1,000 and \$6,000 to the minimum.
- Amortizations of longer than 10 years – add up to \$0.30 per \$1,000 for each year above 10 years.
- Uninsured financings or financings with insurance rated less than AAA– add:
 - Up to \$2.50 per \$1,000 and \$5,000 to the minimum for underlying AA- or Aa3 credit rating
 - Up to \$5.00 per \$1,000 and \$10,000 to the minimum for underlying A category credit rating
 - Up to \$10.00 per \$1,000 and \$15,000 to the minimum for underlying BBB or Baa category credit rating
 - Up to \$20.00 per \$1,000 and \$20,000 to the minimum without any underlying credit rating
- Supplemental interest certificates, capital appreciation securities, convertible capital appreciation securities, stepped coupon securities or securities with taxable interest – add up to \$2.50 per \$1,000.
- Securities sold more than 6 weeks prior to delivery (forward delivery securities) – add up to \$2.50 per \$1,000 to reflect market rates at the time of the sale, as negotiated with and approved by the issuer.
- For large volume underwriting clients, in excess of \$80 million every two years, the Firm may be able to negotiate somewhat reduced underwriting fees, depending on market conditions at the time.
- Underwriting fees do not include the cost of underwriter's counsel.

For assistance with complex financings in any role or unique requests outside traditional value added services, the Firm would negotiate a fair amount of additional compensation with the issuer. Complex financings include, but not limited to: (1) title or real estate issues, (2) water company acquisitions, (3) tax increment or land based security (special districts), (4) public/private partnerships (for-profit, non-profit, governmental purpose facilities) or (5) other circumstances requiring a significantly higher degree of complexity or effort (e.g., requests to attend an unusually large number of meetings).



CRANE ELEMENTARY SCHOOL DISTRICT No. 13

PLEASE BE COMPLETE**AUTHORIZED SUGNATURE:**

A handwritten signature in black ink that reads "Robert A. Casillas".

PRINTED NAME: Robert Casillas**TITLE:** Managing Director**DATE:** May 14, 2013**EMAIL:** rcasillas@stifel.com

My signature binds my firm to the terms and conditions within this proposal at the fees set forth. All fees shall remain firm for the first year and for each of the four possible extensions of this contract.



2325 East Camelback Road, Suite 750 Phoenix, Arizona 85016 (602) 794-4000

November 11, 2014

Mr. Joe Duffy, CPA
Finance Director
Town of Chino Valley
202 N. State Route 89
Chino Valley, AZ 86323

Re: Stifel, Nicolaus & Company, Inc. ("Stifel") Financial Advisory Services – Amended
For the approximately \$4.0 million, Clean Water [WIFA] Revenue Obligations, & \$4.6 million,
Drinking Water [WIFA] Revenue Obligations, Series 2014/2015

Dear Mr. Duffy:

We are honored to assist the Town of Chino Valley, Arizona in connection with an estimated \$4.0 million, Clean Water [WIFA] Revenue Obligation and estimated \$4.6 million, Drinking Water [WIFA] Revenue Obligations, Series 2014 or Series 2015 (the "Town").

This letter acknowledges Stifel's services will be procured by the District through its membership in the Strategic Alliance of Volume Expenditures (SAVE) purchasing cooperative. The SAVE contract was awarded to Stifel through the Investment Banking Request for Proposals #C-007-1213 procurement process facilitated by the Crane Elementary School District No. 13 of Yuma County, Arizona, and other Arizona school district SAVE members (the "SAVE Consortium").

This letter also acknowledges the scope of services, compensation, expenses, length of service and other terms and conditions relating to Stifel's service to the Town are collectively described within the request for proposals, Stifel's written response and Stifel's award letter.

Disclosures and Certifications:

Pursuant to revised Municipal Securities Rulemaking Board ("MSRB") Rule G-23, a broker, dealer, or municipal securities dealer ("dealer") is prohibited from acting as a Municipal Advisor, as defined in Section 15B of the Exchange Act of 1934 (as amended), to an issuer for a particular issue sold on a negotiated or competitive bid basis and subsequently switching roles to act as underwriter or placement agent with respect to the same issue. In compliance with the rules set forth by the MSRB, Stifel, Nicolaus & Company, Inc. ("Stifel") is acting as a Municipal Advisor in connection with all services proposed and/or provided to Issuer herein. As such, Stifel will provide municipal advisory or consultant services including advice and other assistance regarding the structure, timing, terms and other similar matters concerning the issuance. Stifel is declaring that it has done so within the regulatory framework of MSRB Rule G-23 as a municipal advisor, as defined therein, and not an underwriter to the issuer for this proposed issuance of municipal securities. A "municipal advisory relationship" shall be deemed to exist when a firm enters into an agreement to render municipal advisory or consultant services to or on behalf of an issuer with respect to the issuance of municipal securities, including advice with respect to the structure, timing, terms and other similar matters. Accordingly, any services provided by Stifel as they relate to our role as municipal advisor should not be construed as those of an underwriter or placement agent.

Issuer is aware of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Securities and Exchange Commission's adopted rule commonly known as the "Municipal Advisor Rule" (SEC Rule 15Ba1-1 to 15Ba1-8 -"the Rule"). Stifel Nicolaus will be



2325 East Camelback Road, Suite 750 Phoenix, Arizona 85016 (602) 794-4000

serving as a municipal advisor to the Town under the Rule and this agreement documents the municipal advisory relationship between Stifel Nicolaus and the Issuer.

We look forward to serving the Town. Please sign, date and return (via electronic or physical delivery) a copy of this letter in acknowledgement of the above.

Sincerely,
STIFEL, NICOLAUS & CO., INC.

A handwritten signature in black ink, appearing to read "Mark Reader".

Mark Reader
Managing Director

Cc: Robert Smith, Town Manager, Town of Chino Valley, Arizona
Michael Cafiso, Esq., Bond Counsel, Greenberg Traurig
Erika S. Miller, Vice President, Stifel Nicolaus

On behalf of the Town:

A handwritten signature in black ink, written over a horizontal line. The signature is stylized and appears to be "Robert Smith".
Authorized Official

11/12/14
Date



2325 East Camelback Road, Suite 750 Phoenix, Arizona 85016 (602) 794-4000

August 14, 2014

Mr. Joe Duffy, CPA
Finance Director
Town of Chino Valley
202 N. State Route 89
Chino Valley, AZ 86323

Re: Stifel, Nicolaus & Company, Inc. ("Stifel") Financial Advisory Services – Amended
For the approximately \$13.1 million, General Obligation Bonds, Series 2014/2015

Dear Mr. Duffy:

We are honored to assist the Town of Chino Valley, Arizona in connection with an estimated \$13.1 million general obligation bond sale, Series 2014 or Series 2015 (the "Town").

This letter acknowledges Stifel's services will be procured by the District through its membership in the Strategic Alliance of Volume Expenditures (SAVE) purchasing cooperative. The SAVE contract was awarded to Stifel through the Investment Banking Request for Proposals #C-007-1213 procurement process facilitated by the Crane Elementary School District No. 13 of Yuma County, Arizona, and other Arizona school district SAVE members (the "SAVE Consortium").

This letter also acknowledges the scope of services, compensation, expenses, length of service and other terms and conditions relating to Stifel's service to the Town are collectively described within the request for proposals, Stifel's written response and Stifel's award letter.

Disclosures and Certifications:

Pursuant to revised Municipal Securities Rulemaking Board ("MSRB") Rule G-23, a broker, dealer, or municipal securities dealer ("dealer") is prohibited from acting as a Municipal Advisor, as defined in Section 15B of the Exchange Act of 1934 (as amended), to an issuer for a particular issue sold on a negotiated or competitive bid basis and subsequently switching roles to act as underwriter or placement agent with respect to the same issue. In compliance with the rules set forth by the MSRB, Stifel, Nicolaus & Company, Inc. ("Stifel") is acting as a Municipal Advisor in connection with all services proposed and/or provided to Issuer herein. As such, Stifel will provide municipal advisory or consultant services including advice and other assistance regarding the structure, timing, terms and other similar matters concerning the issuance. Stifel is declaring that it has done so within the regulatory framework of MSRB Rule G-23 as a municipal advisor, as defined therein, and not an underwriter to the issuer for this proposed issuance of municipal securities. A "municipal advisory relationship" shall be deemed to exist when a firm enters into an agreement to render municipal advisory or consultant services to or on behalf of an issuer with respect to the issuance of municipal securities, including advice with respect to the structure, timing, terms and other similar matters. Accordingly, any services provided by Stifel as they relate to our role as municipal advisor should not be construed as those of an underwriter or placement agent.

Issuer is aware of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Securities and Exchange Commission's adopted rule commonly known as the "Municipal Advisor Rule" (SEC Rule 15Ba1-1 to 15Ba1-8 -"the Rule"). Stifel Nicolaus will be serving as a municipal advisor to the Town under the Rule and this agreement documents the municipal advisory relationship between Stifel Nicolaus and the Issuer.



2325 East Camelback Road, Suite 750 Phoenix, Arizona 85016 (602) 794-4000

We look forward to serving the Town. Please sign, date and return (via electronic or physical delivery) a copy of this letter in acknowledgement of the above.

Sincerely,
STIFEL, NICOLAUS & CO., INC.

A handwritten signature in black ink that reads "Mark Reader". The signature is fluid and cursive, with the first name "Mark" being more legible than the last name "Reader".

Mark Reader
Managing Director

Cc: Robert Smith, Town Manager, Town of Chino Valley, Arizona
Michael Cafiso, Esq., Bond Counsel, Greenberg Traurig
Erika S. Miller, Vice President, Stifel Nicolaus

On behalf of the Town:

A handwritten signature in black ink, appearing to be "Duff Smith", written over a horizontal line. Below the line, the words "Authorized Official" are printed in a small, sans-serif font.

9/3/14
Date

STIFEL

2325 East Camelback Road, Suite 750 Phoenix, Arizona 85016 (602) 794-4000

April 2, 2014

Mr. Joe Duffy, CPA
Finance Director
Town of Chino Valley
202 N. State Route 89
Chino Valley, AZ 86323

Re: Stifel, Nicolaus & Company, Inc. ("Stifel") Financial Advisory Services
For the approximately \$13.1 million, General Obligation Bonds, Series 2014/2015

Mr. Duffy:

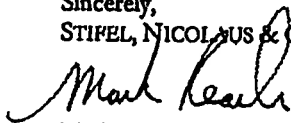
We are honored to assist the Town of Chino Valley, Arizona in connection with an estimated \$13.1 million general obligation bond sale, Series 2014 or Series 2015 (the "Town").

This letter acknowledges Stifel's services will be procured by the District through its membership in the Strategic Alliance of Volume Expenditures (SAVE) purchasing cooperative. The SAVE contract was awarded to Stifel through the Investment Banking Request for Proposals #C-007-1213 procurement process facilitated by the Crane Elementary School District No. 13 of Yuma County, Arizona, and other Arizona school district SAVE members (the "SAVE Consortium").

This letter also acknowledges the scope of services, compensation, expenses, length of service and other terms and conditions relating to Stifel's service to the Town are collectively described within the request for proposals, Stifel's written response and Stifel's award letter.

We look forward to serving the Town. Please sign, date and return (via electronic or physical delivery) a copy of this letter in acknowledgement of the above.

Sincerely,
STIFEL, NICOLAUS & CO., INC.



Mark Reader
Managing Director

Enc.

Cc: Robert Smith, Town Manager, Town of Chino Valley, Arizona
Michael Cafiso, Esq., Bond Counsel, Greenberg Traurig
Erika S. Miller, Vice President, Stifel Nicolaus

On behalf of the Town:


Authorized Official

4/2/14
Date

RESOLUTION NO. 04-711

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, YAVAPAI COUNTY, ARIZONA, DESIGNATING CERTAIN TAX RECEIPTS TO BE USED SOLELY FOR TOWN IMPROVEMENTS AND ACQUISITIONS, AND PROVIDING FOR A SEPARATE ACCOUNT FOR SUCH FUNDS.

WHEREAS, the Town of Chino Valley has determined that it has significant need for capital improvements; and that such capital improvement needs have increased, and will continue to rise, due to the dramatic escalation of development activities in the Town; and

WHEREAS, Ordinance No. 04-581, as adopted by the Town of Chino Valley Mayor and Council, has increased the general privilege tax rate to 3%, and,

WHEREAS, The Town Council of the Town of Chino Valley has determined that 100% of the privilege tax generated from said privilege tax increase should be segregated from other tax revenue, placed in a separate account within the Capital Improvements Fund to account for these funds, and used solely for paying for the following costs, subject to the exception described below for excess funds:

Water Acquisition and Extension;
Sewer Extensions;
Park and Pool Improvements;
Additional Police Officers;
Associated personnel, maintenance and operating costs of the four purposes listed above.

Funds in excess of the costs listed above shall be used to retire debt and/or as local grant match for public safety, homeland security, criminal justice, infrastructure heritage grant funds, Chino Meadows subsidies, capital investments and capital acquisitions.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COMMON COUNCIL OF THE TOWN OF CHINO VALLEY, COUNTY OF YAVAPAI, ARIZONA:

That 100% of the tax revenue generated from the 1% privilege tax rate increase within the Town of Chino Valley, pursuant to sections 8A-405, 8A-410, 8A-415, 8A-416, 8A-417, , 8A-425, 8A-427, 8A-430, , 8A-435, 8A-440, 8A-444, 8A-445, 8A-447, 8A-450, 8A-455, 8A-460, 8A-470, 8A-475, 8A-477, 8A-480, and 8A-610 of the Town of Chino Valley Tax Code shall be placed in a separate account, within the Capital Improvements Fund to account for these funds, and said funds and interest from said funds shall

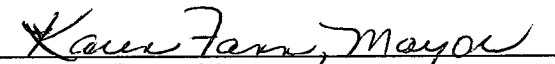
thereafter be used solely for paying for the following costs, subject to the exception described below for excess funds:

Water acquisition and extension;
 Sewer extensions;
 Park and pool improvements;
 Additional police officers;
 Associated personnel, maintenance and operating costs of the four (4) purposes listed above.

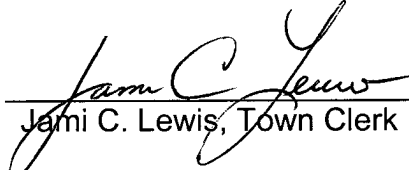
Funds in excess of the costs listed above shall be used to retire debt and/or as local grant match for public safety, homeland security, criminal justice, infrastructure and heritage fund grants, Chino Meadows subsidies, capital investments and capital acquisitions.

BE IT FURTHER RESOLVED, that the effective date of this Resolution shall be September 1, 2004, and it shall apply to the designated tax revenue which is collected from the privilege tax rate increase after such date.

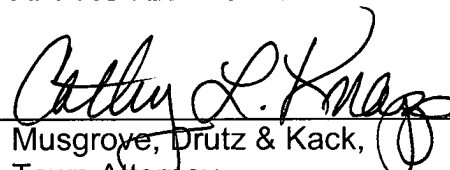
PASSED AND ADOPTED by the Mayor and Common Council of the Town of Chino Valley, Arizona, this 24th day of June, 2004.


 Karen Fann, Mayor

ATTEST:


 Jami C. Lewis, Town Clerk

APPROVED AS TO FORM:


 Musgrove, Drutz & Kack,
 Town Attorney



TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Special Meeting

Item No. **3.**

Meeting Date: 12/16/2014
Contact Person: Jami Lewis, Town Clerk
Phone: 928-636-2646 x-1208
Department: Council
Estimated length of Staff Presentation: None
Physical location of item: N/A

Information

AGENDA ITEM TITLE:

Pursuant to A.R.S. § 38-481.03(A)(1) for discussion or consideration of employment, assignments, appointment, promotion, dismissal, salary of Town Manager Robert Smith, and pursuant to A.R.S. § 38-481.03(A)(4) for discussion or consultation with the Town Attorney in order to consider its position and instruct the Town Attorney regarding the Town's position regarding the contract with Town Manager Robert Smith. (Mayor and Council)

SITUATION & ANALYSIS:

N/A

Attachments

No file(s) attached.

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TOWN OF CHINO VALLEY COUNCIL AGENDA ITEM STAFF REPORT

Town Council Special Meeting

Item No. 4.

Meeting Date: 12/16/2014
Contact Person: Jami Lewis, Town Clerk
 Phone: 928-636-2646 x-1208
Department: Council
Estimated length of Staff Presentation: None
Physical location of item: N/A

Information

AGENDA ITEM TITLE:

Consideration and possible action to approve an employment agreement with Town Manager Robert Smith or an amendment to his current agreement with the Town. (Mayor and Council)

Recommended Action: Approve an employment agreement with Town Manager Robert Smith or an amendment to his current agreement with the Town.

SITUATION & ANALYSIS:

N/A

Attachments

No file(s) attached.
