

**REGULAR MEETING OF THE COMMON COUNCIL
OF THE CITY OF EL MIRAGE
EL MIRAGE CITY COUNCIL CHAMBERS
14010 N. EL MIRAGE ROAD
6:00 PM – TUESDAY, September 1, 2015**

Members of the El Mirage City Council will attend either in person or by telephone conference call. Please silence all electronic communication devices (including cell phones and pagers) before the meeting is called to order. Thank you.

Note: The Common Council of the City of El Mirage, by a duly passed motion, may vote in public session to adjourn to executive session on any agenda item in conformation with A.R.S. Section 38.431.03 including legal advice from the City Attorney.

Agenda

I. ROLL CALL

Mayor Lana Mook
Councilmember Roy Delgado
Councilmember Jack Palladino
Councilmember David Shapera

Vice Mayor Joe Ramirez
Councilmember Bob Jones
Councilmember Lynn Selby

II. CALL TO ORDER

Pledge of Allegiance
Moment of Silence
Silence Cell Phones & Pagers

III. PRESENTATION

- P1.** Presentation to introduce new police K-9 Officer “Koki” (Police Department)
- P2.** Presentation of revised Curbside Bulk Trash Program (Public Works)
- P3.** Presentation to the Mayor and Council of the 2014 Comprehensive Annual Financial Report (CAFR) award (Finance)

IV. CALL TO THE PUBLIC

Citizens desiring to speak on a matter that IS NOT on this agenda may do so at this time. Comments shall be limited to three (3) minutes per person and shall be addressed to the City Council as a whole. At the conclusion of the Call to the Public, individual City Council Members may (1) respond to criticism made by those who have spoken (2) direct staff to review or respond to the matter, and/or (3) direct that the matter be put on a future agenda.

V. CONSENT AGENDA

All items listed under the Consent Agenda will be voted on with one motion. If discussion is desired regarding any Consent Agenda Item, that item will be removed from the Consent Agenda and voted on separately.

1. Consideration and action to approve minutes of the Regular Council Meeting held Monday, August 10, 2015. (City Clerk)
2. Consideration and action to approve the destruction of personnel records that have reached the end of their retention period as authorized under A.R.S. §41-151.12. (Human Resources)
3. Consideration and action to authorize the City Manager to order 508 acre feet (af) of Central Arizona Project (CAP) sub-contract water and pay the associated delivery and recharge fees in the amount of \$98,552.00. (Public Works)

VI. REGULAR AGENDA

- A. Consideration and possible adoption of Resolution R15-09-15 approving the sale and execution and delivery of pledged excise tax revenue obligations evidencing a proportionate interest of the owners thereof in a purchase agreement from the City; approving the form and authorizing the execution and delivery of such purchase agreement and other necessary agreements for such sale, delegating authority to determine certain matters and terms with respect to the foregoing, authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this resolution and declaring an emergency. (Finance)

VII. CITY MANAGER SUMMARY OF CURRENT EVENTS

The City Council may not act upon any matter in the City Manager's summary but may have general comment or questions. Items to be discussed will include, but not be limited to, the following:

1. Health insurance pool
2. Pueblo Futuro park-grant, land acquisition and description of improvements
3. PSPRS update
4. Creation of a City investment policy
5. Code Enforcement initiative on vacant and boarded properties
6. Traffic construction update
7. Hispanic Heritage Special Event
8. New Employees – Fire and Public Works

VIII. MAYOR'S COMMENTS and COUNCIL SUMMARY OF CURRENT EVENTS

The Mayor and City Council may not discuss or act upon any matter in the summary unless the specific matter is properly noticed for legal action.

IX. EXECUTIVE SESSION

B. Consideration and action to adjourn into executive session (Administration):

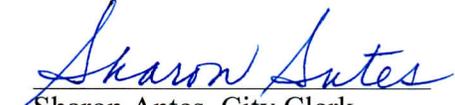
1. For discussion and consultation for legal advice with the City Attorney in accordance with A.R.S. § 38-431.03 A. 3.
2. To conduct annual reviews of:
 - a. The City Manager's stewardship.
 - b. The City Attorney's stewardship.
 - c. The Presiding Judge's stewardship.

X. ADJOURNMENT

Accommodations for Individuals with Disabilities - Alternative format materials, sign language interpretation, assistive listening devices or interpretation in languages other than English are available upon 72 hours advance notice through the Office of the City Clerk, 12145 NW Grand Avenue, El Mirage, Arizona, (623) 876-2943, TDD (623)933-3258, or FAX (623) 876-4603. To the extent possible, additional reasonable accommodations will be made available within the time constraints of the request.

AFFIDAVIT OF POSTING – CITY COUNCIL MEETING OF SEPTEMBER 1, 2015

I hereby certify that this agenda was posted by 5:00 p.m. on August 28, 2015 at the following locations: 1) City of El Mirage Exterior Bulletin Board, 12145 N.W. Grand Avenue and 2) the City of El Mirage website at www.cityofelmirage.org.


Sharon Antes, City Clerk

REQUEST FOR COUNCIL ACTION

DATE SUBMITTED: <u>08/21/2015</u> DATE ACTION REQUESTED: <u>09/01/2015</u> <input checked="" type="checkbox"/> REGULAR <input type="checkbox"/> CONSENT	TYPE OF ACTION: <input type="checkbox"/> RESOLUTION # _____ <input type="checkbox"/> ORDINANCE # _____ <input checked="" type="checkbox"/> OTHER: Presentation	SUBJECT: Presentation to introduce new police K-9 Officer Koki.
---	---	--

TO: Mayor and Council
FROM: Steven W. Campbell, Chief of Police <i>SWC</i>
RECOMMENDATION: Presentation Only
PROPOSED MOTION: N/A

DISCUSSION: This presentation will serve to introduce the new police K-9 Officer Koki purchased and acquired on April 7, 2015. This action was the result of K-9 Officer Dax being medically retired on March 31, 2015.

FISCAL IMPACT: N/A

DEPARTMENT LINE ITEM ACCOUNT: N/A

BALANCE IN LINE ITEM IF APPROVED: N/A

Finance Director:

Robert Nilles

Robert Nilles

8/27/15
Date

Approved as to form:

Robert M. Hall

Robert M. Hall, City Attorney

8/26/15
Date

City Manager:

Dr. Spencer A. Isom

Dr. Spencer A. Isom

8/28/15
Date

REQUEST FOR COUNCIL ACTION

<p>DATE SUBMITTED: <u>08/20/2015</u></p> <p>DATE ACTION REQUESTED: <u>09/01/2015</u></p> <p><input checked="" type="checkbox"/> REGULAR <input type="checkbox"/> CONSENT</p>	<p>TYPE OF ACTION:</p> <p><input type="checkbox"/> RESOLUTION # _____</p> <p><input type="checkbox"/> ORDINANCE # _____</p> <p><input checked="" type="checkbox"/> OTHER: Presentation</p>	<p>SUBJECT: Presentation of revised Curbside Bulk Trash Program.</p>
---	--	---

<p>TO: Mayor and Council</p>
<p>FROM: Larry Dobrosky, Deputy City Manager </p>
<p>RECOMMENDATION: N/A</p>
<p>PROPOSED MOTION: N/A</p>
<p>ATTACHMENT: N/A</p>

DISCUSSION: This presentation is to present the proposed changes to the bulk trash program to address on-compliance matters.

FISCAL IMPACT: N/A

DEPARTMENT LINE ITEM ACCOUNT: N/A

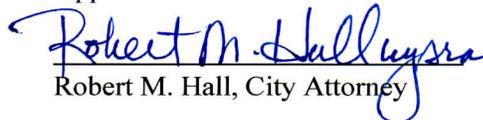
BALANCE IN LINE ITEM IF APPROVED: N/A

Finance Director:


Robert Nilles

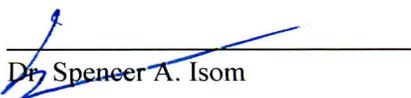
8/28/15
Date

Approved as to form:


Robert M. Hall, City Attorney

8/26/15
Date

City Manager:


Dr. Spencer A. Isom

8/28/15
Date

REQUEST FOR COUNCIL ACTION

DATE SUBMITTED: <u>08/20/2015</u>	TYPE OF ACTION: ___ RESOLUTION # _____ ___ ORDINANCE # _____ <input checked="" type="checkbox"/> OTHER: Presentation	SUBJECT: Presentation to the Mayor and Council of the 2014 Comprehensive Annual Financial Report (CAFR) award.
DATE ACTION REQUESTED: <u>09/01/2015</u>		
<input checked="" type="checkbox"/> REGULAR ___ CONSENT		

TO: Mayor and Council
FROM: Robert A. Nilles, Finance Director
RECOMMENDATION: Presentation Only
PROPOSED MOTION: None
ATTACHMENTS: Award notice

DISCUSSION: Presentation of fourth consecutive Comprehensive Annual Financial Report (CAFR) award to the Mayor and Council by Mindy Russell, President of the Government Finance Officers Association of Arizona.

FISCAL IMPACT: N/A

DEPARTMENT LINE ITEM ACCOUNT: N/A

BALANCE IN LINE ITEM IF APPROVED: N/A

Finance Director:

Robert Nilles

8/27/15
Date

Approved as to form:

Robert M. Hall, City Attorney

8/26/15
Date

City Manager:

Dr. Spencer A. Isom

8/28/15
Date



Government Finance Officers Association
203 N. LaSalle Street - Suite 2700
Chicago, IL 60601

Phone (312) 977-9700 Fax (312) 977-4806

03/17/2015

NEWS RELEASE

For Information contact:
Stephen Gauthier (312) 977-9700

(Chicago)--The Certificate of Achievement for Excellence in Financial Reporting has been awarded to **City of El Mirage** by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

An Award of Financial Reporting Achievement has been awarded to the individual(s), department or agency designated by the government as primarily responsible for preparing the award-winning CAFR. This has been presented to:

Finance Department, City of El Mirage

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.

The GFOA is a nonprofit professional association serving approximately 17,500 government finance professionals with offices in Chicago, IL, and Washington, D.C.

REQUEST FOR COUNCIL ACTION

DATE SUBMITTED: 08/19/2015	TYPE OF ACTION:	SUBJECT: Consideration and action to approve minutes of the Regular Council Meeting held Monday, August 10, 2015.
DATE ACTION REQUESTED: 09/01/2015	<input type="checkbox"/> RESOLUTION # _____ <input type="checkbox"/> ORDINANCE # _____	
<input type="checkbox"/> REGULAR <input checked="" type="checkbox"/> CONSENT	<input checked="" type="checkbox"/> OTHER: Approval of Minutes	

TO: Mayor and Council
FROM: Sharon Antes, City Clerk <i>SA</i>
RECOMMENDATION: Approve minutes from the August 10, 2015 Regular Council meeting.
PROPOSED MOTION: I move to approve the minutes of the August 10, 2015 Council meeting as presented.
ATTACHMENTS: Draft Minutes

DISCUSSION: Draft minutes are attached for Council's review and approval.

FISCAL IMPACT: N/A

DEPARTMENT LINE ITEM ACCOUNT: N/A

BALANCE IN LINE ITEM IF APPROVED: N/A

Finance Director:

R. Nilles
Robert Nilles

8/27/15
Date

Approved as to Form:

Robert M. Hallgren
Robert M. Hall

8/26/15
Date

City Manager:

Spencer A. Isom
Dr. Spencer A. Isom

8/28/15
Date

**REGULAR MEETING OF THE COMMON COUNCIL
OF THE CITY OF EL MIRAGE
EL MIRAGE CITY COUNCIL CHAMBERS
14010 N. EL MIRAGE ROAD
6:00 PM – MONDAY, August 10, 2015**

Minutes

I. ROLL CALL

Present: Mayor Lana Mook, Vice Mayor Joe Ramirez, Councilmember Roy Delgado, Councilmember Bob Jones, Councilmember Jack Palladino, Councilmember Lynn Selby, Councilmember David Shapera

II. CALL TO ORDER

The meeting was called to order by Mayor Mook at 6:04 PM.
Pledge of Allegiance
Moment of Silence

III. PRESENTATION

PI. Presentation of Oath of Office to re-appointed Planning & Zoning Commissioner Justin McCarty for the two-year term ending June 30, 2017. (Clerk)

City Clerk Sharon Antes administered the Oath of Office to Justin McCarty for his re-appointment to the Planning & Zoning Commission for a two-year term ending June 30, 2017.

IV. CALL TO THE PUBLIC

Citizens desiring to speak on a matter that IS NOT on this agenda may do so at this time. Comments shall be limited to three (3) minutes per person and shall be addressed to the City Council as a whole. At the conclusion of the Call to the Public, individual City Council Members may (1) respond to criticism made by those who have spoken (2) direct staff to review or respond to the matter, and/or (3) direct that the matter be put on a future agenda.

Property Owner Anita Norton currently resides in Waddell but owns property in the Dysart Ranchettes. She had issues with the denial of her building permit for a new home in the Dysart Ranchettes. Ms. Norton does not believe the City is acting legally. She has met with Jorge Gastelum, Jose Macias and other City officials to no avail. Mayor Mook asked Attorney Robert Hall if he wished to make a comment. Mr. Hall reported he had discussions with her attorney today and felt they were productive and he will continue to work with the attorney.

Resident Henry Mercado has been a member of the El Mirage community since 1969. He went to school at Luke and worked the fields. Mr. Mercado owns

property in the Dysart Ranchettes and has also been denied a building permit. When he originally contacted the City he had been told he could build on his property. He believes he has rights under the Constitution and should be able to build a home in the Dysart Ranchettes. He wanted Council to be clear he has been a long-term resident of El Mirage, is a business owner and pays taxes. Though he was told Luke Air Force Base denied the permit he does not believe the City is working for the citizens of El Mirage. He responded to a notice from the City to clean up his lot and spent a lot of money to purchase it and the right and legal thing to do is issue a building permit.

V. CONSENT AGENDA

All items listed under the Consent Agenda will be voted on with one motion. If discussion is desired regarding any Consent Agenda Item, that item will be removed from the Consent Agenda and voted on separately.

1. Consideration and action to approve the minutes of the Regular Council Meeting held Tuesday, July 7, 2015. (City Clerk)
2. Consideration and action to approve the destruction of municipal documents that have reached the end of their retention period as authorized under A.R.S. § 41-151.19. (City Clerk)
3. Consideration and action to approve Ordinance O15-08-07 adopting Codification Supplement S-6 from American Legal Publishing Corporation to bring City/Zoning Codes current through Council actions taken as of February, 2015. (City Clerk)
4. Consideration and action to approve a Memorandum of Understanding (MOU) with Arizona Department of Revenue (DOR) setting forth fees imposed and performance measures to promote the timely efficient and accurate processing of municipal tax matters. (Finance)
5. Consideration and action to approve an amended and Restated Transit Services Intergovernmental Agreement (IGA) between the City and the Regional Public Transportation Authority (RPTA) for Dial-a-Ride services. (Finance)
6. Consideration and action to approve Resolution R15-08-14 to temporarily suspend City Code § 130.01 to allow alcoholic beverages to be served and consumed at specific City of El Mirage Special Events for the 2015/2016 event season. (Administration)

Vice Mayor Ramirez moved to approve all items on the Consent Agenda as presented; seconded by Councilor Delgado. Motion carried unanimously (7/0).

VI. REGULAR AGENDA

- A. Consideration and action to adopt a notice of intent to adjust the City's fee schedule to reflect fees required through the IGA (Intergovernmental Agreement) with the Office of Manufactured Housing (OMH) not sooner than 60 days from the date of posting the notice pursuant to A.R.S. §9-499.15. (Building)

Building Official Mary Dickson stated this is an adjustment that came forward after the 2015 Fee Schedule was approved. The notice needs to be posted for 60 days.

Vice Mayor Ramirez moved to adopt a notice of intent to adjust the City's fee schedule to reflect fees required through the IGA with the Office of Manufactured Housing not sooner than 60 days from the date of posting the notice; seconded by Councilor Delgado. Motion carried unanimously (7/0).

- B. Consideration and action to fund one (1) additional Maintenance Worker I – Right-of-Way and Street Beautification Specialist position to assist in the citywide community appearance efforts. (Public Works)

Deputy City Manager Larry Dobrosky presented department background information and advised issues have materialized that require increased staff for the maintenance, repair, upkeep and beautification of areas throughout of the City. City Manager Spencer Isom added that while the Public Works staff makes every effort to maintain public areas of the City, there has been a recent awareness of the necessity for an additional employee to be solely dedicated to picking up debris and trash throughout these public areas 40 hours per week. It is anticipated that filling this position would reap immediate visible benefits.

Councilor Jones asked if this position would be fulltime, seasonal or temp and was advised the position will be fulltime, 40/hours per week.

Councilor Shapera asked how this position would be funded and was advised the initial cost for this year would be from Council contingency but would become a Public Works budgeted item in future years.

Councilor Delgado questioned why the City doesn't charge residents for trash left in alleys and was informed that the challenge is in identifying the individuals responsible. Unless someone can be seen actually discarding trash in the alley it is very difficult to know who to charge.

Vice Mayor Ramirez agreed it is almost impossible to identify the individuals discarding trash in the alleys. He asked about the equipment needed for this position and was advised that the City's Procurement Officer is checking vehicle and trailer costs for this new position.

Vice Mayor Ramirez moved to approve the funding of one additional Maintenance Worker I – Right-of-Way and Street Beautification Specialist position to assist in the citywide community appearance efforts; seconded by Councilor Delgado. Motion carried unanimously (7/0).

- C. Public hearing, closure of public hearing, followed by Council's consideration and action to accept a final plat, dedication of right-of-way and easement for the Family Dollar Store site at 12101 W. Thunderbird Road contingent on final project completion and acceptance of the project by the City Manager. (Development & Community Services)

Mayor Mook opened the Public Hearing.

Development and Community Services Director Jorge Gastelum reported the Family Dollar Store is located at 12101 W. Thunderbird Road and includes 1.13 acres with an 8,320 sq. ft. building and a Zoning of UC (Urban Corridor). He then reviewed the landscape plan, elevations and recommendations. The recommendations include dedication of right-of-way, public green space, and off-site improvements consistent with the Thunderbird Road Improvements Project. Staff recommends approval of the Final Plat. The store opening is anticipated by Labor Day weekend.

Councilor Delgado asked about a sign on the East side of the store. Mr. Gastelum stated the intent is to remove it as part of Thunderbird Road Project. The Thunderbird Project is anticipated to commence March 2016.

Resident Albert Gang, co-owner of Maggie's Market next to the Family Dollar Store, expressed concern about delivery trucks not being able to access his store because of the proposed median on Thunderbird Road. His store has been in business approximately 40 years and he does not want the median to block his entrance. There was discussion regarding possible misunderstandings on what the City would acquire in the project acquisition process and possible alternative solutions to allow access for deliveries to his store. There was also discussion on the City negotiating with an adjoining property owner to assist in a solution. Mayor Mook requested Dr. Isom and Mr. Gastelum work with the City's agent, Tierra-Right-of-Way and Mr. Gang to resolve this matter.

Mayor Mook closed the Public Hearing

Vice Mayor Ramirez moved to approve a final plat, dedication of right-of-way and easement for the Family Dollar Store site at 12101 W. Thunderbird Road contingent on final project completion and acceptance of the project by the City Manager; seconded by Councilor Delgado. Motion carried unanimously (7/0).

- D. Public hearing, closure of public hearing, followed by consideration and action to approve a major site plan amendment for Southwest Steel Fabrications located at 10211 N. El Mirage Road. (Development & Community Services)

Mayor Mook opened the Public Hearing.

Development and Community Services Director Jorge Gastelum reported Southwest Steel Fabrications is located at 10211 N. El Mirage Road with a lot size of 9.07 acres that houses an office, workshop and storage unit. The Zoning is EI (Employment/ Industry) with a land use of industrial. The General Plan regards this area as Commerce/ Industry Park. Luke AFB has no objections to the proposed expansion. The surrounding vicinity on the north is industrial use, on the east is civil use, on the south is vacant and on the west is manufacturing/storage. Southwest Steel Fabrications is requesting an increase of 20,000 sq. ft., bringing the total square feet to 53,500 sq. ft. for office, workshop and storage. Historically, in 1991 this was Lee Fabrications; in 2007 there was a Site Amendment for Southwest Stairs and now in 2015 there is a Major Site Amendment request for Southwest Steel. City staff has reviewed, has no objections and recommends approval of the Major Site Plan Amendment with any stipulations to be addressed during the building permit review process. Southwest Steel Fabrication's Civil Engineer Dennis Keogh, President Phil Helm and Operations Manager Fred Elmen were present to answer questions

Mr. Keogh stated he prepared the current site plan and also did the 1992 site plan for Lee Fabricating. The business is taking raw steel and fabricating to make arena style platforms, beams, etc. A new fire hydrant will be installed for the expansion. There will be 30-40 new employees added with a second shift. They have plenty of area to increase parking as needed.

Mayor Mook asked if the new employees would be from El Mirage and was told many of their current employees are El Mirage residents and they would continue to try and recruit within El Mirage.

Councilor Delgado and Vice Mayor Ramirez asked questions regarding access with increased traffic, repairs to a damaged telephone box, and possible noise impacts from increased activity during a second shift. Mr. Keogh explained current traffic flow as well as new plans for expansion, and also stated that no noisy equipment would be used during the second shift hours. Mr. Gastelum added that most of these concerns will be addressed and handled with the El Mirage Road expansion project.

There were no public comments. Mayor Mook closed the Public Hearing.

Vice Mayor Ramirez moved to approve the public hearing, closure of public hearing and approve a major site plan amendment for Southwest Steel Fabrications located at 10211 N. El Mirage Road; seconded by Councilor Delgado. Motion carried unanimously (7/0).

VII. CITY MANAGER SUMMARY OF CURRENT EVENTS

Dr. Isom asked Deputy City Manager Dobrosky to report on the new proposed bulk trash program slated to resume in this fall.

The goal is to continue enhancing the community's appearance by providing the curbside bulk trash pick-up program but with established policies to address some of the challenges recently experienced that significantly increased costs. He presented photos of properties that presented difficulties in collection, showed charts of increased costs in labor and disposal, and discussed proposed new procedures on handling and charging offenders of the process. The next Curbside Bulk Trash Collection Event is scheduled for October 26 through November 16, 2015. Still left to accomplish with the new procedures is designing red tags, placing articles in El Mirage's monthly newsletter, inserting flyers in utility bills, posting on Xpressbillpay, posting on the City Website and the Gateway billboard. The City's goal is to continue enhancing the community's appearance by providing the curbside bulk trash pick-up program which allows residents to dispose of unwanted waste more easily, but at the same time controlling abuse of the program.

Questions were raised by Mayor and Council regarding length of time for the compliance process, notification to residents, and collection of fines by those in non-compliance. City Attorney Hall reminded Council that this was the City Manager report and not an agenda item; Mayor Mook requested and Dr. Isom affirmed that this topic will be brought forward at the next Council Meeting as a presentation by Mr. Dobrosky.

Dr. Isom then introduced the following new employees:

- I.T. Director Tom Bacome introduced Vincent Rostowsky, the City's new Network Engineer. He is from Fidelity Information Services and has a Bachelor of Science Degree in Communications Management and Network Administration. Mr. Rostowsky stated he is excited to be a part of the I.T. team.
- Police Chief Steve Campbell introduced new Police Officer Miles McLane who comes from the City of Wickenburg. Officer McLane Stated he is happy to be here and thanked the City.

VIII. MAYOR'S COMMENTS and COUNCIL SUMMARY OF CURRENT EVENTS

The Mayor and City Council may not discuss or act upon any matter in the summary unless the specific matter is properly noticed for legal action.

Councilor Shapera stated he is happy with the photo enforcement in front of the Thompson Ranch Road School which makes this area much safer and is pleased to see City street lights being repaired. He also attended Chief Campbell's recent retirement celebration.

Councilor Delgado stated he attended Chief Campbell's retirement event and thanked the Chief for his service. He is following the Court security project and has notified Supervisor Hickman about the improvements around the Library.

Vice Mayor Ramirez stated he is sorry he could not attend the Chief's retirement event but stated he appreciates everything Chief Campbell has done for the City and wishes him well.

Councilor Selby congratulated Chief Campbell and hopes he enjoys his retirement. The City appreciates what he has done for the department and the City.

Mayor Mook also attended Chief Campbell's retirement event and expressed that there is sadness in his leaving but she wished him well on his retirement.

IX. EXECUTIVE SESSION

No Executive Session was held.

X. ADJOURNMENT

The meeting was adjourned at 7:36 PM.

Lana Mook, Mayor

ATTEST:

Sharon Antes, City Clerk

I hereby certify the aforementioned minutes are a true and accurate record of the Regular Council Meeting held on Monday, August 10, 2015 and a quorum was present.



Sharon Antes, City Clerk

REQUEST FOR COUNCIL ACTION

DATE SUBMITTED: <u>08/24/2015</u> DATE ACTION REQUESTED: <u>09/01/2015</u> <input type="checkbox"/> REGULAR <input checked="" type="checkbox"/> CONSENT <input type="checkbox"/> WORK STUDY <input type="checkbox"/> SPECIAL	TYPE OF ACTION: <input type="checkbox"/> RESOLUTION # _____ <input type="checkbox"/> ORDINANCE # _____ <input checked="" type="checkbox"/> OTHER: Destruction of records	SUBJECT: Consideration and action to approve the destruction of personnel records that have reached the end of their retention period as authorized under A.R.S. §41-151.12.
---	--	---

TO: Mayor and Council
FROM: Sandra King, IPMA-CP, SPHR, Human Resources Director
RECOMMENDATION: Approval to maintain Records Management as set by the State of Arizona.
PROPOSED MOTION: I make a motion to approve the destruction of Human Resources records as authorized under A.R.S. §41-151.12.
ATTACHMENTS: Certificates of Destruction

DISCUSSION: The State of Arizona and the City of El Mirage have determined retention schedules for public records and destruction of those records not meant to be kept indefinitely. Orderly destruction of public records pursuant to the laws of the State of Arizona and the City of El Mirage will provide more space for permanent records in the Human Resources Office and keep the City compliant with state law.

FISCAL IMPACT: \$15.00 (estimated)

DEPARTMENT LINE ITEM ACCOUNT: 10-500-313

BALANCE IN LINE ITEM IF APPROVED: \$8037.29

Finance Director:

Robert Nilles

8/27/15
Date

Approved as to form:

Robert M. Hall, City Attorney

8/26/15
Date

City Manager:

Dr. Spencer A. Isom

8/28/15
Date

REQUEST FOR COUNCIL ACTION

DATE SUBMITTED: <u>08/20/2015</u> DATE ACTION REQUESTED: <u>09/01/2015</u> <input type="checkbox"/> REGULAR <input checked="" type="checkbox"/> CONSENT	TYPE OF ACTION: <input type="checkbox"/> RESOLUTION # _____ <input type="checkbox"/> ORDINANCE # _____ <input checked="" type="checkbox"/> OTHER: Contract Purchase	SUBJECT: Consideration and action to authorize the City Manager to order 508-acre feet (AF) of Central Arizona Project (CAP) sub-contract water and pay the associated delivery and recharge fees in the estimated amount of \$98,552.00.
---	---	--

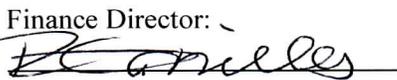
TO: Mayor and Council
FROM: Larry Dobrosky, Deputy City Manager 
RECOMMENDATION: Approval
PROPOSED MOTION: I move the Council authorize the City Manager to execute the 508 AF CAP water order.
ATTACHMENT: Contract

DISCUSSION: The City currently pumps approximately 5,000 AF of groundwater annually, which requires replenishment. The City's long-term water strategic plan utilizes three types of water supplies to meet the 5,000 AF replenishment demand, effluent, CAP recharge, and long-term storage credits. Approximately 1800 AF of effluent is recharged from the wastewater treatment plant annually. The second supply is the two CAP allocations of Colorado River Water for recharging the aquifer, in the amounts of 508 AF and 1318 AF. The 508 AF CAP allocation was secured in 2007 and the 1318 AF allocation is still pending approval from the Secretary of the Interior. The remaining replenishment balance is satisfied by the third supply, the recently purchased groundwater extinguishment credits. CAP requires water allocations for calendar year 2016 be ordered before October 1, 2015. This request is to authorize placement of the 508 AF order and the FY16/17 budget expenditure associated with this purchase estimated to be \$98,552.00.

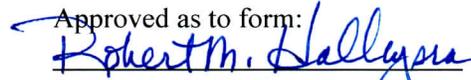
FISCAL IMPACT: The CAP rate is anticipated to be \$194.00 per AF (\$161.00 delivery, \$23.00 capital costs, and \$10.00 recharge/storage). This is a significant savings over other recharge options.

DEPARTMENT LINE ITEM ACCOUNT: Assured Water Supply 53-403-482

BALANCE IN LINE ITEM IF APPROVED: N/A

Finance Director:

 Robert Nilles

8/27/15
 Date

Approved as to form:

 Robert M. Hall, City Attorney

8/26/15
 Date

City Manager:

 Dr. Spencer A. Isom

8/20/15
 Date

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

SUBCONTRACT AMONG THE UNITED STATES,
THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT,
AND THE CITY OF EL MIRAGE
PROVIDING FOR WATER SERVICE

CENTRAL ARIZONA PROJECT

1. PREAMBLE:

THIS SUBCONTRACT, made this 13th day of July, 2007,
in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory
thereof or supplementary thereto, including but not limited to the Boulder Canyon Project
Act of December 21, 1928 (45 Stat. 1057), as amended, the Reclamation Project Act of
August 4, 1939 (53 Stat. 1187), as amended, the Reclamation Reform Act of October
12, 1982 (96 Stat. 1263), and particularly the Colorado River Basin Project Act of
September 30, 1968 (82 Stat. 885), as amended, and the Arizona Water Settlements Act
(118 Stat. 3478), all collectively hereinafter referred to as the "Federal Reclamation
Laws," among the UNITED STATES OF AMERICA, hereinafter referred to as the
"United States" acting through the Secretary of the Interior, the CENTRAL ARIZONA
WATER CONSERVATION DISTRICT, hereinafter referred to as the "Contractor," a
water conservation district organized under the laws of Arizona, with its principal place of
business in Phoenix, Arizona, and the CITY OF EL MIRAGE, hereinafter referred to as
the "Subcontractor," with its principal place of business in El Mirage, Arizona;

WITNESSETH, THAT:

1 **2. EXPLANATORY RECITALS:**

2 **WHEREAS**, the Colorado River Basin Project Act provides, among other
3 things, that for the purposes of furnishing irrigation and municipal and industrial water
4 supplies to water deficient areas of Arizona and western New Mexico through direct
5 diversion or exchange of water, control of floods, conservation and development of fish
6 and wildlife resources, enhancement of recreation opportunities, and for other purposes,
7 the Secretary of the Interior shall construct, operate, and maintain the Central Arizona
8 Project; and

9 **WHEREAS**, pursuant to the provisions of Arizona Revised Statutes §§ 48-
10 3701, *et seq.*, the Contractor has been organized with the power to enter into a contract
11 or contracts with the Secretary of the Interior to accomplish the purposes of Arizona
12 Revised Statutes, §§ 48-3701, *et seq.*; and

13 **WHEREAS**, pursuant to Section 304(b)(1) of the Colorado River Basin
14 Project Act, the Secretary of the Interior has determined that it is necessary to effect
15 repayment of the cost of constructing the Central Arizona Project pursuant to a master
16 contract and that the United States, together with the Contractor, shall be a party to
17 contracts that are in conformity with and subsidiary to the master contract; and

18 **WHEREAS**, the United States and the Contractor entered into Contract
19 No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, hereinafter referred to
20 as the "Repayment Contract," a copy of which is attached hereto as Exhibit "A" and by
21 this reference made a part hereof, whereby the Contractor agrees to repay to the United
22 States the reimbursable costs of the Central Arizona Project allocated to the Contractor;
23 and

24 **WHEREAS**, the Subcontractor is in need of a water supply and desires to
25 subcontract with the United States and the Contractor for water service from water
26 supplies available under the Central Arizona Project; and

1 **WHEREAS**, upon completion of the Central Arizona Project, water shall be
2 available for delivery to the Subcontractor;

3 **NOW THEREFORE**, in consideration of the mutual and dependent
4 covenants herein contained, it is agreed as follows:

5 **3. DEFINITIONS:**

6 Definitions included in the Repayment Contract are applicable to this
7 subcontract; provided, however, that the terms "Agricultural Water" or "Irrigation Water"
8 shall mean water used for the purposes defined in the Repayment Contract on tracts of
9 land operated in units of more than 5 acres. The first letters of terms so defined are
10 capitalized herein. As heretofore indicated, a copy of the Repayment Contract is
11 attached as Exhibit "A." In addition, the following definitions shall apply to this
12 subcontract:

13 (a) "Available CAP Supply" shall mean for any given Year all Fourth
14 Priority Water available for delivery through the Central Arizona Project, water available
15 from CAP dams and reservoirs other than Modified Roosevelt Dam, and return flows
16 captured by the Secretary for CAP use.

17 (b) "Fourth Priority Water" shall mean Colorado River water available
18 for delivery within the State of Arizona for satisfaction of entitlements: (1) pursuant to
19 contracts, Secretarial reservations, perfected rights, and other arrangements between
20 the United States and water users in the State entered into or established subsequent to
21 September 30, 1968, for use on Federal, State, or privately owned lands in the State (for
22 a total quantity not to exceed 164,652 acre-feet of diversions annually); and (2), after
23 first providing for the delivery of water under 43 U.S.C. §1524(e), pursuant to the
24 Repayment Contract for the delivery of Colorado River water for the CAP including use
25 of Colorado River water on Indian lands.
26

1 **4. DELIVERY OF WATER:**

2 4.1 Obligations of the United States. Subject to the terms, conditions,
3 and provisions set forth herein and in the Repayment Contract, during such periods as it
4 operates and maintains the Project Works, the United States shall deliver Project Water
5 for M&I use by the Subcontractor. The United States shall use all reasonable diligence
6 to make available to the Subcontractor the quantity of Project Water specified in the
7 schedule submitted by the Subcontractor in accordance with Article 4.4. After transfer of
8 OM&R to the Operating Agency, the United States shall make deliveries of Project Water
9 to the Operating Agency which shall make subsequent delivery to the Subcontractor as
10 provided herein.

11 4.2 Term of Subcontract. This subcontract shall become effective upon
12 the later of: (i) the date on which it is confirmed as provided for in Article 6.12; (ii) the
13 date on which the Secretary of the Interior publishes in the Federal Register the
14 statement of findings described in section 207(c)(1) of the Arizona Water Settlements
15 Act, 118 Stat. 3478; and (iii) the date on which the Subcontractor has paid or provided
16 for payment of past M&I water service capital charges as required by the Contractor.
17 This subcontract shall be for permanent service as that term is used in Section 5 of the
18 Boulder Canyon Project Act of 1928, 43 U.S.C. §617d. Project Water shall be delivered
19 under the terms of this subcontract for a period of 100 years beginning January 1 of the
20 Year following that in which the subcontract becomes effective; provided, that this
21 subcontract may be renewed upon written request by the Subcontractor upon terms and
22 conditions of renewal to be agreed upon not later than 1 year prior to the expiration of
23 this subcontract; and provided, further, that such terms and conditions shall be
24 consistent with Article 9.9 of the Repayment Contract.

25 * * * *
26 * * * *

1
2 4.3 Conditions Relating to Delivery and Use. Delivery and use of water
3 under this subcontract is conditioned on the following, and the Subcontractor hereby
4 agrees that:

5 (a) All uses of Project Water and Return Flow shall be consistent
6 with Arizona water law unless such law is inconsistent with the Congressional directives
7 applicable to the Central Arizona Project.

8 (b) The system or systems through which water for Agricultural,
9 M&I (including underground storage), and Miscellaneous purposes is conveyed after
10 delivery to the Subcontractor shall consist of pipelines, canals, distribution systems, or
11 other conduits provided and maintained with linings adequate in the Contracting Officer's
12 judgment to prevent excessive conveyance losses.

13 (c) The Subcontractor shall not pump, or within its legal
14 authority, permit others to pump ground water from within the exterior boundaries of the
15 Subcontractor's service area, which has been delineated on a map filed with the Con-
16 tractor and approved by the Contractor and the Contracting Officer, for use outside of
17 said service area unless such pumping is permitted under Title 45, Chapter 2, Arizona
18 Revised Statutes, as it may be amended from time to time, and the Contracting Officer,
19 the Contractor, and the Subcontractor shall agree, or shall have previously agreed, that
20 a surplus of ground water exists and drainage is or was required; provided, however,
21 that such pumping may be approved by the Contracting Officer and the Contractor, and
22 approval shall not be unreasonably withheld, if such pumping is in accord with the Basin
23 Project Act and upon submittal by the Subcontractor of a written certification from the
24 Arizona Department of Water Resources or its successor agency that the pumping and
25 transportation of ground water is in accord with Title 45, Chapter 2, Arizona Revised
26 Statutes, as it may be amended from time to time.

1 (d) The Subcontractor shall not sell, lease, exchange, forbear or
2 otherwise transfer Project Water; provided, however, that this does not prohibit
3 exchanges of Project Water within the State of Arizona covered by separate
4 agreements; and provided, further, that this does not prohibit effluent exchanges with
5 Indian tribes pursuant to Article 6.2; and provided, further, that this does not prohibit the
6 resale or exchange of Project Water within the State of Arizona pursuant to Subarticle
7 4.3(e).

8 (e)(i) Project Water scheduled for delivery in any Year under this
9 subcontract may be used by the Subcontractor or resold, or exchanged by the
10 Subcontractor pursuant to appropriate agreements approved by the Contracting Officer
11 and the Contractor. If said water is resold or exchanged by the Subcontractor for an
12 amount in excess of that which the Subcontractor is obligated to pay under this
13 subcontract, the excess amount shall be paid forthwith by the Subcontractor to the
14 Contractor for application against the Contractor's Repayment Obligation to the United
15 States; provided, however, that the Subcontractor shall be entitled to recover actual
16 costs of transportation, treatment, and distribution, including but not limited to capital
17 costs and OM&R costs.

18 (ii) Project Water scheduled for delivery in any Year under
19 this subcontract that cannot be used, resold, or exchanged by the Subcontractor may be
20 made available by the Contracting Officer and Contractor to other users. If such Project
21 Water is sold to or exchanged with other users, the Subcontractor shall be relieved of its
22 payments hereunder only to the extent of the amount paid to the Contractor by such
23 other users, but not to exceed the amount the Subcontractor is obligated to pay under
24 this subcontract for said water.

25 (iii) In the event the Subcontractor or the Contracting
26 Officer and the Contractor are unable to sell any portion of the Subcontractor's Project

1 Water scheduled for delivery and not required by the Subcontractor, the Subcontractor
2 shall be relieved of the pumping energy portion of the OM&R charges associated with
3 the undelivered water as determined by the Contractor.

4 (f) Notwithstanding any other provision of this subcontract,
5 Project Water shall not be delivered to the Subcontractor unless and until the
6 Subcontractor has obtained final environmental clearance from the United States for the
7 system or systems through which Project Water is to be conveyed after delivery to the
8 Subcontractor at the Subcontractor's Project turnout(s). Such system(s) shall include all
9 pipelines, canals, distribution systems, treatment, storage, and other facilities through or
10 in which Project Water is conveyed, stored, or treated after delivery to the Subcontractor
11 at the Subcontractor's Project turnout(s). In each instance, final environmental
12 clearance will be based upon a review by the United States of the Subcontractor's plans
13 for taking and using Project Water and will be given or withheld by the United States in
14 accordance with the Final Environmental Impact Statement -- Water Allocations and
15 Water Service Contracting (FES 82-7, filed March 19, 1982) and the National
16 Environmental Policy Act of 1969 (83 Stat. 852). Any additional action(s) required on
17 behalf of the Subcontractor in order to obtain final environmental clearance from the
18 United States will be identified to the Subcontractor by the United States, and no Project
19 Water shall be delivered to the Subcontractor unless and until the Subcontractor has
20 completed all such action(s) to the satisfaction of the United States.

21 4.4 Procedure for Ordering Water.

22 (a) At least 15 months prior to the date the Secretary expects to
23 issue the Notice of Completion of the Water Supply System, or as soon thereafter as is
24 practicable, the Contracting Officer shall announce by written notice to the Contractor the
25 amount of Project Water available for delivery during the Year in which said Notice of
26 Completion is issued (initial Year of water delivery) and during the following Year. Within

1 30 days of receiving such notice, the Contractor shall issue a notice of availability of
2 Project Water to the Subcontractor. The Subcontractor shall, within a reasonable period
3 of time as determined by the Contractor, submit a written schedule to the Contractor and
4 the Contracting Officer showing the quantity of water desired by the Subcontractor
5 during each month of said initial Year and the following Year. The Contractor shall notify
6 the Subcontractor by written notice of the Contractor's action on the requested schedule
7 within 2 months of the date of receipt of such request.

8 (b) The amounts, times, and rates of delivery of Project Water to
9 the Subcontractor during each Year subsequent to the Year following said initial Year of
10 water delivery shall be in accordance with a water delivery schedule for that Year. Such
11 schedule shall be determined in the following manner:

12 (i) On or before June 1 of each Year beginning with the
13 Year following the initial Year of water delivery pursuant to this subcontract, the
14 Contracting Officer shall announce the amount of Project Water available for delivery
15 during the following Year in a written notice to the Contractor. In arriving at this
16 determination, the Contracting Officer, subject to the provisions of the Repayment
17 Contract, shall use his best efforts to maximize the availability and delivery of Arizona's
18 full entitlement of Colorado River water over the term of this subcontract. Within 30 days
19 of receiving said notice, the Contractor shall issue a notice of availability of Project Water
20 to the Subcontractor.

21 (ii) On or before October 1 of each Year beginning with
22 the Year following said initial Year of water delivery, the Subcontractor shall submit in
23 writing to the Contractor and the Contracting Officer a water delivery schedule indicating
24 the amounts of Project Water desired by the Subcontractor during each month of the
25 following Year along with a preliminary estimate of Project Water desired for the
26 succeeding 2 years.

1
2 (iii) Upon receipt of the schedule, the Contractor and the
3 Contracting Officer shall review it and, after consultation with the Subcontractor, shall
4 make only such modifications to the schedule as are necessary to ensure that the
5 amounts, times, and rates of delivery to the Subcontractor are consistent with the
6 delivery capability of the Project, considering, among other things, the availability of
7 water and the delivery schedules of all subcontractors; provided, that this provision shall
8 not be construed to reduce annual deliveries to the Subcontractor.

9 (iv) On or before November 15 of each Year beginning
10 with the Year following said initial Year of water delivery, the Contractor shall determine
11 and furnish to the Subcontractor and the Contracting Officer the water delivery schedule
12 for the following Year which shall show the amount of water to be delivered to the
13 Subcontractor during each month of that Year, contingent upon the Subcontractor
14 remaining eligible to receive water under all terms contained herein.

15 (c) The monthly water delivery schedules may be amended upon
16 the Subcontractor's written request to the Contractor. Proposed amendments shall be
17 submitted by the Subcontractor to the Contractor no later than 15 days before the
18 desired change is to become effective, and shall be subject to review and modification in
19 like manner as the schedule. The Contractor shall notify the Subcontractor and the
20 Contracting Officer of its action on the Subcontractor's requested schedule modification
21 within 10 days of the Contractor's receipt of such request.

22 (d) The Contractor and the Subcontractor shall hold the United
23 States, its officers, agents, and employees, harmless on account of damage or claim of
24 damage of any nature whatsoever arising out of or connected with the actions of the
25 Contractor regarding water delivery schedules furnished to the Subcontractor.

26 (e) In no event shall the Contracting Officer or the Contractor be
required to deliver to the Subcontractor from the Water Supply System in any one month

1 a total amount of Project Water greater than eleven percent (11%) of the Subcontractor's
2 maximum entitlement; provided, however, that the Contracting Officer may deliver a
3 greater percentage in any month if such increased delivery is compatible with the overall
4 delivery of Project Water to other subcontractors as determined by the Contracting
5 Officer and the Contractor and if the Subcontractor agrees to accept such increased
6 deliveries.

7 4.5 Points of Delivery--Measurement and Responsibility for Distribution
8 of Water.

9 (a) The water to be furnished to the Subcontractor pursuant to
10 this subcontract shall be delivered at turnouts to be constructed by the United States at
11 such point(s) on the Water Supply System as may be agreed upon in writing by the
12 Contracting Officer and the Contractor, after consultation with the Subcontractor.

13 (b) Unless the United States and the Subcontractor agree by
14 contract to the contrary, the Subcontractor shall construct and install, at its sole cost and
15 expense, connection facilities required to take and convey the water from the turnouts to
16 the Subcontractor's service area. The Subcontractor shall furnish, for approval of the
17 Contracting Officer, drawings showing the construction to be performed by the
18 Subcontractor within the Water Supply System right-of-way 6 months before starting said
19 construction. The facilities may be installed, operated, and maintained on the Water
20 Supply System right-of-way subject to such reasonable restrictions and regulations as to
21 type, location, method of installation, operation, and maintenance as may be prescribed
22 by the Contracting Officer.

23 (c) All water delivered from the Water Supply System shall be
24 measured with equipment furnished and installed by the United States and operated and
25 maintained by the United States or the Operating Agency. Upon the request of the
26 Subcontractor or the Contractor, the accuracy of such measurements shall be

1 investigated by the Contracting Officer or the Operating Agency, Contractor, and
2 Subcontractor, and any errors which may be mutually determined to have occurred
3 therein shall be adjusted; provided, that in the event the parties cannot agree on the
4 required adjustment, the Contracting Officer's determination shall be conclusive.

5 (d) Neither the United States, the Contractor, nor the Operating
6 Agency shall be responsible for the control, carriage, handling, use, disposal, or
7 distribution of Project Water beyond the delivery point(s) agreed to pursuant to Sub-
8 article 4.5(a). The Subcontractor shall hold the United States, the Contractor, and the
9 Operating Agency harmless on account of damage or claim of damage of any nature
10 whatsoever for which there is legal responsibility, including property damage, personal
11 injury, or death arising out of or connected with the Subcontractor's control, carriage,
12 handling, use, disposal, or distribution of such water beyond said delivery point(s).

13 4.6 Temporary Reductions. In addition to the right of the United States
14 under Subarticle 8.3(a)(iv) of the Repayment Contract temporarily to discontinue or
15 reduce the amount of water to be delivered, the United States or the Operating Agency
16 may, after consultation with the Contractor, temporarily discontinue or reduce the
17 quantity of water to be furnished to the Subcontractor as herein provided for the
18 purposes of investigation, inspection, maintenance, repair, or replacement of any of the
19 Project facilities or any part thereof necessary for the furnishing of water to the
20 Subcontractor, but so far as feasible the United States or the Operating Agency shall
21 coordinate any such discontinuance or reduction with the Subcontractor and shall give
22 the Subcontractor due notice in advance of such temporary discontinuance or reduction,
23 except in case of emergency, in which case no notice need be given. Neither the United
24 States, its officers, agents, and employees, nor the Operating Agency, its officers,
25 agents, and employees, shall be liable for damages when, for any reason whatsoever,
26 any such temporary discontinuance or reduction in delivery of water occurs. If any such

1 discontinuance or temporary reduction results in deliveries to the Subcontractor of less
2 water than what has been paid for in advance, the Subcontractor shall be entitled to be
3 reimbursed for the appropriate proportion of such advance payments prior to the date of
4 the Subcontractor's next payment of water service charges or the Subcontractor may be
5 given credit toward the next payment of water charges if the Subcontractor should so
6 desire.

7 4.7 Priority in Case of Shortage. On or before June 1 of each Year,
8 the Secretary shall announce the Available CAP Supply for the following Year in a
9 written notice to the Contractor.

10 (a) Prior to January 1, 2044, a time of shortage shall exist in any
11 Year in which the Available CAP Supply for that Year is insufficient to satisfy all of the
12 entitlements set forth in subparagraphs (i) through (iii) below:

13 (i) Three hundred forty-three thousand seventy-nine
14 (343,079) acre-feet of CAP Indian Priority Water;

15 (ii) Six hundred thirty-eight thousand eight hundred
16 twenty-three (638,823) acre-feet of CAP M&I Priority
17 Water; and

18 (iii) Up to one hundred eighteen (118) acre-feet of CAP
19 M&I Priority Water converted from CAP NIA Priority
20 Water under the San Tan Irrigation District's CAP
21 Subcontract.

22 (b) On or after January 1, 2044, a time of shortage shall exist in
23 any Year in which the Available CAP Supply for that Year is insufficient to satisfy all of
24 the entitlements as set forth in subparagraphs (i) through (iv) below:
25
26

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

- (i) Three hundred forty-three thousand seventy-nine (343,079) acre-feet of CAP Indian Priority Water;
 - (ii) Six hundred thirty-eight thousand eight hundred twenty-three (638,823) acre-feet of CAP M&I Priority Water;
 - (iii) Up to forty-seven thousand three hundred three (47,303) acre-feet of CAP M&I Priority Water converted from CAP NIA Priority Water pursuant to the Hohokam Agreement; and
 - (iv) Up to one hundred eighteen (118) acre-feet of CAP M&I Priority Water converted from CAP NIA Priority Water under the San Tan Irrigation District's CAP Subcontract.
- (c) Initial distribution of water in time of shortage.
- (i) If the Available CAP Supply is equal to or less than eight hundred fifty-three thousand seventy-nine (853,079) acre-feet, then 36.37518% of the Available CAP Supply shall be available for delivery as CAP Indian Priority Water and the remainder shall be available for delivery as CAP M&I Priority Water.
 - (ii) If the Available CAP Supply is greater than eight hundred fifty-three thousand seventy-nine (853,079) acre-feet, then the quantity of water available for

1
2 delivery as CAP Indian Priority Water shall be
3 determined in accordance with the following equation
4 and the remainder shall be available for delivery as
5 CAP M&I Priority Water:

$$I = \{[32,770 \div (E - 853,079)] \times W\} + (343,079 - \{[32,770 \div (E - 853,079)] \times E\})$$

7 where

8
9 I = the quantity of water available for delivery as CAP Indian
10 Priority Water

11
12 E = the sum of the entitlements to CAP Indian Priority Water and
13 CAP M&I Priority Water as described in subparagraphs 4.7(a) or (b),
14 whichever is applicable; and

15
16 W = the Available CAP Supply

17
18 *Example A.* If, before January 1, 2044, the sum of the entitlements to CAP
19 Indian Priority Water and CAP M&I Priority Water as described in
20 subparagraph 4.7(a) is nine hundred eighty-one thousand nine hundred
21 two (343,079 + 638,823 + 0) acre-feet, then the quantity of water available
22 for delivery as CAP Indian Priority Water would be ninety-three thousand
23 three hundred three (93,303) acre-feet plus 25.43800% of the Available
24 CAP Supply.
25
26

1 *Example B.* If, after January 1, 2044, the sum of the entitlements to CAP
2 Indian Priority Water and CAP M&I Priority Water as described in
3 subparagraph 4.7(b) is one million twenty-nine thousand three hundred
4 twenty-three (1,029,323) acre-feet (343,079 + 638,823 + 47,303 + 118),
5 then the quantity of water available for delivery as CAP Indian Priority
6 Water would be one hundred fifty-one thousand six hundred ninety-one
7 (151,691) acre-feet plus 18.59354% of the Available CAP Supply.
8

9 (d) In time of shortage unscheduled CAP Water shall be
10 redistributed as follows:
11

12 (i) Any water available for delivery as CAP Indian Priority
13 Water that is not scheduled for delivery pursuant to
14 contracts, leases or exchange agreements for the
15 delivery of CAP Indian Priority Water shall become
16 available for delivery as CAP M&I Priority Water.
17

18 (ii) CAP M&I Priority Water shall be distributed among
19 those entities with contracts for the delivery of CAP
20 M&I Priority Water in a manner determined by the
21 Secretary and the CAP Operating Agency in
22 consultation with M&I water users to fulfill all delivery
23 requests to the greatest extent possible. Any water
24 available for delivery as CAP M&I Priority Water that is
25 not scheduled for delivery pursuant to contracts,
26 leases or exchange agreements for the delivery of

1 CAP M&I Priority Water shall become available for
2 delivery as CAP Indian Priority Water.
3

4 (e) Any water remaining after all requests for delivery of CAP
5 Indian Priority Water and CAP M&I Priority Water have been satisfied shall become
6 available for delivery as CAP NIA Priority Water.

7 (f) Nothing in this paragraph 4.7 shall be construed to allow or
8 authorize any CAP Contractor or CAP Subcontractor to receive, pursuant to such
9 contracts, CAP water in amounts greater than such contractor's entitlement.
10

11 4.8 Secretarial Control of Return Flow.

12 (a) The Secretary reserves the right to capture all Return Flow
13 flowing from the exterior boundaries of the Contractor's Service Area as a source of
14 supply and for distribution to and use of the Central Arizona Project to the fullest extent
15 practicable. The Secretary also reserves the right to capture for Project use Return Flow
16 which originates or results from water contracted for from the Central Arizona Project
17 within the boundaries of the Contractor's Service Area if, in his judgment, such Return
18 Flow is not being put to a beneficial use. The Subcontractor may recapture and reuse or
19 sell its Return Flow; provided, however, that such Return Flow may not be sold for use
20 outside Maricopa, Pinal, and Pima Counties; and provided, further, that this does not
21 prohibit effluent exchanges with Indian tribes pursuant to Article 6.2. The Subcontractor
22 shall, at least 60 days in advance of any proposed sale of such water, furnish the
23 following information in writing to the Contracting Officer and the Contractor:
24

25 * * * *

26 * * * *

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

- (i) The name and address of the prospective buyer.
- (ii) The location and proposed use of the Return Flow.
- (iii) The price to be charged for the Return Flow.

(b) The price charged for the Return Flow may cover the cost incurred by the Subcontractor for Project Water plus the cost required to make the Return Flow usable. If the price received for the Return Flow is greater than the costs incurred by the Subcontractor, as described above, the excess amount shall be forthwith returned by the Subcontractor to the Contractor for application against the Contractor's Repayment Obligation to the United States. Costs required to make Return Flow usable shall include but not be limited to capital costs and OM&R costs including transportation, treatment, and distribution, and the portion thereof that may be retained by the Subcontractor shall be subject to the advance approval of the Contractor and the Contracting Officer.

(c) Any Return Flow captured by the United States and determined by the Contracting Officer and the Contractor to be suitable and available for use by the Subcontractor may be delivered by the United States or Operating Agency to the Subcontractor as a part of the water supply for which the Subcontractor subcontracts hereunder and such water shall be accounted and paid for pursuant to the provisions hereof.

(d) All capture, recapture, use, reuse, and sale of Return Flow under this article shall be in accord with Arizona water law unless such law is inconsistent with the Congressional directives applicable to the Central Arizona Project.

1 4.9 Water and Air Pollution Control. The Subcontractor, in carrying out
2 this subcontract, shall comply with all applicable water and air pollution laws and
3 regulations of the United States and the State of Arizona and shall obtain all required
4 permits or licenses from the appropriate Federal, State, or local authorities.
5

6 4.10 Quality of Water. The operation and maintenance of Project
7 facilities shall be performed in such manner as is practicable to maintain the quality of
8 water made available through such facilities at the highest level reasonably attainable as
9 determined by the Contracting Officer. Neither the United States, the Contractor, nor the
10 Operating Agency warrants the quality of water and is under no obligation to construct or
11 furnish water treatment facilities to maintain or better the quality of water. The
12 Subcontractor waives its right to make a claim against the United States, the Operating
13 Agency, the Contractor, or another subcontractor because of changes in water quality
14 caused by the commingling of Project Water with other water.
15

16 4.11 Exchange Water.

17 (a) Where the Contracting Officer determines the Subcontractor
18 is physically able to receive Colorado River mainstream water in exchange for or in
19 replacement of existing supplies of water from surface sources other than the Colorado
20 River, the Contracting Officer may require that the Subcontractor accept said
21 mainstream water in exchange for or in replacement of said existing supplies pursuant to
22 the provisions of Section 304(d) of the Basin Project Act; provided, however, that a sub-
23 contractor on the Project aqueduct shall not be required to enter into exchanges in which
24 existing supplies of water from surface sources are diverted for use by other
25 subcontractors downstream on the Project aqueduct.
26

1 (b) If, in the event of shortages, the Subcontractor has yielded
2 water from other surface water sources in exchange for Colorado River mainstream
3 water supplied by the Contractor or the Operating Agency, the Subcontractor shall have
4 first priority against other users supplied with Project Water that have not yielded water
5 from other surface water sources but only in quantities adequate to replace the water so
6 yielded.
7

8 4.12 Entitlement to Project M&I Water.

9 (a) The Subcontractor is entitled to take a maximum of
10 508 acre-feet of Project Water for M&I uses including but not limited to underground
11 storage.
12

13 (b) If at any time during the term of this subcontract there is
14 available for allocation additional M&I Project Water, or Agricultural Water converted to
15 M&I use, it shall be delivered to the Subcontractor at the same water service charge per
16 acre-foot and with the same priority as other M&I Water, upon execution or amendment
17 of an appropriate subcontract among the United States, the Contractor, and the
18 Subcontractor and payment of an amount equal to the acre-foot charges previously paid
19 by other subcontractors pursuant to Article 5.2 hereof plus interest. In the case of
20 Agricultural Water conversions, the payment shall be reduced by all previous payments
21 of agricultural capital charges for each acre-foot of water converted. The interest due
22 shall be calculated for the period between issuance of the Notice of Completion of the
23 Water Supply System and execution or amendment of the subcontract using the
24 weighted interest rate received by the Contractor on all investments during that period.
25
26

1 4.13 Delivery of Project Water Prior to Completion of Project Works.

2 Prior to the date of issuance of the Notice of Completion of the Water Supply System by
3 the Secretary, water may be made available for delivery by the Secretary on a "when
4 available" basis at a water rate and other terms to be determined by the Secretary after
5 consultation with the Contractor.
6

7 5. PAYMENTS:

8 5.1 Water Service Charges for Payment of Operation, Maintenance, and
9 Replacement Costs. Subject to the provisions of Article 5.4 hereof, the Subcontractor
10 shall pay in advance for Project OM&R costs estimated to be incurred by the United
11 States or the Operating Agency. At least 15 months prior to first delivery of Project
12 Water, or as soon thereafter as is practicable, the Contractor shall furnish the
13 Subcontractor with an estimate of the Subcontractor's share of OM&R costs to the end
14 of the initial Year of water delivery and an estimate of such costs for the following Year.
15 Within a reasonable time of the receipt of said estimates, as determined by the
16 Contractor, but prior to the delivery of water, the Subcontractor shall advance to the Con-
17 tractor its share of such estimated costs to the end of the initial month of water delivery
18 and without further notice or demand shall on or before the first day of each succeeding
19 month of the initial Year of water delivery and the following Year advance to the
20 Contractor in equal monthly installments the Subcontractor's share of such estimated
21 costs. Advances of monthly payments for each subsequent Year shall be made by the
22 Subcontractor to the Contractor on the basis of annual estimates to be furnished by the
23 Contractor on or before June 1 preceding each said subsequent Year and the advances
24 of payments for said estimated costs shall be due and payable in equal monthly
25
26

1 payments on or before the first day of each month of the subsequent Year. Differences
2 between actual OM&R costs and estimated OM&R costs shall be determined by the
3 Contractor and shall be adjusted in the next succeeding annual estimates; provided,
4 however, that if in the opinion of the Contractor the amount of any annual OM&R
5 estimate is likely to be insufficient to cover the above-mentioned costs during such
6 period, the Contractor may increase the annual estimate of the Subcontractor's OM&R
7 costs by written notice thereof to the Subcontractor, and the Subcontractor shall forthwith
8 increase its remaining monthly payments in such Year to the Contractor by the amount
9 necessary to cover the insufficiency. All estimates of OM&R costs shall be accompanied
10 by data and computations relied on by the Contractor in determining the amounts of the
11 estimated OM&R costs and shall be subject to joint review by the Subcontractor and the
12 Contractor.
13 Contractor.

14
15 5.2 M&I Water Service Charges.

16 (a) Subject to the provisions of Article 5.4 hereof and in addition
17 to the OM&R payments required in Article 5.1 hereof, the Subcontractor shall, in advance
18 of the delivery of Project M&I Water by the United States or the Operating Agency, make
19 payment to the Contractor in equal semiannual installments of an M&I Water service
20 capital charge based on a maximum entitlement of 508 acre-feet per year multiplied by
21 the rate established by the Contractor for that year.
22

23 (b) The M&I Water service capital charge may be adjusted
24 periodically by the Contractor as a result of repayment determinations provided for in the
25 Repayment Contract and to reflect all sources of revenue, but said charge per acre-foot
26 shall not be greater than the amount required to amortize Project capital costs allocated

1 to the M&I function and determined by the Contracting Officer to be a part of the
2 Contractor's Repayment Obligation. Such amortization shall include interest at 3.342
3 percent per annum. If any adjustment is made in the M&I Water service capital charge,
4 notice thereof shall be given by the Contractor to the United States and to the
5 Subcontractor on or before June 1 of the Year preceding the Year the adjusted charge
6 becomes effective. The M&I Water service capital charge payment for the initial Year
7 shall be advanced to the Contractor in equal semiannual installments on or before
8 December 1 preceding the initial Year and June 1 of said initial Year; provided, however,
9 that the payment of the initial M&I Water service capital charge shall not be due until the
10 Year in which Project Water is available to the Subcontractor after Notice of Completion
11 of the Water Supply System is issued. Thereafter, for each subsequent Year, payments
12 by the Subcontractor in accordance with the foregoing provisions shall be made in equal
13 semiannual installments on or before the December 1 preceding said subsequent Year
14 and the June 1 of said subsequent Year as may be specified by the Contractor in written
15 notices to the Subcontractor.
16
17

18 (c) Payment of all M&I Water service capital and corresponding
19 OM&R charges becoming due hereunder prior to or on the dates stipulated in Articles
20 5.1 and 5.2 is a condition precedent to receiving M&I Water under this subcontract.
21

22 (d) All payments to be made to the Contractor or the United
23 States under Articles 5.1 and 5.2 hereof shall be made by the Subcontractor as such
24 payments fall due from revenues legally available to the Subcontractor for such payment
25 from the sale of water to its water users and from any and all other sources which might
26 be legally available; Provided, That no portion of the general taxing authority of the

1 Subcontractor, nor its general funds, nor funds from ad valorem taxes are obligated by
2 the provisions of this subcontract, nor shall such sources be liable for the payments,
3 contributions, and other costs pursuant to this subcontract, or to satisfy any obligation
4 hereunder unless duly and lawfully allocated and budgeted for such purpose by the
5 Subcontractor for the applicable budget year; and Provided, further, That no portion of
6 this agreement shall ever be construed to create an obligation superior in lien to or on a
7 parity with the Subcontractor's revenue bonds now or hereafter issued. The
8 Subcontractor shall levy and impose such necessary water service charges and rates
9 and use all the authority and resources available to it to collect all such necessary water
10 service charges and rates in order that the Subcontractor may meet its obligations
11 hereunder and make in full all payments required under this subcontract on or before the
12 date such payments become due.
13
14

15 5.3 Loss of Entitlement. The Subcontractor shall have no right to
16 delivery of water from Project facilities during any period in which the Subcontractor may
17 be in arrears in the payment of any charges due the Contractor. The Contractor may sell
18 to another entity any water determined to be available under the Subcontractor's
19 entitlement for which payment is in arrears; provided, however, that the Subcontractor
20 may regain the right to use any unsold portion of the water determined to be available
21 under the original entitlement upon payment of all delinquent charges plus any
22 difference between the subcontractual obligation and the price received in the sale of the
23 water by the Contractor and payment of charges for the current period.
24

25 5.4 Refusal to Accept Delivery. In the event the Subcontractor fails or
26 refuses in any Year to accept delivery of the quantity of water available for delivery to

1 and required to be accepted by it pursuant to this subcontract, or in the event the
2 Subcontractor in any Year fails to submit a schedule for delivery as provided in Article
3 4.4 hereof, said failure or refusal shall not relieve the Subcontractor of its obligation to
4 make the payments required in this subcontract.
5

6 5.5 Charge for Late Payments. The Subcontractor shall pay a late
7 payment charge on installments or charges that are received after the due date. The
8 late payment charge percentage rate calculated by the Department of the Treasury and
9 published quarterly in the Federal Register shall be used; provided, that the late
10 payment charge percentage rate shall not be less than 0.5 percent per month. The late
11 payment charge percentage rate applied on an overdue payment shall remain in effect
12 until payment is received. The late payment rate for a 30-day period shall be determined
13 on the day immediately following the due date and shall be applied to the overdue
14 payment for any portion of the 30-day period of delinquency. In the case of partial late
15 payments, the amount received shall first be applied to the late charge on the overdue
16 payment and then to the overdue payment.
17

18 6. GENERAL PROVISIONS:

19 6.1 Repayment Contract Controlling. Pursuant to the Repayment
20 Contract, the United States has agreed to construct and, in the absence of an approved
21 Operating Agency, to operate and maintain the works of the Central Arizona Project and
22 to deliver Project Water to the various subcontractors within the Project Service Area;
23 and the Contractor has obligated itself for the payment of various costs, expenses, and
24 other amounts allocated to the Contractor pursuant to Article 9 of the Repayment
25 Contract. The Subcontractor expressly approves and agrees to all the terms presently
26 set out in the Repayment Contract including Subarticle 8.8(b)(viii) thereof, or as such

1 terms may be hereafter amended, and agrees to be bound by the actions to be taken
2 and the determinations to be made under that Repayment Contract, except as otherwise
3 provided herein.

4 6.2 Effluent Exchanges. The Subcontractor may enter into direct
5 effluent exchanges with Indian entities that have received an allocation of Project Water
6 and receive all benefits from the exchange.

7 6.3 Notices. Any notice, demand or request authorized or required by
8 this subcontract shall be deemed to have been given when mailed, postage prepaid, or
9 delivered to the Regional Director, Lower Colorado Region, Bureau of Reclamation, P.O.
10 Box 61470, Boulder City, Nevada 89006-1470, on behalf of the Contractor or
11 Subcontractor; to the Central Arizona Water Conservation District, P. O. Box 43020,
12 Phoenix, Arizona 85080, on behalf of the United States or Subcontractor; and to the
13 City of El Mirage, P.O. Box 26, El Mirage, Arizona 85335, on behalf of the United States
14 or Contractor. The designation of the addressee or the address may be changed by
15 notice given in the same manner as provided in this Article for other notices.
16
17

18 6.4 Water Conservation Program.

19 (a) While the contents and standards of a given water
20 conservation program are primarily matters of State and local determination, there is a
21 strong Federal interest in developing an effective water conservation program because
22 of this subcontract. The Subcontractor shall develop and implement an effective water
23 conservation program for all uses of water that is provided from or conveyed through
24 Federally constructed or Federally financed facilities. That water conservation program
25
26

1 shall contain definite goals, appropriate water conservation measures, and time
2 schedules for meeting the water conservation objectives.

3 (b) A water conservation program, acceptable to the Contractor
4 and the Contracting Officer, shall be in existence prior to one or all of the following: (1)
5 service of Federally stored/conveyed water; (2) transfer of operation and maintenance of
6 the Project facilities to the Contractor or Operating Agency; or (3) transfer of the Project
7 to an operation and maintenance status. The distribution and use of Federally
8 stored/conveyed water and/or the operation of Project facilities transferred to the
9 Contractor shall be consistent with the adopted water conservation program. Following
10 execution of this subcontract, and at subsequent 5-year intervals, the Subcontractor
11 shall resubmit the water conservation plan to the Contractor and the Contracting Officer
12 for review and approval. After review of the results of the previous 5 years and after
13 consultation with the Contractor, the Subcontractor, and the Arizona Department of
14 Water Resources or its successor, the Contracting Officer may require modifications in
15 the water conservation program to better achieve program goals.
16
17

18 6.5 Rules, Regulations, and Determinations.

19 (a) The Contracting Officer shall have the right to make, after an
20 opportunity has been offered to the Contractor and Subcontractor for consultation, rules
21 and regulations consistent with the provisions of this subcontract, the laws of the United
22 States and the State of Arizona, to add to or to modify them as may be deemed proper
23 and necessary to carry out this subcontract, and to supply necessary details of its
24 administration which are not covered by express provisions of this subcontract. The
25 Contractor and Subcontractor shall observe such rules and regulations.
26

1 (b) Where the terms of this subcontract provide for action to be
2 based upon the opinion or determination of any party to this subcontract, whether or not
3 stated to be conclusive, said terms shall not be construed as permitting such action to be
4 predicated upon arbitrary, capricious, or unreasonable opinions or determinations. In
5 the event that the Contractor or Subcontractor questions any factual determination made
6 by the Contracting Officer, the findings as to the facts shall be made by the Secretary
7 only after consultation with the Contractor or Subcontractor and shall be conclusive upon
8 the parties.
9

10 6.6 Officials Not to Benefit.

11 (a) No Member of or Delegate to Congress or Resident
12 Commissioner shall be admitted to any share or part of this subcontract or to any benefit
13 that may arise herefrom. This restriction shall not be construed to extend to this
14 subcontract if made with a corporation or company for its general benefit.
15

16 (b) No official of the Subcontractor shall receive any benefit that
17 may arise by reason of this subcontract other than as a water user within the Project and
18 in the same manner as other water users within the Project.
19

20 6.7 Assignment Limited--Successors and Assigns Obligated. The
21 provisions of this subcontract shall apply to and bind the successors and assigns of the
22 parties hereto, but no assignment or transfer of this subcontract or any part or interest
23 therein shall be valid until approved by the Contracting Officer.

24 6.8 Judicial Remedies Not Foreclosed. Nothing herein shall be
25 construed (a) as depriving any party from pursuing and prosecuting any remedy in any
26 appropriate court of the United States or the State of Arizona which would otherwise be

1 available to such parties even though provisions herein may declare that determinations
2 or decisions of the Secretary or other persons are conclusive or (b) as depriving any
3 party of any defense thereto which would otherwise be available.
4

5 6.9 Books, Records, and Reports. The Subcontractor shall establish
6 and maintain accounts and other books and records pertaining to its financial
7 transactions, land use and crop census, water supply, water use, changes of Project
8 works, and to other matters as the Contracting Officer may require. Reports thereon
9 shall be furnished to the Contracting Officer in such form and on such date or dates as
10 he may require. Subject to applicable Federal laws and regulations, each party shall
11 have the right during office hours to examine and make copies of each other's books and
12 records relating to matters covered by this subcontract.
13

14 6.10 Equal Opportunity. During the performance of this subcontract, the
15 Subcontractor agrees as follows:

16 (a) The Subcontractor shall not discriminate against any
17 employee or applicant for employment because of race, color, religion, sex, or national
18 origin. The Subcontractor shall take affirmative action to ensure that applicants are
19 employed, and that employees are treated during employment without regard to their
20 race, color, religion, sex, or national origin. Such action shall include, but not be limited
21 to the following: Employment, upgrading, demotion, or transfer; recruitment or
22 recruitment advertising; layoff or termination; rates of pay or other forms of
23 compensation; and selection for training, including apprenticeship. The Subcontractor
24 agrees to post in conspicuous places, available to employees and applicants for
25
26

1 employment, notices to be provided setting forth the provisions of this nondiscrimination
2 clause.

3 (b) The Subcontractor shall, in all solicitations or advertisements
4 for employees placed by or on behalf of the Subcontractor, state that all qualified
5 applicants shall receive consideration for employment without discrimination because of
6 race, color, religion, sex, or national origin.
7

8 (c) The Subcontractor shall send to each labor union or
9 representative of workers with which it has a collective bargaining agreement or other
10 contract or understanding, a notice, to be provided by the Contracting Officer, advising
11 said labor union or workers' representative of the Subcontractor's commitments under
12 Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of
13 the notice in conspicuous places available to employees and applicants for employment.
14

15 (d) The Subcontractor shall comply with all provisions of
16 Executive Order No. 11246 of September 24, 1965, as amended, and of the rules,
17 regulations, and relevant orders of the Secretary of Labor.

18 (e) The Subcontractor shall furnish all information and reports
19 required by said amended Executive Order and by the rules, regulations, and orders of
20 the Secretary of Labor, or pursuant thereto, and shall permit access to its books,
21 records, and accounts by the Contracting Officer and the Secretary of Labor for
22 purposes of investigation to ascertain compliance with such rules, regulations, and
23 orders.
24

25 (f) In the event of the Subcontractor's noncompliance with the
26 nondiscrimination clauses of this subcontract or with any of such rules, regulations, or

1 orders, this subcontract may be canceled, terminated, or suspended, in whole or in part,
2 and the Subcontractor may be declared ineligible for further Government contracts in
3 accordance with procedures authorized in said amended Executive Order and such
4 other sanctions may be imposed and remedies invoked as provided in said amended
5 Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as
6 otherwise provided by law.
7

8 (g) The Subcontractor shall include the provisions of paragraphs
9 (a) through (g) in every subcontract or purchase order unless exempted by the rules,
10 regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said
11 amended Executive Order, so that such provisions shall be binding upon each
12 subcontractor or vendor. The Subcontractor shall take such action with respect to any
13 subcontract or purchase order as may be directed by the Secretary of Labor as a means
14 of enforcing such provisions, including sanctions for noncompliance; provided, however,
15 that in the event a Subcontractor becomes involved in, or is threatened with, litigation
16 with a subcontractor or vendor as a result of such direction, the Subcontractor may
17 request the United States to enter into such litigation to protect the interest of the United
18 States.
19

20
21 6.11 Title VI, Civil Rights Act of 1964.

22 (a) The Subcontractor agrees that it shall comply with Title VI of
23 the Civil Rights Act of July 2, 1964 (78 Stat. 241), and all requirements imposed by or
24 pursuant to the Department of the Interior Regulation (43 CFR 17) issued pursuant to
25 that title to the end that, in accordance with Title VI of that Act and the Regulation, no
26 person in the United States shall, on the grounds of race, color, or national origin be

1 excluded from participation in, be denied the benefits of, or be otherwise subjected to
2 discrimination under any program or activity for which the Subcontractor receives
3 financial assistance from the United States and hereby gives assurance that it shall
4 immediately take any measures to effectuate this agreement.
5

6 (b) If any real property or structure thereon is provided or
7 improved with the aid of Federal financial assistance extended to the Subcontractor by
8 the United States, this assurance obligates the Subcontractor, or in the case of any
9 transfer of such property, any transferee for the period during which the real property or
10 structure is used for a purpose involving the provision of similar services or benefits. If
11 any personal property is so provided, this assurance obligates the Subcontractor for the
12 period during which it retains ownership or possession of the property. In all other
13 cases, this assurance obligates the Subcontractor for the period during which the
14 Federal financial assistance is extended to it by the United States.
15

16 (c) This assurance is given in consideration of and for the
17 purpose of obtaining any and all Federal grants, loans, contracts, property, discounts, or
18 other Federal financial assistance extended after the date hereof to the Subcontractor by
19 the United States, including installment payments after such date on account of
20 arrangements for Federal financial assistance which were approved before such date.
21 The Subcontractor recognizes and agrees that such Federal financial assistance shall
22 be extended in reliance on the representations and agreements made in this assurance,
23 and that the United States shall reserve the right to seek judicial enforcement of this
24 assurance. This assurance is binding on the Subcontractor, its successors, transferees,
25 and assignees.
26

1 6.12 Confirmation of Subcontract. The Subcontractor shall promptly seek
2 a final decree of the proper court of the State of Arizona approving and confirming the
3 subcontract and decreeing and adjudging it to be lawful, valid, and binding on the
4 Subcontractor. The Subcontractor shall furnish to the United States a certified copy of
5 such decree and of all pertinent supporting records. This subcontract shall not be
6 binding on the United States, the Contractor, or the Subcontractor until such final decree
7 has been entered.
8

9 6.13 Contingent on Appropriation or Allotment of Funds. The expenditure
10 or advance of any money or the performance of any work by the United States
11 hereunder which may require appropriation of money by the Congress or the allotment of
12 funds shall be contingent upon such appropriation or allotment being made. The failure
13 of the Congress to appropriate funds or the absence of any allotment of funds shall not
14 relieve the Subcontractor from any obligation under this subcontract. No liability shall
15 accrue to the United States in case such funds are not appropriated or allotted.
16

17 IN WITNESS WHEREOF, the parties hereto have executed this
18 subcontract No. 07-XX-30-W0504 the day and year first above-written.
19

20
21 Legal Review and Approval

THE UNITED STATES OF AMERICA

22
23 By: Katherine Ott Verburg
24 Field Solicitor
Phoenix, Arizona

23 By: Jany Walkovich
24 Acting Regional Director
Lower Colorado Region
Bureau of Reclamation

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

Attest: *AD Inloen*
Secretary

By: *Gene Bettelheim*
President

CITY OF EL MIRAGE

Attest: *Richard Scott*
Title: City Clerk

By: *Frank DeWaters*
Title: Mayor

REQUEST FOR COUNCIL ACTION

<p>DATE SUBMITTED: <u>08/18/15</u></p> <p>DATE ACTION REQUESTED: <u>09/01/15</u></p> <p><input checked="" type="checkbox"/> REGULAR <input type="checkbox"/> CONSENT <input type="checkbox"/> WORK STUDY <input type="checkbox"/> SPECIAL</p>	<p>TYPE OF ACTION:</p> <p><input checked="" type="checkbox"/> RESOLUTION # <u>R15-09-15</u> <input type="checkbox"/> ORDINANCE # _____ <input type="checkbox"/> OTHER: _____</p>	<p>SUBJECT: Consideration and possible adoption of Resolution R15-09-15 approving the sale and execution and delivery of pledged excise tax revenue obligations evidencing a proportionate interest of the owners thereof in a purchase agreement from the City; approving the form and authorizing the execution and delivery of such purchase agreement and other necessary agreements for such sale; delegating authority to determine certain matters and terms with respect to the foregoing, authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this resolution and declaring an emergency.</p>
---	--	---

TO: Mayor and Council
FROM: Robert Nilles – Finance Director 
RECOMMENDATION: I recommend that Council adopt Resolution R15-09-15
PROPOSED MOTION: I move that we adopt Resolution R15-09-15
ATTACHMENTS: (1) Resolution R15-09-15, (2) the First Purchase Agreement, (3) the First Trust Agreement, (4) the Preliminary Official Statement (from Piper Jaffray) and (5) the Obligation Purchase Contract (from Squire Patton Boggs)

DISCUSSION: Previous discussions regarding El Mirage Road and City Hall construction identified the need to issue General Fund debt to advance and complete the projects. Voters previously authorized General Obligation debt for these two projects and those bonds have been issued. This bond issue will permit the timely completion of the projects without impacting daily operations or drawing down reserves.

This action will authorize all actions necessary to sell the bonds, authorize indebtedness, specify the use of the bonds, the denomination of the bonds, designate The Depository Trust Company, New York, New York, as the Depository, and delegate to the Finance Director (1) the sales date and principal amount of the Bonds; (2) the final principal and maturity schedule of the Bonds (but not more than thirty (30) years); (3) the interest rate on each maturity of the Bonds (but not to exceed ten percent (10%) per annum); (4) the provisions for redemption in advance of maturity of the Bonds; (5) the entity to which the Bonds are to be sold; (6) the provision for credit enhancement, if any, for the Bonds; and (7) appointment of a Bond Registrar. This action will permit the Mayor, Vice Mayor, and Clerk to record and execute necessary documents and permit staff to take other actions as may be necessary to comply with the requirements of the bonds.

The federal securities laws require that the Preliminary Official Statement, updated to reflect the sale of obligations to the underwriter, be sent to prospective investors. In order to show that the City used "due diligence" (a defense to an investor lawsuit in case anything goes wrong after obligations are sold), the Mayor and Council should have the chance to review the Preliminary Official Statement (which is considered the City's document) and comment on it. Mayor and Council should concentrate on the information that is unique to the City, its finances and the local tax base that an outsider would have no way of knowing about unless it was included in the Preliminary Official Statement.

FISCAL IMPACT: SEE ATTACHED

DEPARTMENT LINE ITEM ACCOUNT: TBD

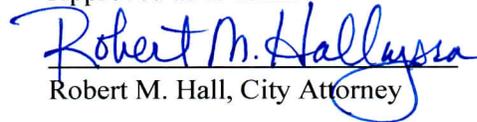
BALANCE IN LINE ITEM IF APPROVED: TBD

Finance Director:


Robert Nilles

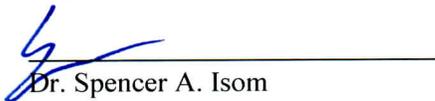
8/27/15
Date

Approved as to form:


Robert M. Hall, City Attorney

8/26/15
Date

City Manager:


Dr. Spencer A. Isom

8/28/15
Date

	FY 2016 Final	Actual			July - Dec 2015
		For the Fiscal Year ending June 30,			
		2012	2013	2014	
10 310 100 CITY SALES TAX	6,250,000	5,462,856	6,053,980	6,463,816	2,819,957
10 310 150 TPT ASSESSMENTS	30,000	71,589	2,012	16,332	200
10 310 180 PRIMARY PROPERTY TAX	1,625,000	1,794,939	1,800,323	1,645,748	795,899
10 310 200 FRANCHISE FEES	700,000	667,559	687,341	688,216	230,076
10 320 100 BUSINESS LICENSE FEES	95,000	94,121	94,849	100,085	38,682
10 320 140 FIRE PREVENTION FEES	0	4,660	7,681	4,165	2,825
10 320 150 BUILDING PERMIT FEES	200,000	94,430	266,936	229,571	149,139
10 330 100 STATE SALES TAX	2,830,000	2,484,627	2,602,643	2,767,698	1,133,565
10 330 150 STATE INCOME TAX	3,825,000	2,683,690	3,247,995	3,544,179	1,924,612
10 330 200 VEHICLE LICENSE TAX	1,200,000	1,020,505	1,063,821	1,135,235	531,541
10 330 250 GRANT REVENUE	0	169,035	102,811	35,805	0
10 340 100 PLANNING AND ZONING FEES	40,000	5,500	5,500	43,144	13,840
10 340 200 ENGINEERING & INSPECTION FEES	60,000	67,532	64,813	22,594	74,358
10 340 225 PLAN CHECK FEES	55,000	23,034	61,545	60,078	49,400
10 340 350 RENT/UTILITIES-LIBRARY	5,000	8,000	8,000	11,000	5,500
10 340 400 FACILITY RENTALS	0	2,281	1,280	2,060	1,688
10 340 600 RURAL METRO TRANSPORTS	40,000	26,568	16,014	90,443	34,336
10 340 610 CPR CLASS FEE	0	900	240	150	60
10 345 620 RECREATION CLASSES	0	1,870	1,976	3,285	292
10 345 630 SPORT PROGRAMS	5,000	10,338	5,757	2,835	250
10 345 640 ATHLETIC FIELD RENTALS	10,000	1,065	17,527	13,401	415
10 345 650 RAMADA RENTALS	5,000	2,710	2,615	3,125	1,540
10 345 660 COMMUNITY CENTER RENTALS	0	2,400	1,158	3,199	935
10 345 670 SPECIAL EVENTS	30,000	24,772	33,405	35,258	35,584
10 350 150 PUBLIC DEFENDER FEES	0	300	0	175	342
10 350 210 FARE DISTRIBUTION	0	0	2,937	8,949	0
10 350 625 JAIL INCARCERATION FEES	15,000	29,898	19,174	9,206	8,822
10 350 700 MISCELLANEOUS FEES	0	0	75	10	0
10 360 150 LGIP INTEREST-GEN FUND	20,000	20,434	26,778	25,042	11,253
10 360 200 LAND RENTALS/LEASES	65,000	34,952	49,029	61,854	55,487
10 360 301 SENIOR CONGREGATE MEALS	5,000	10,282	8,077	6,968	2,993
10 360 349 LIEN RELEASE PAYMENTS	0	6,416	2,893	925	0
10 360 351 DONATIONS/CONTRIBUTIONS	0	0	1,500	0	100
10 360 550 REIMBURSEMENTS	20,000	19,343	67,795	45,515	4,945
10 360 559 FIRE INSURANCE PREMIUM TAX	25,000	26,154	24,301	25,171	14,456
10 360 561 POLICE DEPT REPORTS	5,000	5,246	5,283	4,890	1,849
10 360 563 IMPOUND REVENUE (28-3511)	0	51,750	0	0	0
10 360 573 AUCTION PROCEEDS	5,000	0	4,810	5,413	0
10 360 600 COPY CHARGES	0	157	112	10	48
10 360 630 DISPLAY SUSPICIOUS PLATES	5,000	8,596	8,692	11,698	3,054
10 360 725 HURF/EL MIRAGE POLICE	0	197	52	61	108
10 360 750 UNCLASSIFIED REVENUES	5,000	9,894	13,437	17,113	4,001
10 360 755 RECOVERY FROM PRIOR YEAR	5,000	62,677	22,603	25,138	0
10 360 843 DIVIDEND REVENUE	0	13,807	0	0	0
10 360 940 CASH OVER/SHORT	0	(50)	3	3	0
10 360 993 VENDING MACHINE REVENUE	0	1,072	380	329	0
10 380 501 BOND PROCEEDS	4,500,000	0	0	0	0
10 380 970 TRANSFER IN	2,997,000	2,162,308	2,275,000	2,776,911	1,989,998
TOTALS	24,677,000	17,188,414	18,683,153	19,946,803	9,942,150

 Lines where bond funds will be deposited
 Lines where cost of issuance will be charged

Fund Name: General Fund
Fund Number : 10
Department Name: Transfers
Department Number: 680/690

DETAIL

Acct	Acct Description	FY 2016 Final	Actual			
			For the Fiscal Year ending June 30,			July - Dec
			2012	2013	2014	2015
933	TRANSFER OUT - POLICE GRANTS	0	50,000	137,000	0	0
934	TRANSFER OUT - FIRE FUND	0	100,000	0	0	0
938	TRANSFER OUT - STREETS (HURF)	553,000	100,000	41,000	365,000	103,998
940	TRANSFER OUT - WATER FUND	183,000	172,500	211,500	3,195,000	87,498
941	TRANSFER OUT - CDBG	0	0	18,500	0	0
943	TRANSFER OUT - STREETS CIP	430,000	0	0	474,500	0
945	TRANSFER OUT - FUND 61	0	0	0	3,082,500	0
946	TRANSFER OUT - FUND 58	0	67,697	0	0	0
947	TRANSFER OUT - COURT FUND	327,500	117,500	227,850	375,000	109,500
948	TRANSFER OUT - DEBT SERVICE	100,000	0	175,000	100,000	49,998
668	CONSTRUCTION - CIP (CITY HALL)	7,600,000	0	0	0	0
730	COST OF ISSUANCE	75,000	0	0	0	0
750	INTEREST	66,000	0	0	0	0
773	TRUST/AGENCY FEES	30,000	0	0	0	0
920	RESERVE	200,000	30,897	29,008	1,084	5,254
	TOTALS	9,564,500	638,594	839,858	7,593,084	356,248

Fund Name: Capital Projects - Streets

Fund Number : 56

REVENUES

Acct	Acct Description	FY 2016 Final	Actual			
			For the Fiscal Year ending June 30, 2012	2013	2014	July - Dec 2015
200	DYSART-ROAD IMPROVEMENTS	0	0	0	0	67,821
220	MAG STREET GRANT	0	0	0	0	0
550	REIMBURSEMENTS	10,553,000	0	45,972	1,052,944	778,821
755	RECOVERY FROM PRIOR YEAR	0	1,498	2,196	0	3,027
842	INTEREST REVENUE	0	0	5,420	2,836	6,682
501	BOND PROCEEDS	11,679,500	0	6,400,000	0	0
970	TRANSFER IN	1,024,500	0	76,000	1,766,801	735,000
TOTAL REVENUES		23,257,000	1,498	6,529,588	2,822,581	1,591,351

SUMMARY OF EXPENDITURES

Category	Category Description	FY 2016 Final	Actual			
			For the Fiscal Year ending June 30, 2012	2013	2014	July - Dec 2015
100	Personnel Services	0	0	0	0	0
200	Supplies	0	0	0	0	0
300	Services	0	0	0	0	0
400	Special Projects	0	0	0	0	0
600	Capital Outlay/Projects	26,702,000	126,671	618,834	1,454,650	1,407,674
700	Debt Service - Interest/Fees	430,000	0	0	0	0
900	Contingency	0	0	0	0	250,000
TOTAL		27,132,000	126,671	618,834	1,454,650	1,657,674

EXPENDITURES

666	STREET IMPROVEMENTS	0	0	0	10,552	0
669	EL MIRAGE ROAD IMPROVEMENT	26,202,000	126,671	598,740	987,802	1,407,674
697	NORTHERN PARKWAY	500,000	0	0	0	0
699	CONSTRUCTION NOT IN CIP	0	0	20,094	456,296	0
752	INTEREST PAYMENTS	430,000	0	0	0	0
950	TRANSFER OUT	0	0	0	0	250,000
TOTAL EXPENDITURES		27,132,000	126,671	618,834	1,454,650	1,657,674
NET REVENUE OVER EXPENDITURES		(3,875,000)	(125,173)	5,910,754	1,367,931	(66,323)

RESOLUTION R15-09-15

RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF EL MIRAGE, ARIZONA, APPROVING THE SALE AND EXECUTION AND DELIVERY OF NOT TO EXCEED \$14,500,000 AGGREGATE PRINCIPAL AMOUNT OF PLEDGED EXCISE TAX REVENUE OBLIGATIONS EVIDENCING A PROPORTIONATE INTEREST OF THE OWNERS THEREOF IN A FIRST PURCHASE AGREEMENT; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH PURCHASE AGREEMENT, A FIRST TRUST AGREEMENT, A CONTINUING DISCLOSURE UNDERTAKING, AN OBLIGATION PURCHASE CONTRACT AND OTHER NECESSARY AGREEMENTS; DELEGATING AUTHORITY TO THE MAYOR, MANAGER AND FINANCE DIRECTOR OF THE CITY TO DETERMINE CERTAIN MATTERS AND TERMS WITH RESPECT TO THE FOREGOING; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND DECLARING AN EMERGENCY

WHEREAS, the Mayor and Council of the City of El Mirage, Arizona (the “City”), have determined to finance the costs of municipal facilities and street improvements (collectively, the “Project”), by entering into a First Purchase Agreement, to be dated as of the first day of the month of the dated date of the hereinafter described Obligations established as provided herein (the “Purchase Agreement”), with U.S. Bank National Association (the “Trustee”), in its separate capacity as “Seller”; and

WHEREAS, in connection with the Purchase Agreement, the Mayor and Council of the City have deemed it necessary and desirable to provide for the sale and execution and delivery of pledged revenue obligations, provided for by this Resolution (the “Obligations”), evidencing proportionate interests of the owners of the Obligations in payments to be made by the City to the Trustee pursuant to the First Trust Agreement, to be dated as of the first day of the month of the dated date of the Obligations (the “Trust Agreement”), between the Trustee and the City, such payments to be made pursuant to the Purchase Agreement; and

WHEREAS, the payments represented by the Obligations will be secured by amounts received under the Purchase Agreement pursuant to which the City will pledge Excise Tax Revenues and State Shared Revenues (as such terms are defined in the Trust Agreement); and

WHEREAS, there have been presented to the Mayor and Council of the City at the meeting at which this Resolution is being adopted (1) the proposed form of the Purchase Agreement; (2) the proposed form of the Trust Agreement; (3) the proposed form of a Continuing Disclosure Undertaking, to be dated the date of delivery of the Obligations (the “Undertaking”), from the City necessary for purposes of compliance with Securities and

Exchange Commission Rule 15c2-12; (4) the proposed form of the Obligation Purchase Contract, to be dated the date of the sale of the Obligations (the "Purchase Contract"), by and between the City and RBC Capital Markets, LLC (the "Underwriter"), for the purchase of the Obligations and (5) the proposed form of the Preliminary Official Statement, to be dated the date of the dissemination thereof (the "Preliminary Official Statement"), relating to the Obligations, which, as to be revised after the sale of the Obligations, shall constitute the Official Statement, to be dated the date of sale of the Obligations (the "Official Statement"), relating to the Obligations; and

WHEREAS, financing the costs of the Project pursuant to the Purchase Agreement is in furtherance of the purposes of the City and in the public interest;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF EL MIRAGE, ARIZONA, THAT:

Section 1. (a) The execution and delivery of the Obligations by the Trustee is approved.

(b) The Manager or Finance Director of the City are each authorized to determine on behalf of the City the series name and designation of the Obligations; the date the Obligations are to be sold to the Underwriter; the total aggregate principal amount of the Obligations which are to be executed and delivered but not to exceed in the aggregate principal amount of \$14,500,000; the date the Obligations are to be dated; the dates on which interest on the Obligations is to be payable and the interest rates per annum the Obligations are to bear; the dates the Obligations are to mature but not later than twenty (20) years from the date of the execution and delivery of the Obligations, the principal amounts to become payable on such dates and the provisions for prepayment thereof in advance of such dates; and the terms upon which the Obligations are to be sold to the Underwriter (including determinations of price, original issue discount and premium and underwriting compensation); provided, however, that the foregoing determinations shall not result in the yield on the Obligations, as calculated in accordance with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), exceeding ten percent (10%).

(c) The Manager and Finance Director of the City are further each authorized to determine on behalf of the City whether the purchase of an insurance policy securing payment of the Obligations or, if a debt service reserve fund is to be funded, a surety bond or other reserve fund guaranty which would be a "qualified guarantee" for purposes of the Code would be advantageous to the City or the terms of the financing represented by the Obligations. The Manager and Finance Director of the City are each authorized to negotiate with and secure, with proceeds of the Obligations or otherwise, such an insurance policy or a reserve fund guaranty, or both, from one or more institutions, the claims-paying ability of which are then assigned one of the two highest rating categories by a nationally recognized credit rating agency. The Mayor, Manager and Finance Director of the City are each authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such insurance policy and/or reserve fund guaranty, including those making provision for the repayment of amounts advanced by the institutions issuing such insurance policy and/or reserve fund guaranty.

(d) The forms and other terms of the Obligations, including the provisions for the signatures, authentication, payment, registration, transfer, exchange, prepayment and number shall be as set forth in the Trust Agreement and are hereby approved.

Section 2. The Obligations are to be sold to the Underwriter pursuant to the terms of the Purchase Contract as such terms are to be determined as provided hereinabove.

Section 3. The form, terms and provisions of the Purchase Agreement, the Trust Agreement, the Purchase Contract and the Undertaking, in substantially the forms of such documents (including the Obligations and other exhibits thereto) presented at the meeting of the Mayor and Council of the City at which this Resolution is being adopted are approved, with such final provisions, insertions, deletions and changes as determined as provided hereinabove and shall be approved by the Mayor of the City, any other member of the Council, and, in the case of the Purchase Contract, the Finance Director of the City, the execution of each such document being conclusive evidence of such approval, and the Mayor of the City or any other member of the Council and, in the case of the Purchase Contract, the Finance Director of the City, or the Clerk of the City, where applicable, are authorized and directed, for and on behalf of the City, to execute and deliver and attest or approve the Purchase Agreement, the Trust Agreement, the Purchase Contract and the Undertaking and to take all action to carry out and comply with the terms of such documents.

Section 4. The distribution of the Preliminary Official Statement by the Underwriter is hereby approved, and the Official Statement in substantially the form of the Preliminary Official Statement, with such changes or revisions therein from the form of the Preliminary Official Statement as may be approved by the Mayor of the City or any other member of the Council executing the same, is hereby approved, and the Mayor of the City or any other member of the Council is hereby authorized, empowered and directed, in the name and on behalf of the City, to execute and deliver the same to the Underwriter and to execute and deliver instruments confirming that the Preliminary Official Statement is “deemed final” in accordance with Securities and Exchange Commission Rule 15c2-12.

Section 5. The Trustee (including in its separate capacity as Seller) is requested to take any and all action necessary in connection with the execution and delivery of the Purchase Agreement, the Trust Agreement, the Purchase Contract and the Undertaking and the sale and execution and delivery of the Obligations and is further authorized and directed to take such action as may be reasonable for the administration of the trusts so held by it.

Section 6. The covenants and agreements contained the Purchase Agreement as to the pledge of and the lien on Excise Tax Revenues and State Shared Revenues and the restriction on the issuance of further parity obligations secured by Excise Tax Revenues and State Shared Revenues are hereby approved and confirmed.

Section 7. The Mayor, the Manager, the Finance Director and other officers of the City, on behalf of the City, are each hereby authorized and directed, without further order of the Mayor and Council of the City, to do all such acts and things and to execute and deliver all such certificates, proceedings, agreements and other documents as may be necessary or convenient to be executed and delivered on behalf of the City, to evidence compliance with, or

further the purposes of, all the terms and conditions of this Resolution and the consummation of the transactions contemplated by the Preliminary Official Statement and the Official Statement and as may be necessary to carry out the terms and intent of this Resolution.

Section 8. All actions of the officers and agents of the City which conform to the purposes and intent of this Resolution and which further the sale and execution and delivery of the Obligations as contemplated by this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved.

Section 9. If any section, paragraph, clause or phrase of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or phrase shall not affect any of the remaining provisions of this Resolution. All orders, resolutions and ordinances or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any order, resolution or ordinance or any part thereof.

Section 10. The immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety, particularly to immediately sell the Obligations to secure the best, available economic terms therefor, and an emergency is hereby declared to exist, and this Resolution will be in full force and effect from and after its passage by the Mayor and Council of the City and it is hereby excepted from the referendum provisions of the Constitution and laws of the State of Arizona. After any of the Obligations are delivered by the Trustee to the Underwriter and upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Obligations and the interest and premium, if any, thereon shall have been fully paid, cancelled and discharged.

[Remainder of page left blank intentionally.]

PASSED AND ADOPTED by the Council and APPROVED by the Mayor of the City of El Mirage, Arizona, this 1st day of September, 2015.

.....
Mayor

ATTEST:

.....
City Clerk

APPROVED AS TO FORM:

.....
City Attorney

CERTIFICATION

I hereby certify that the foregoing Resolution No. was duly passed and adopted by the Mayor and Council of the City of El Mirage, Arizona, at a regular meeting held on the 1st day of September, 2015, and the vote was ayes and nays.

.....
City Clerk

DRAFT
07/15/15
08/10/15

FIRST PURCHASE AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION,
as Seller

and

THE CITY OF EL MIRAGE, ARIZONA,
as Purchaser

Dated as of _____ 1, 2015

TABLE OF CONTENTS

	<u>Page</u>
Section 1. Term and Payments.....	2
Section 2. Pledge; Limited Obligations.	3
Section 3. Surplus and Deficiency of Excise Tax Revenues and State Shared Revenues	4
Section 4. Additional Revenue Obligations.....	4
Section 5. City Control over Revenue Collection.....	4
Section 6. Certain Matters with Respect to Project	4
Section 7. Providing for Payment	5
Section 8. Term of Agreement.....	6
Section 9. Default; Remedies Upon Default.....	6
Section 10. Assignment.	8
Section 11. Federal Law Provisions.....	8
Section 12. Covenant as to Conflict of Interest; Other Statutory Restrictions	12
Section 13. Miscellaneous.	13

FIRST PURCHASE AGREEMENT

THIS FIRST PURCHASE AGREEMENT, dated as of _____ 1, 2015 (this “Agreement”), by and between the CITY OF EL MIRAGE, ARIZONA, a municipal corporation under the laws of the State of Arizona (“City”), as purchaser hereunder, and U.S. BANK NATIONAL ASSOCIATION, a national banking association (“Trustee”), in its capacity as trustee under the First Trust Agreement, dated as of even date herewith (the “Trust Agreement”), by and between Trustee and City, and seller hereunder,

W I T N E S S E T H:

WHEREAS, the Mayor and Council of City have determined that it will be beneficial for the citizens of City for City to finance the costs of the Project (as such term and all other undefined terms used herein are defined in the Trust Agreement); and

WHEREAS, for such purpose, the Mayor and Council of City requested that Trustee sell and execute and deliver the Obligations and the Trustee has, as described in the Trust Agreement, caused deposits to be made to the Acquisition Fund and the Costs of Issuance Fund; and

WHEREAS, City is a municipal corporation duly incorporated and validly existing under the laws of the State; the Constitution and the laws of the State authorize City to enter into this Agreement and the transactions contemplated by this Agreement; City has duly authorized and executed this Agreement; this Agreement is a lawful, valid and binding obligation of City, enforceable against City in accordance with its terms; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; the Payments will be paid when due out of funds which are legally available for such purposes; neither the execution and delivery of this Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which City is now a party or by which City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of City; City has disclosed in writing to Trustee all facts that do or will materially adversely affect the properties, operations or financial condition of City and that any notices or other written statements provided by City to Trustee pursuant hereto will not contain any untrue statement of a material fact or omit any material fact necessary to make such statements or information not misleading and the Project complies with all applicable environmental laws, rules and regulations (including, without limitation, all federal, state and local laws) and with Title III of the Americans with Disabilities Act and the regulations issued thereunder by the United States Department of Justice concerning accessibility of places of public accommodation and commercial facilities if and to the extent such Act and regulations apply to the Project; and

WHEREAS, Trustee has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to the execution and delivery hereof;

NOW THEREFORE, PURSUANT TO LAW AND FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Term and Payments.

(a) Trustee hereby sells and conveys to City, and City hereby buys and accepts from Trustee, the Project.

(b) Trustee shall have no further obligation to provide funds for the Project, and City shall be entitled to sole and exclusive possession of the Project.

(c) As the purchase price for the Project, City shall pay the Payments to Trustee. (The Interest Portion is interest for purposes of the Code.) This Agreement shall be deemed and construed to be a “*net purchase agreement*,” and the Payments shall be an absolute net return to Trustee, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein.

City shall also pay to Trustee its fees and expenses in accordance with the provisions of the Trust Agreement.

City shall also pay all amounts necessary for compliance with the Continuing Disclosure Undertaking.

(d) The obligation of City to pay the amounts described in paragraph (c) hereof (including the Payments) from the sources described herein and to comply with the other provisions hereof shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by Trustee of any obligation to City or otherwise, or out of indebtedness or liability at any time owing to City by Trustee. Until such time as all of the payments described in paragraph (c) hereof (including the Payments) shall have been fully paid or provided for, City (i) shall not suspend or discontinue the same, (ii) shall comply with the other provisions hereof and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, failure of Trustee or any other person to acquire the Project, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project or the taking by *eminent domain* of title to or temporary use of any or all of the Project, commercial frustration of purpose, abandonment of the Project by City, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. Nothing contained in this Section shall be construed to release Trustee from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event Trustee shall fail to perform any such

agreements on its part, City may institute such action against Trustee as City may deem necessary to compel performance so long as such action does not abrogate the obligations of City contained in the first sentence of this paragraph.

(e) Any of the payments described in paragraph (c) hereof (including the Payments) due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

(f) Amounts payable to Trustee shall be paid by means instructed to City in writing.

Section 2. Pledge; Limited Obligations.

(a) Subject to the State Intercept of Funds with regard to the GADA Bonds, Excise Tax Revenues and State Shared Revenues are hereby irrevocably pledged by City to the payment of all amounts described in Section 1(c) hereof (including the Payments), and payments of such amounts shall be secured on parity with the pledge and lien hereby granted by City for the payment and security of any Additional Revenue Obligations. Notwithstanding the right to do so pursuant to the GADA Resolutions, the City shall not hereafter further encumber the State Shared Revenues on a basis equal to the State Intercept of Funds. City shall make said payments from Excise Tax Revenues and State Shared Revenues (first making the Payments and thereafter making the other required payments). All of such payments are coequal as to the pledge of and lien on Excise Tax Revenues and State Shared Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Tax Revenues and State Shared Revenues or security therefor.

(b) City shall remit to Trustee from Excise Tax Revenues and State Shared Revenues all amounts due under this Agreement in the amounts and at the times and for the purposes as required herein. The obligation of City to make payments of any amounts due under this Agreement, including amounts due after default or termination hereof, is limited to payment from Excise Tax Revenues and State Shared Revenues and shall under no circumstances constitute a general obligation or a pledge of the full faith and credit of City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

(c) City may, at the sole option of City, make payments due pursuant to Section 1 hereof from its other funds as permitted by law and as City shall determine from time to time, but Trustee acknowledges that it has no claim hereunder to such other funds. No part of the purchase price payable pursuant to this Agreement shall be payable out of any *ad valorem* property taxes imposed by City or from bonds or other obligations, the payment of which City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State.

Section 3. Surplus and Deficiency of Excise Tax Revenues and State Shared Revenues. Excise Tax Revenues and State Shared Revenues in excess of amounts, if any, required to be deposited with or held by Trustee for payments due under this Agreement shall constitute surplus revenues and may be used by City for any lawful purpose for the benefit of City, including the payment of obligations to which Excise Tax Revenues and State Shared Revenues may from time to time be pledged on a basis subordinate hereto. If at any time the moneys in the funds held for payment of amounts due under this Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of this Agreement and, with respect to payment from Excise Tax Revenues and State Shared Revenues, *pro rata*, as applicable, with amounts due with respect to any Additional Revenue Obligations, and the transfer of any such sum or sums to said fund as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 4. Additional Revenue Obligations. Additional Revenue Obligations may be incurred but only if Excise Tax Revenues plus State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed Fiscal Year, shall have amounted to at least three (3) times the Maximum Annual Debt Service.

Section 5. City Control over Revenue Collection. To the extent permitted by applicable law, Excise Tax Revenues shall be retained and maintained so that the amounts received from Excise Tax Revenues plus State Shared Revenues, when combined mathematically for such purpose only, all within and for the most recently completed Fiscal Year, shall have been equal to at least three (3) times the Annual Debt Service for the current Fiscal Year. If Excise Tax Revenues plus State Shared Revenues for any such Fiscal Year shall not have been equal to at least one and one-quarter (1.25) times the Annual Debt Service for the current Fiscal Year or if at any time it appears that Excise Tax Revenues plus State Shared Revenues will not be sufficient to meet such requirements, City 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 Tax Revenues 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 in order that (i) Excise Tax Revenues plus State Shared Revenues will be sufficient to meet all current requirements hereunder and (ii) Excise Tax Revenues plus State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this paragraph.

Section 6. Certain Matters with Respect to Project.

(a) Except with respect to its power and authority to enter into this Agreement and to perform its covenants hereunder, Trustee has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Project for any particular purpose or the conformity of the Project to any plans, specifications, construction contract, purchase order, model or sample, or as to its design, construction, delivery, installation, construction oversight and operation or its suitability for use by City after completion. All such risks shall be borne by City without in any way excusing City from its obligations under this Agreement, and Trustee shall not be liable to City for any damages on account of such risks. Except with respect to any

acts by Trustee which are not undertaken at the request of City or with the prior approval of City, City waives all claims against Trustee growing out of the acquisition of the Project. Trustee shall have no liability to City for any failure of any contractor to perform any contract or other undertaking with respect to the Project in any respect. Trustee shall have no obligation to obtain or insure compliance with any required permits or approval procedures with respect to the Project. In the event of any defect in any item of the Project or other claim with respect to the Project, recourse of City shall be against the contractors, manufacturers, suppliers, etc. of the Project and, where applicable, the person selling the property to Trustee, and not against Trustee. For such purpose, Trustee hereby assigns and transfers to City the right, title and interest of Trustee in and to all representations, warranties, guarantees and service agreements relating to the Project made or entered into by Trustee and by any contractor, manufacturers, suppliers, etc. of the Project. Trustee further designates City as its attorney-in-fact granting to City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements. Trustee is entering into this Agreement solely as Trustee, shall not be personally liable hereunder and shall be afforded the same rights, protections, immunities and indemnities acting hereunder as afforded to it as Trustee under the Trust Agreement. Notwithstanding anything to the contrary herein, at no time shall the Trustee be listed in the chain of title to the Project.

(b) Trustee hereby irrevocably appoints City as its sole and exclusive agent to act for and on behalf of Trustee in acquiring the Project. As such agent, City shall have full authority to do all things necessary to bring about the financing of the Project. Trustee shall not be liable, responsible or accountable for the acts of City as its agent hereunder, and City hereby assumes all responsibility for the performance of such duties. Should any shortfall or deficiency occur in the Acquisition Fund, the City shall immediately pay such amounts to Trustee for deposit in the Acquisition Fund.

(c) City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Agreement, peaceably and quietly, have, hold and enjoy the Project, without suit, trouble or hindrance from Trustee. City hereby grants and conveys to Trustee, and all persons claiming by, through or under Trustee, including its successors and assigns under the Trust Agreement and the Owners for whom it acts, a nonexclusive easement upon, in and to the Project for the purpose of permitting the Project to be maintained upon the premises.

(d) Notwithstanding any other terms or provisions of this Agreement, the interest of Trustee in the Project is solely in its capacity as Trustee for the purpose of facilitating the financing of the Project, and Trustee shall not have the power, authority or obligation to assume any responsibility for the overall management or maintenance of the Project, including, without limitation, any day-to-day decision-making or operational aspects of the Project.

Section 7. Providing for Payment. City may provide for the payment of any of the Payments in any one or more of the following ways:

(a) by paying such Payment as provided herein as and when the same becomes due and payable at its scheduled due date pursuant to Section 1 hereof or on a date on which it can be prepaid;

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

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

Upon any partial prepayment of a Payment, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial prepayment so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

Section 8. Term of Agreement. This Agreement shall not terminate so long as any payments are due and owing pursuant to this Agreement or the Obligations. Subject to Section 7 hereof, upon full payment or provision for payment and in consideration of the timely payment of all of the amounts described in Section 1(c) hereof (including the Payments) and provided that City has performed all the covenants and agreements required by City to be performed, this Agreement shall cease and expire. The obligations of City under this Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in the next Section hereof, and City shall continue to pay the Payments and perform all other obligations provided in this Agreement; provided, however, that City shall be credited with any amount received by Trustee pursuant to actions brought under the next Section hereof.

Section 9. Default; Remedies Upon Default.

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the amounts described in Section 1(c) hereof (including the Payments) at the time when the same are to be paid as provided herein or in the Trust Agreement, (B) the violation by City of any other covenant or provision of this Agreement or the Trust Agreement or the GADA Bonds, (C) the occurrence of an event of default with respect to the GADA Bonds or any Additional Revenue Obligations or (D) the insolvency or bankruptcy of City as the same may be defined under any law of the United States of America or the State, or any voluntary or involuntary action of City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of any of the amounts described in Section 1(c) hereof (including the Payments) as required hereunder or under the Trust Agreement on the due date or the nonpayment of principal or interest due with respect to any Additional Revenue Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or this Agreement or the GADA Bonds not cured within sixty (60) days after notice in writing from Trustee specifying such default and (C) in the case of any other default under the GADA Bonds or any Additional Revenue Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement and the Continuing Disclosure Undertaking, Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by City under the Trust Agreement or this Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement or covenant of City under the Trust Agreement or this Agreement, and with respect to Excise Tax Revenues and, subject to the State Intercept of Funds with regard to the GADA Bonds, State Shared Revenues, without notice and without giving any bond or surety to City or anyone claiming under City, have a receiver appointed of Excise Tax Revenues and, subject to the State Intercept of Funds with regard to the GADA Bonds, State Shared Revenues which are pledged to the payment of amounts due hereunder, with such powers as the court making such appointment shall confer (and City does hereby irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

Each right, power and remedy of Trustee provided for in this Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein, or, unless prohibited by the terms hereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by Trustee of any one or more of the rights, powers or remedies provided for herein or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies. The failure to insist upon strict performance of any of the covenants or agreements herein set forth shall not be considered or taken as a waiver or relinquishment for the future of the rights of Trustee to insist upon a strict compliance by Trustee with all the covenants and conditions hereof. City shall, upon not less than 10 days' prior request by Trustee, execute, acknowledge and deliver to Trustee a statement in writing certifying that this Agreement is unmodified and in full force and effect (or, if this Agreement has been modified, that it is in full force and effect except as modified, and stating the modification), and the dates to which the amounts payable hereunder have been paid in advance, if any.

(b) Trustee shall in no event be in default in the performance of any of its obligations hereunder unless and until Trustee shall have failed to perform such obligation

within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by City properly specifying wherein Trustee has failed to perform any such obligation. No default by Trustee shall relieve City of its obligations to make the various payments herein required, so long as any of the Obligations remain outstanding; however, City may exercise any other remedy available at law or in equity to require Trustee to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made to Trustee under the Trust Agreement.

Section 10. Assignment.

(a) Except as otherwise provided herein, City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement or any interest therein and any assignment in contravention hereof shall be void.

(b) Subject to the terms of the Trust Agreement, all and every part of the right, title and interest of the City in and to this Agreement and all payments of any kind due or which become due to Trustee hereunder are sold, pledged, assigned and transferred pursuant to the Trust Agreement.

Section 11. Federal Law Provisions.

(a) (i) No direction for the making of any investment or other use of the proceeds of any of the Obligations or the Project shall be made which would cause the Obligations to be “arbitrage bonds” as that term is defined in section 148 (or any successor provision thereto) of the Code or “private activity bonds” as that term is defined in section 141 (or any successor provision thereto) of the Code, and the requirements of such sections and related regulations of the Code shall be complied with throughout the term of the Obligations. Particularly, City shall be the owner of the Project for federal income tax purposes. City shall not enter into any management or service contract with any entity other than a governmental entity for the operation of any portion of the Project unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time or any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Project. Also, the payment of principal and interest with respect to the Obligations shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Obligations, or amounts treated as proceeds of the Obligations, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds may be so invested for an initial temporary period until needed for the purpose for which the Obligations are being executed and delivered, may be so used in making investments in a *bona fide* debt service fund or may be invested in obligations issued by the United States Treasury. City shall comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the execution and delivery of the Obligations (initially those in subsection (b)) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In consideration of the purchase and acceptance of the Obligations by the owners from time to time thereof and of retaining such exclusion and as

authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, City shall, and the appropriate officials of City are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(ii) (A) City shall take all necessary and desirable steps, as determined by the Mayor and Council of City, to comply with the requirements hereunder in order to ensure that the Interest Portion is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event City receives a Special Counsel's Opinion that either compliance with such requirement is not required to maintain the exclusion from gross income of the Interest Portion or compliance with some other requirement will meet the requirements of the Code. In the event City receives such a Special Counsel's Opinion, the parties agree to amend this Agreement to conform to the requirements set forth in such opinion.

(B) If for any reason any requirement hereunder is not complied with, City shall take all necessary and desirable steps, as determined by City, 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 and City shall pay any required interest or penalty under hereinafter described Regulations section 1.148-3(h) with respect to the Code.

(C) Written procedures have been established for City to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which City will comply.

(b) (i) Undefined terms used in this subsection shall have the meanings given to them in the Code and the Regulations.

(ii) Unless an exception available pursuant to the Regulations applies as indicated in a Special Counsel's Opinion or a written statement of an expert consultant employed pursuant to paragraph (vii) hereof, within 60 days after the end of each Bond Year, City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(A) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous Rebate Payments with respect to the Obligations (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous Rebate Payments with respect to the Obligations (determined as of the last day of such Bond Year); and

(B) not later than 60 days after the retirement of the last Obligation, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Obligation).

Each Rebate Payment required to be made under this Section shall be filed on or before the date such payment is due, with the Internal Revenue Service at the appropriate location and with required forms and other materials, currently by addressing it to IRS Service Center, Ogden, Utah 84201, and accompanying it with IRS Form 8038-T.

(iii) 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.

(iv) For purposes of paragraph (iii), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(A) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing purchaser would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(B) Except as provided in Subsection (v) or (vi), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(C) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(v) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(A) the yield on reasonably comparable direct obligations of the United States; and

(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.

(vi) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(A) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement

that the potential provider has with City or any other person (whether or not in connection with the Obligations), and that the bid is not being submitted solely as a courtesy to City or any other person for purposes of satisfying the requirements in the Regulations that City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Obligations.

(B) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(C) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Obligations (e.g., a lead underwriter within 15 days of the issue date of the Obligations or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If City uses an agent to conduct the bidding, the agent may not bid.

(D) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(E) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(F) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(G) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(H) City retains until three years after the last outstanding Obligation is retired, (1) a copy of the guaranteed investment contract, (2) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by City and a copy of the provider's certification described in (G) above, (3) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (4) the bid solicitation form and, if the terms of the guaranteed investment contract deviate from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(vii) Such experts and consultants shall be employed by City to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Obligations.

(c) City shall comply with and carry out all of the provisions of the Continuing Disclosure Undertaking, dated even date with the date of original execution and delivery of the Obligations, provided that such costs of compliance shall be payable solely from the Excise Tax Revenues and the State Shared Revenues. Notwithstanding any other provision of this Agreement, failure of City to comply with the Continuing Disclosure Undertaking shall not be considered an event of default; however, the Trustee may (and, at the request of the original purchaser of the Obligations or the owners of at least 25% aggregate principal amount in outstanding Obligations and receipt of indemnity to its satisfaction, shall) take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause City to comply with its obligations under this Subsection (c).

(d) Trustee has no duty or obligations under this Section 11 and has no duty to monitor City's compliance with this Section 11.

Section 12. Covenant as to Conflict of Interest; Other Statutory Restrictions.

(a) To the extent applicable by provision of law, Trustee acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that City may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of Trustee within three years from the execution of this Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by City. No basis exists for City to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by Trustee of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of Trustee by City. City retains the legal right to randomly inspect the papers and records of Trustee to ensure that Trustee is complying with the above-mentioned warranty. Trustee shall keep such papers and records open for random inspection during normal business hours by City. Trustee shall cooperate with the random inspections by City including granting City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 13. Miscellaneous.

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

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

(c) The recitals set forth at the beginning of this Agreement are incorporated in this Agreement by this reference. This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both Trustee and City, subject to the restrictions with regard thereto provided by the Trust Agreement.

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

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

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

(g) This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

[Remainder of page left blank intentionally.]

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

Trustee:

U.S. BANK NATIONAL ASSOCIATION, as seller

By.....

Printed Name:

Title:

City:

CITY OF EL MIRAGE, ARIZONA, a municipal corporation under the laws of the State of Arizona, as purchaser

By.....

Mayor

ATTEST:

By.....

City Clerk

SCHEDULE

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

DRAFT
07/15/15
08/10/15

FIRST TRUST AGREEMENT

by and between

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and

THE CITY OF EL MIRAGE, ARIZONA,
as Purchaser

Dated as of _____ 1, 2015

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS

Section 1.1.	Definitions.....	2
Section 1.2.	Interpretation.....	9
Section 1.3.	Obligations Not General Obligations of the City	9

ARTICLE II SPECIAL REVENUE OBLIGATIONS

Section 2.1.	Authorization of the Obligations	9
Section 2.2.	Date; Interest Accrual	9
Section 2.3.	Payment Amounts and Dates and Interest Rates	9
Section 2.4.	Interest on Obligations	10
Section 2.5.	Form	10
Section 2.6.	Execution	10
Section 2.7.	Book-Entry Only System.....	10
Section 2.8.	Application of Proceeds	11
Section 2.9.	Transfer and Exchange.	11
Section 2.10.	Obligations Mutilated, Lost, Destroyed or Stolen	11
Section 2.11.	Payment.....	12
Section 2.12.	Execution of Documents and Proof of Ownership.	13
Section 2.13.	Obligation Register	14
Section 2.14.	Payment of Unclaimed Amounts	14

ARTICLE III APPLICATION OF PROCEEDS RECEIVED BY TRUSTEE; ACQUISITION FUND; COSTS OF ISSUANCE FUND

Section 3.1.	Establishment and Application of Acquisition Fund.....	14
Section 3.2.	Establishment and Application of Costs of Issuance Fund.....	15

ARTICLE IV PREPAYMENT OF OBLIGATIONS

Section 4.1.	Prepayment Provisions.....	15
Section 4.2.	Selection of Obligations for Prepayment.....	16
Section 4.3.	Notice of Prepayment; Effect.....	16
Section 4.4.	Partial Prepayment of Obligation.....	18

TABLE OF CONTENTS
(continued)

Page

ARTICLE V
PAYMENT FUND

Section 5.1.	Trustee’s Rights in Purchase Agreement	18
Section 5.2.	Establishment and Application of Payment Fund.....	18
Section 5.3.	Transfers of Investment Earnings to Payment Fund.....	18
Section 5.4.	Surplus	18

ARTICLE VI
MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS

Section 6.1.	Held in Trust	19
Section 6.2.	Investments Authorized	19
Section 6.3.	Accounting.....	19
Section 6.4.	Allocation of Earnings	19
Section 6.5.	Valuation and Disposition of Investments	20
Section 6.6.	Limitation of Investment Yield.....	20
Section 6.7.	Other Tax Covenants	20

ARTICLE VII
THE TRUSTEE

Section 7.1.	Appointment of Trustee	20
Section 7.2.	Liability of Trustee; Standard of Care	21
Section 7.3.	Merger or Consolidation.....	21
Section 7.4.	Protection and Rights of the Trustee.....	21
Section 7.5.	Compensation of Trustee	24
Section 7.6.	Removal and Resignation of Trustee.....	24
Section 7.7.	Appointment of Agent	25
Section 7.8.	Commingling	25
Section 7.9.	Records	25

ARTICLE VIII
MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1.	Amendments Permitted.....	25
Section 8.2.	Procedure for Amendment With Written Consent of Obligation Owners.	26
Section 8.3.	Disqualified Obligations	27
Section 8.4.	Effect of Supplemental Trust Agreement	27
Section 8.5.	Endorsement or Replacement of Obligations Delivered After Amendments	27
Section 8.6.	Amendatory Endorsement of Obligations	28

TABLE OF CONTENTS
(continued)

Page

ARTICLE IX
COVENANTS, NOTICES

Section 9.1.	Compliance With and Enforcement of Purchase Agreement	28
Section 9.2.	Observance of Laws and Regulations	28
Section 9.3.	Recordation and Filing	28
Section 9.4.	Further Assurances	28
Section 9.5.	Notification to the City of Failure to Make Payments	29
Section 9.6.	Business Days	29

ARTICLE X
LIMITATION OF LIABILITY

Section 10.1.	Limited Liability of the City	29
Section 10.2.	No Liability of the City for Trustee Performance	29
Section 10.3.	Indemnification of the Trustee	29
Section 10.4.	Opinion of Counsel	30

ARTICLE XI
EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 11.1.	Seller's Rights Held in Trust	31
Section 11.2.	Remedies Upon Default; No Acceleration	31
Section 11.3.	Application of Funds	31
Section 11.4.	Institution of Legal Proceedings	31
Section 11.5.	Non-waiver	32
Section 11.6.	Power of Trustee to Control Proceedings	32
Section 11.7.	Limitation on Obligation Owners' Right to Sue	32

ARTICLE XII
MISCELLANEOUS

Section 12.1.	Defeasance	33
Section 12.2.	Notices	34
Section 12.3.	Incorporation of State Statutes	34
Section 12.4.	Governing Law	35
Section 12.5.	Binding Effect and Successors	35
Section 12.6.	Execution in Counterparts	35
Section 12.7.	Destruction of Cancelled Obligations	35
Section 12.8.	Headings	35
Section 12.9.	Parties Interested Herein	35
Section 12.10.	Waiver of Notice	36
Section 12.11.	Severability of Invalid Provisions	36

TABLE OF CONTENTS
(continued)

Page

EXHIBIT A	- FORM OF OBLIGATION	
EXHIBIT B	- FORM OF PAYMENT REQUEST FORM	
EXHIBIT C	- FORM OF REIMBURSEMENT REQUEST FORM	

* * *

FIRST TRUST AGREEMENT

THIS FIRST TRUST AGREEMENT, dated as of _____ 1, 2015 (together with any duly authorized, executed and delivered supplement thereto, this “Trust Agreement”), by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association authorized to exercise trust powers in the State of Arizona, as trustee, or any successor thereto acting as trustee pursuant to this Trust Agreement and in its capacity as “Seller” pursuant to the hereinafter described Purchase Agreement (the “Trustee”), and the CITY OF EL MIRAGE, ARIZONA, a municipal corporation under the laws of the State of Arizona (the “City”);

W I T N E S S E T H:

WHEREAS, the Mayor and Council of the City have determined that it will be beneficial to the citizens of the City to finance the costs of municipal facilities and street improvements (collectively, the “Project”); and

WHEREAS, for such purpose, the Mayor and the Council of the City requested that the Trustee sell and execute and deliver Pledged Excise Tax Revenue Obligations, Series 2015, in the principal amount of \$____,000 (the “Obligations”), and the Trustee has, as described in this Trust Agreement, caused deposits to be made to the Acquisition Fund (as such term and all other terms not otherwise defined hereinabove are hereinafter defined) and the Costs of Issuance Fund; and

WHEREAS, the City and the Trustee will enter into this Trust Agreement to facilitate the administration of the financing of the costs of the Project, and the Trustee has full legal authority and is duly empowered to enter into this Trust Agreement and has taken all actions necessary to authorize the execution and delivery hereof;

NOW, THEREFORE, in order to secure the payment of principal and interest (to the extent provided herein) represented by the Obligations, the rights of the Owners of the Obligations and the performance and the observance of the covenants and conditions contained in the Obligations, the Purchase Agreement and herein, and the performance and the observance of all of the covenants and conditions contained therein, the City absolutely and irrevocably pledges and assigns to the Trustee, and the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of all right, title and interest in and to the following described trust estate, which shall be administered by the Trustee according to the provisions of this Trust Agreement and for the equal and proportionate benefit of the Owners of the Obligations:

A. All right, title and interest of Seller in, under and pursuant to the Purchase Agreement, the Payments and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder, (ii) to bring actions and proceedings thereunder or for the enforcement of such rights, and (iii) to do any and all other things which the Seller is or may become entitled to do thereunder;

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

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligations, by Seller or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

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

IN TRUST, however, for the equal and proportionate benefit and security of the Owners from time to time of the Obligations executed and delivered hereunder and Outstanding, none of the Obligations being entitled to priority or distinction one over the other in the application of the Excise Tax Revenues and the State Shared Revenues pledged by the Purchase Agreement to the Payments, regardless of the delivery of any of the Obligations prior to the delivery of any other of the Obligations, or regardless of the time or times principal represented by any Obligations is paid or is subject to prepayment, all of the Obligations being co-equal as to the pledge of and lien on the Excise Tax Revenues and the State Shared Revenues pledged for the Payments thereof and sharing ratably, without preference, priority or distinction, as to the source or method of payment from the Excise Tax Revenues or the State Shared Revenues or security therefor and conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereinafter set forth. For such purposes, the City and the Trustee hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. In addition to the terms defined in the first paragraph hereof and in the Recitals hereto and in the Purchase Agreement and unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

“Acquisition Fund” means the fund of that name established pursuant to Article III and held by the Trustee.

“Additional Revenue Obligations” means any additional obligations which may hereafter be issued or incurred by the City (or any financing conduit acting on behalf of the City) having a lien upon and payable from the Excise Tax Revenues and the State Shared Revenues on a parity with, and in compliance with the terms of, the Purchase Agreement.

“Annual Debt Service” means the amount to be paid in any Fiscal Year with respect to the Purchase Agreement and any Additional Revenue Obligations for payment of principal and interest requirements.

“Authorized Denominations” means \$5,000 of principal represented by the Obligations of a series due on a specific payment date or integral multiples thereof.

“Bond Year” means each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of execution and delivery of the Obligations and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Obligation.

“Bond Yield” means the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Obligations as determined under Regulations section 1.148-4(b), recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). The present value of all such payments shall be computed as of the date of execution and delivery of the Obligations and using semiannual compounding on the basis of a 360-day year.

“Business Day” means any day of the week other than a Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which the Trustee is authorized or obligated by law or executive order to close or a day on which the Federal Reserve is closed as modified by the effect of Section 9.6.

“Certificate of Completion” means the notice of completion, filed with the Trustee by the City Representative, stating that the Project has been acquired and all Project Costs have been paid.

“City Representative” means the City Manager, the City Finance Director or any other person authorized by the City Manager or the Mayor and Council to act on behalf of the City with respect to this Trust Agreement.

“Closing Date” means _____, 2015.

“Code” means the Internal Revenue Code of 1986, as amended. References to the Code and sections thereof include applicable regulations and temporary regulations thereunder and any successor provisions to those sections, regulations or temporary regulations and any applicable regulations or temporary regulations issued pursuant to the Internal Revenue Code of 1954, as amended.

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

“Continuing Disclosure Undertaking” means the Continuing Disclosure Undertaking of the City, dated the date of the Obligations.

“Corporate Trust Office” means the office of the Trustee designated in Section 12.2 or any successor corporate trust office.

“Costs of Issuance Fund” means the fund of that name established pursuant to Article III and held by the Trustee.

“Defaulted Interest” has the meaning provided in Section 2.11(d).

“Defeasance Obligations” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, (5) securities eligible for “AAA” defeasance under then-existing criteria of S&P, or (6) any combination of the foregoing.

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

“Depository Trustee” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority.

“Designated Office” means the office designated as such by the Trustee in writing to the City.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“electronically” or “electronic method” means, with respect to notice, one transmitted through a timesharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“Event of Default” means an event of default described in Section 9 of the Purchase Agreement.

“Excise Tax Revenues” means revenues from the City sales taxes, license and permit fees and fines and forfeitures which the City now collects, except for court fees and court fines; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council.

“Fiscal Year” means the fiscal year of the City, currently the period from July 1 through June 30 of the following year.

“GADA” means 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.

“GADA Bonds” means, collectively, the City’s General Obligation Bonds (Projects of 2003), Series B (2007) in the aggregate principal amount of \$1,145,000, and the City’s General Obligation Bonds (Projects of 2008), Series A (2009) in the aggregate principal amount of \$9,600,000.

“GADA Resolutions” means, collectively, the resolutions authorizing the sale and issuance of the GADA Bonds.

“Gross Proceeds” means:

(i) any amounts actually or constructively received by City from the sale of the Obligations but excluding amounts used to pay accrued interest on the Obligations within one year of the date of issuance of the Obligations;

(ii) transferred proceeds of the Obligations under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii) and

(iv) replacement proceeds of the Obligations within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Obligations, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Obligations in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under this Trust Agreement.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is

not an employee of the City or the Trustee and which may include the counsel giving a Special Counsel's Opinion.

"Interest Payment Date" means each January 1 and July 1, while the principal represented by any Obligations is Outstanding provided that, pursuant to Section 9.6, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment.

"Interest Portion" means the amounts of each of the Payments in the column in the Schedule attached to the Purchase Agreement designated "Interest," denominated as and comprising the interest portion of the Payments pursuant to the Purchase Agreement and received by the Owners of the Obligations.

"Investment Property" means any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

"Issue Price" means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of the Obligations was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

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

"Maximum Annual Debt Service" means, for any Fiscal Year, the greatest Annual Debt Service for the then-current or any succeeding Fiscal Year.

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

"Nonpurpose Investment" means any Investment Property acquired with Gross Proceeds and which is not acquired to carry out the governmental purposes of the Obligations.

"Notification" shall have the meaning provided in Section 10.3(b).

"Outstanding" refers to Obligations issued in accordance with this Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to

the Trustee for credit against a mandatory prepayment installment with respect to principal represented thereby; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted hereby and by the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal, interest and premium, if any, represented by such Obligations, provided, however, that if principal represented by any such Obligations is to be prepaid, the City shall have taken all action necessary to prepay such Obligations and notice of such prepayment shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to give such notice shall have been given to the Trustee.

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

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

“Payment Request Form” means the form set forth in Exhibit B attached hereto.

“Payments” means the “Payments” required to be paid by the City pursuant to Section 1(c) of the Purchase Agreement and as set forth in the Schedule to the Purchase Agreement, subject to the provisions of Section 5.2(b).

“Permitted Investments” means any investments permitted by Section 35-323, Arizona Revised Statutes.

“Project Costs” means, with respect to the Project, all architectural, engineering, soils, survey, archaeology, demolition, construction management fees, development fees, contingencies and other related costs of installation, construction and other matters necessary for the Project and all costs incurred by Trustee or the City with respect to the transaction to which this Trust Agreement pertains.

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

“Rebate Payment” means any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

“Rebate Requirement” means, for each Bond Year, at any time the excess of the future value of all Receipts over the future value of all Rebate Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Rebate Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

“Receipt” means any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

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

“Regulations” means the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

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

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

“S&P” means Standard & Poor’s Financial Services, LLC, a limited liability company organized and existing under the laws of the State of New York, its successors and assigns, and, if such company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

“Securities Depository” means a “clearing agency” (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended.

“Special Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“Special Record Date” has the meaning provided in Section 2.11(d).

“State” means the State of Arizona.

“State Intercept of Funds” means the provision of the GADA Resolutions that allows GADA, in the case of nonpayment of amounts due pursuant to the GADA Bonds, to certify to the Treasurer of the State and notify the Mayor and Council of the City that the City has failed to make a required payment and direct a withholding of the State Shared Revenues as provided in Sections 41-2257(L) and (M) and 41-2258(I), (J) and (K), Arizona Revised Statutes.

“State Shared Revenues” means revenues from amounts allocated or apportioned to the City by the State, any political subdivision thereof or any other governmental

unit or agency, except the share of the City of any taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

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

Section 1.2. Interpretation.

(a) Any reference herein to the Mayor and Council of the City or any officer of the City shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. References to “Articles” and “Sections” are to those in this Trust Agreement.

Section 1.3. Obligations Not General Obligations of the City. The Obligations shall be payable solely out of the revenues and other security pledged hereby and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against the City’s general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE II
SPECIAL REVENUE OBLIGATIONS

Section 2.1. Authorization of the Obligations. The Trustee is hereby authorized and directed by the City to execute and deliver to the original purchaser thereof, the Obligations, evidencing proportionate ownership interests in the Payments. In no event shall the Obligations be deemed liabilities, debts or obligations of the Trustee.

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

Section 2.3. Payment Amounts and Dates and Interest Rates. The Obligations shall be in Authorized Denominations. Principal represented by the Obligations shall be payable on the dates and in the principal amounts, and interest represented thereby shall be computed at the rates, as shown below:

<u>Payment Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>
20__	\$ ____,000	____%
20__	____,000	_____

Section 2.4. Interest on Obligations. Interest represented by the Obligations shall be payable semiannually on January 1 and July 1 of each year commencing January 1, 2016, to and including the date of payment or prepayment of the amount of principal represented by the Obligations. Said interest shall represent the portion of the Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Obligations. The proportionate share of the portion of the Payments designated as interest with respect to any Obligation shall be computed by multiplying the portion of Payments designated as principal with respect to such Obligation by the rate of interest applicable to such Obligation (on the basis of a 360-day year of twelve 30-day months).

Section 2.5. Form. The Obligations shall be in fully registered, certificated form. The Obligations shall be substantially in the form set forth in Exhibit A hereto.

Section 2.6. Execution. The Obligations shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If the representative whose signature appears on any Obligation ceases to be such representative before the Closing Date, such signature shall nevertheless be as effective as if the representative had remained in office until the Closing Date. Any Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Obligation shall be the proper authorized representative of the Trustee although at the nominal date of such Obligation such person shall not have been such authorized representative of the Trustee. No Obligation shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee of any Obligation shall be conclusive evidence that the Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

Section 2.7. Book-Entry Only System. The Trustee and the City may from time to time enter into, and discontinue, an agreement with a Securities Depository which is the Owner of the Obligations, to establish procedures with respect to the Obligations not inconsistent with the provisions of this Trust Agreement; provided, that, notwithstanding any other provisions of this Trust Agreement, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Obligation so long as the Obligations are subject to such agreement. With respect to Obligations registered in the name of a Securities Depository (or its nominee), neither the Trustee nor the City shall have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Obligations. It is hereby acknowledged that the City and the Trustee intend to enter into an agreement with DTC in connection with the execution and delivery of the Obligations, and while such agreement is in effect, the procedures established therein shall apply to the Obligations notwithstanding any other provisions of this Trust Agreement to the contrary. As long as DTC is the Securities Depository with respect to the

Obligations, the Trustee shall be a “DTC Direct Participant.” The Trustee shall not have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Obligations regarding accuracy of any records maintained by DTC or DTC participants, the payments by DTC or DTC participants of any amount in respect of principal, interest or premium, if any, represented by the Obligations, any notice which is permitted or required to be given to or by Owners hereunder (except such notice as is required to be given by the City to the Trustee or to DTC), or any consent given or any other action taken by DTC as Owner.

Section 2.8. Application of Proceeds. The proceeds received by the Trustee from the sale of the Obligations shall forthwith be applied by the Trustee as follows, in the following order of priority:

- (1) \$_____ shall be deposited in the Costs of Issuance Fund; and
- (2) the balance shall be deposited in the Acquisition Fund.

Section 2.9. Transfer and Exchange.

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

(b) Obligations may be exchanged at the Designated Office for a like aggregate payment amount of Obligations of Authorized Denominations of the same series and same payment date and interest rate. In connection with any such exchange or transfer of Obligations, the Owner requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee an amount sufficient to pay any tax or other governmental charge required to be paid, other than one imposed by the City (which will not be payable by the Trustee), or any fee or expense of the Trustee or the City with respect to such exchange or transfer.

(c) The Trustee may, but shall not be obligated to, exchange or register the transfer of an Obligation (i) if principal represented by the Obligation is to be prepaid, in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If an Obligation subject to such prepayment is to be transferred after having been selected for prepayment, any notice of prepayment which has been given to the transferor shall be binding on the transferee and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.

Section 2.10. Obligations Mutilated, Lost, Destroyed or Stolen. If any Obligation shall become mutilated, the Trustee, at the expense of the Owner of said Obligation,

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

Section 2.11. Payment.

(a) Payment of interest due represented by any Obligation on any Interest Payment Date shall be made to the person appearing on the registration books for the Obligation maintained by the Trustee as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the date due by first class mail to such Owner at the address thereof as it appears on such registration books, payable in lawful money of the United States of America.

(b) The principal represented by any Obligation shall be payable in lawful money of the United States of America upon surrender when due at the Designated Office.

(c) Interest and, if satisfactory arrangements for surrender are made with the Trustee, principal payable to any Securities Depository or to any Owner of \$1,000,000 or more in principal amount of Obligations shall be paid by wire transfer in immediately available funds to an account in the United States of America if the Owner makes a written request of the Trustee at least twenty (20) days before the Interest Payment Date specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

(d) Any interest represented by any Obligation which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (“Defaulted Interest”) shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner. Such Defaulted Interest shall

thereupon be paid, together with interest thereon at the same rate per annum as such Defaulted Interest, by the Trustee (out of funds provided to it by the City) to the persons in whose names such Obligations are registered at the close of business on a special record date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided (the "Special Record Date"). When the Trustee has funds available to pay the Defaulted Interest and interest thereon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest and interest thereon which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee. The Trustee shall promptly cause notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner of an Obligation at his address as it appears in the registration books by the Trustee for the Obligation not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest and interest thereon shall be paid to the persons in whose names the Obligations are registered on such Special Record Date.

Section 2.12. Execution of Documents and Proof of Ownership.

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

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

(2) The fact of the ownership of the Obligations by any person and the amount, the payment date and the numbers of such Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.13.

(b) Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the

Owner of any Obligation shall bind every future Owner of the same Obligation in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.13. Obligation Register. The Trustee will keep or cause to be kept, at the Designated Office, sufficient books for the registration and transfer of the Obligations which shall at all times during regular business hours on any Business Day be open to inspection by the City and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Obligations as hereinbefore provided.

Section 2.14. Payment of Unclaimed Amounts. In the event any check for payment of interest represented by an Obligation is returned to the Trustee unendorsed or is not presented for payment within two (2) years from its payment date or any Obligation is not presented for payment of principal when due, including because of prepayment, if funds sufficient to pay such interest or principal due upon such Obligation shall have been made available to the Trustee for the benefit of the Owner thereof, it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Obligation who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Obligation or amounts due thereunder. The obligation of the Trustee to hold such funds shall continue for two years and six months (subject to applicable escheat laws) following the date on which such interest or principal payment became due, whether on the date due or the date fixed for prepayment, or otherwise, at which time the Trustee shall surrender such unclaimed funds so held to the City, whereupon any claim of whatever nature by the Owner of such Obligation arising under such Obligation shall be made upon the City.

ARTICLE III
APPLICATION OF PROCEEDS RECEIVED BY TRUSTEE;
ACQUISITION FUND; COSTS OF ISSUANCE FUND

Section 3.1. Establishment and Application of Acquisition Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of El Mirage Series 2015 Pledged Revenue Obligations Acquisition Fund” (herein referred to as the “Acquisition Fund”), shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) (1) Upon receipt of a duly executed, applicable Payment Request Form, the Trustee shall remit to the payee designated in the Payment Request Form, the amount requested to be paid in such Payment Request Form for Project Costs within three (3) Business Days following submission of such Payment Request Form. Notwithstanding the foregoing, the Trustee shall apply moneys on deposit in the Acquisition Fund to reimburse the City for any Project Costs with respect to the Project incurred or advanced by the City within three (3) Business Days of receipt of a duly executed Reimbursement Request Form. The Trustee has no duty or obligation to confirm that such disbursements constitute Project Costs.

(2) On the Completion Date, the Trustee shall transfer any remaining amounts in the Acquisition Fund to the Payment Fund to be applied only to the Payments due from the City on the next succeeding Interest Payment Date and the Acquisition Fund shall be closed.

(3) Any amount remaining in the Acquisition Fund upon the occurrence of an Event of Default shall not be disbursed as provided in this Section, but shall be immediately transferred to the Payment Fund and used only to pay principal and interest represented by the Obligations.

Section 3.2. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of El Mirage Series 2015 Pledged Revenue Obligations Costs of Issuance Fund” (herein referred to as the “Costs of Issuance Fund”), shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for the payment of Delivery Costs. Disbursements from the Costs of Issuance Fund shall be made by the Trustee upon receipt of a requisition for disbursement (on which the Trustee is entitled to rely) executed or approved by a City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed. The Trustee has no duty or obligation to confirm that such disbursements constitute Delivery Costs.

(c) On the earlier of _____ 1, 2015, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund and the Costs of Issuance Fund shall be closed.

ARTICLE IV
PREPAYMENT OF OBLIGATIONS

Section 4.1. Prepayment Provisions.

(a) Principal represented by the Obligations payable before or on July 1, 20__, is not subject to prepayment. Principal represented by the Obligations payable on or after July 1, 20__, is subject to prepayment in such order and from such principal amount payable selected by the City and by lot within such principal amount by such methods as may be selected by the Trustee (or if held in book-entry form in any manner acceptable to DTC) from prepayments made by the City pursuant to Section 7 of the Purchase Agreement, in whole or in part on any date on or after July 1, 20__, at a price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

(b) Principal represented by the Obligations payable on July 1, 20__, shall be prepaid on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

<u>Year Prepaid</u>	<u>Principal Amount Prepaid</u>
20__	\$____,000
20__	____,000

Whenever Obligations payable on July 1, 20__, are purchased, prepaid (other than pursuant to mandatory prepayment) or delivered by the City to the Trustee for cancellation, the principal amount of the Obligations payable on July 1, 20__, so retired shall satisfy and be credited against the mandatory prepayment requirements for such Obligations payable on July 1, 20__, for such years as the City may direct.

Section 4.2. Selection of Obligations for Prepayment. Principal represented by the Obligations shall be prepaid only in the amounts of \$5,000 of principal represented by each or integral multiples thereof. The City shall, at least forty-five (45) days prior to the prepayment date, notify the Trustee of such prepayment date and of the payment dates of the Obligations and the payment amount of principal represented by the Obligations due on any such payment date to be prepaid on such date. For the purposes of any prepayment of less than all of the Obligations payable on a single payment date, if the Obligations are not held in a book-entry-only system as described in Section 2.7, the particular Obligations or portions of Obligations payable on the date(s) selected to be prepaid shall be selected by the Trustee by lot in accordance with its standard procedures not more than forty-five (45) nor less than thirty (30) days prior to the prepayment date by such selection methods as the Trustee shall in its sole discretion deem appropriate and fair; provided, however, that such selection methods shall provide for the selection of Obligations or portions thereof for prepayment in principal amounts of \$5,000 or integral multiples thereof such that any \$5,000 Obligation or \$5,000 portion of an Obligation payable on the date selected shall be as likely to be called for prepayment as any other such \$5,000 Obligation or \$5,000 portion thereof. The Trustee shall promptly notify the City in writing of the Obligations so selected for prepayment, and the City will provide the Trustee within thirty (30) days a recomputed payment schedule for the Purchase Agreement. Notwithstanding the foregoing, the Securities Depository for Obligations held in a book-entry-only system shall select the Obligations for prepayment from Obligations maturing in a given year according to its stated procedures. While the City intends that allocations be made in accordance with the foregoing proportional provisions, the selection of Taxed Obligations for prepayment shall be subject to practices and procedures of the Securities Depository as in effect from time to time.

Section 4.3. Notice of Prepayment; Effect.

(a) The Trustee shall cause notice of any prepayment hereunder to be mailed to the Owners of all of the Obligations to be prepaid at the addresses appearing in the Register kept for such purpose pursuant to Section 2.13. Each such notice shall (1) be sent no more than 60 nor less than 30 calendar days prior to the prepayment date, (2) identify the Obligations to be prepaid (specifying the CUSIP numbers, if any, assigned to the Obligations),

(3) specify with respect to the Obligations being prepaid their date of issue, their final payment date, their prepayment date and their prepayment price, (4) set forth the name, address and telephone number of the person from whom information pertaining to the prepayment may be obtained, and (5) state that on the prepayment date the Obligations to be prepaid will be payable at the Designated Office, that from that date interest will cease to accrue and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Obligations. No defect affecting any Obligation, whether in the notice of prepayment or the delivery thereof (including any failure to mail such notice), shall affect the validity of the prepayment proceedings for any other Obligations.

(b) If at the time of mailing of notice of an optional prepayment of principal represented by Obligations, there has not been deposited with the Trustee moneys or Defeasance Obligations sufficient to prepay all Obligations subject to such prepayment and the requirements of (e) below are not satisfied, then such notice shall state that the prepayment is conditional upon the deposit of moneys or Defeasance Obligations sufficient for the prepayment with the Trustee and satisfaction of such requirements not later than the opening of business on the prepayment date, and such notice will be of no effect and such Obligations shall not be prepaid unless such moneys or Defeasance Obligations are so deposited and such requirements in (e) below are met.

(c) Any notice of prepayment shall be mailed by first class mail, postage prepaid; provided that any notice of prepayment given to any Owner of \$1,000,000 or more in aggregate principal amount of Obligations also shall be transmitted electronically. A certificate of the Trustee shall conclusively establish the mailing or delivery of any such notice for all purposes.

(d) Notice having been mailed in the manner provided in (b) above, the Obligations and portions thereof, principal which is represented thereby, shall become due and payable on the prepayment date, and upon presentation and surrender of such Obligation at the place or places specified in that notice, shall be paid at the prepayment price, plus interest accrued to the prepayment date.

(e) If the money or Defeasance Obligations for the prepayment of all of the portion of principal represented by the Obligations to be prepaid, together with interest accrued thereon to the prepayment date, is held by the Trustee on the prepayment date, so as to be available therefor on that date, then from and after the prepayment date such principal thereof to be prepaid shall cease to bear interest, and, the Obligations or portion thereof represented thereby no longer shall be considered to be Outstanding hereunder. If those moneys shall not be so available on the prepayment date, such principal shall continue to bear interest, until paid, at the same rate as they would have borne otherwise.

(f) All moneys deposited in the Payment Fund and held by the Trustee for the prepayment of such portions of principal represented by particular Obligations shall be held in trust for the account of the Owners of such Obligations and shall be paid to them, respectively, upon presentation and surrender of those Obligations.

Section 4.4. Partial Prepayment of Obligation. Upon surrender of any Obligation, the principal portion of which has been prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Obligation or Obligations of Authorized Denominations equal in aggregate payment amount to the unpaid portion of the Obligation surrendered and due on the same payment date.

ARTICLE V PAYMENT FUND

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

Section 5.2. Establishment and Application of Payment Fund.

(a) The Trustee shall establish a special trust fund designated as the "City of El Mirage Series 2015 Pledged Revenue Obligations Payment Fund" (herein referred to as the "Payment Fund"). So long as any Obligations are Outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

(b) Not less than thirty (30) Business Days prior to each Interest Payment Date, the Trustee shall notify the City of the amount required to be paid, after taking into account amounts which will be transferred to the Payment Fund in accordance herewith, on or before such Interest Payment Date, so that a sufficient amount will then be on deposit for both principal and interest represented by the Obligations then due. All amounts received by the Trustee as Payments pursuant to the Purchase Agreement or as transfers pursuant hereto shall be deposited in the Payment Fund.

(c) All amounts in the Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest represented by the Obligations as the same shall become due and payable, in accordance with the provisions of Articles II and IV.

Section 5.3. Transfers of Investment Earnings to Payment Fund. With the same limitation described in Section 3.1(b)(3), except as otherwise directed by the City, the Trustee shall, on or before the next Interest Payment Date occurring on July 1, transfer any income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.4. Surplus. Any surplus remaining in any of the funds created hereunder, after prepayment and payment or provision for prepayment and payment of all

Obligations, including accrued interest and payment of any applicable fees, expenses or indemnities to the Trustee, or provision for such prepayment and payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS

Section 6.1. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Obligations and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City or any Owner of the Obligations.

Section 6.2. Investments Authorized. Upon written order of the City Representative and subject to the limitations provided herein, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments. The City Representative shall direct such investment in specific Permitted Investments. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the City Representative. In no event shall the Trustee be liable for the selection of investments. The Trustee may conclusively rely upon such written direction from the City Representative as to both the suitability and legality of the directed investments. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 Code of Federal Regulations 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

Section 6.3. Accounting. The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.2.

Section 6.4. Allocation of Earnings. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein. At the direction of the City Representative, any such income, profit or interest shall be transferred and applied if necessary to pay amounts due pursuant to section 148 of the Code.

Section 6.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 6.6. Limitation of Investment Yield. In the event the City is of the opinion that it is necessary to restrict or limit the yield on the investment of any amounts paid to or held by the Trustee hereunder in order to avoid the Obligations, or any of them, being considered “arbitrage bonds” within the meaning of section 148 of the Code, the City Representative may issue to the Trustee a written certificate to such effect (along with appropriate instructions), in which event the Trustee will take such action as is instructed so to restrict or limit the yield on such investment in accordance with the specific instructions contained in such certificate.

Section 6.7. Other Tax Covenants. In consideration of the acceptance and execution of the Purchase Agreement by the Trustee and the purchase by the Owners of the Obligations, from time to time, and in consideration of retaining the exclusion of the Interest Portion from gross income of the Owners for federal income tax purposes, the City shall, from time to time, neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in the Interest Portion becoming subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Purchase Agreement or such laws as they may be modified or amended or tax laws later adopted. The City shall comply with such requirement(s) and will take any such action(s) as are necessary to prevent such portion of each such Payment from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements required by any Special Counsel’s Opinion; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Obligations; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with moneys held pursuant to this Trust Agreement and limiting the use of the proceeds of the Obligations and property financed thereby.

ARTICLE VII THE TRUSTEE

Section 7.1. Appointment of Trustee. The City hereby authorizes and directs the Trustee to, and the Trustee shall, execute and deliver the Purchase Agreement, as Seller, and receive all moneys required to be deposited with the Trustee hereunder and shall allocate, use and apply the same as provided in this Trust Agreement. The City shall maintain as the Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as

any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 7.2. Liability of Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute this Trust Agreement, the recitals of facts, covenants and agreements herein, in the Purchase Agreement and in the Obligations shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity hereof or sufficiency of this Trust Agreement, the Purchase Agreement or the Obligations or shall incur any responsibility in respect hereof or thereof, other than in connection with the duties or obligations herein or in the Obligations assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied obligations or covenants should be read into this Trust Agreement against the Trustee. After the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of the affairs of the Trustee.

Section 7.3. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.1, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.4. Protection and Rights of the Trustee.

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

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

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

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

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

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability (including, without limitation, any and all environmental liability) in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be accountable for the use or application by the City or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(h) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Project. In no event shall the Trustee be liable

for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the acquisition of the Project.

(i) Notwithstanding any provision in this Trust Agreement or the Purchase Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 9(a)(i)(A) of the Purchase Agreement, unless a Responsible Officer of the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of at least twenty-five percent (25%) in aggregate principal amount of all Obligations then Outstanding.

(j) The Trustee shall accept and act upon instructions of directions pursuant to this Trust Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee email or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(k) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(l) The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of those Obligations.

(m) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Project.

(n) Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal and interest represented by the Obligations as they become due, the

Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except liability which is adjudicated, to have resulted from its negligence or willful default in connection with any action so taken.

(o) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

Section 7.5. Compensation of Trustee. The City shall from time to time, pursuant to a fee schedule agreed to between the City and the Trustee (which schedule may be amended in writing), pay to the Trustee reasonable compensation for its services, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 7.6. Removal and Resignation of Trustee.

(a) The City (but only if no Event of Default has occurred and is continuing) or the Owners of a majority in aggregate principal amount of all Obligations Outstanding, at any time upon thirty (30) days' prior written notice, and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its reasonable charges and expenses (including reasonable fees and expenses of its counsel) and the indemnification under Sections 7.4 and 10.3. Upon such acceptance, the successor trustee shall mail notice thereof to the Owners of the Obligations at their respective addresses as set forth on the registration books for the Obligations maintained pursuant to Section 2.13.

Section 7.7. Appointment of Agent. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.8. Commingling. The Trustee may commingle any of the funds held by it pursuant to this Trust Agreement in a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.9. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

ARTICLE VIII MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1. Amendments Permitted.

(a) This Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement which shall become effective when the written consent of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, exclusive of Obligations disqualified as provided in Section 8.3, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the final payment of principal represented by any Obligation or reducing the interest represented thereby or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of this Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental or amending agreement shall become effective as provided in Section 8.2.

(b) This Trust Agreement and the rights and obligations of the Owners of the Obligations, and the Purchase Agreement and the rights and obligations of the parties

thereto, may be modified or amended at any time by a supplemental or amending agreement, without the consent of any such Owners, but only (1) to provide for additions or modifications to the Project, (2) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee (for its own behalf) or the City, (3) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (4) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (5) to provide for the appointment of a successor trustee pursuant to the terms hereof, (6) to preserve the exclusion of interest represented by the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or incur other obligations the interest on which is likewise exempt from federal and State income taxes, (7) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, (8) with respect to rating matters or (9) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially, adversely affect the interests of the Owners of the Obligations as evidenced by a Special Counsel's Opinion delivered by the City to the Trustee. Any such supplemental or amending agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon a Special Counsel's Opinion as conclusive evidence that any such supplemental or amending agreement complies with this Section.

Section 8.2. Procedure for Amendment With Written Consent of Obligation Owners.

(a) This Trust Agreement and the Purchase Agreement may be amended by supplemental or amending agreement as provided in this Section in the event the consent of the Owners of the Obligations is required pursuant to Section 8.1. A copy of such supplemental or amending agreement, together with a request to the Owners of the Obligations for their consent thereto, shall be mailed by the Trustee to each Owner of an Obligation at the address thereof as set forth on the registration books for the Obligations maintained pursuant to Section 2.13, but failure to mail copies of such supplemental or amending agreement and request shall not affect the validity of the supplemental or amending agreement when assented to as provided in this Section 8.2.

(b) Such supplemental or amending agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority in principal amount of all Obligations then Outstanding (exclusive of Obligations disqualified as provided in Section 8.3) and a notice shall have been mailed as hereinafter in this Section provided. The consent of an Owner of an Obligation shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given, which proof shall be such as is permitted by Section 2.12. Any such consent shall be binding upon the Owner and on any subsequent Owner of the Obligation giving such consent (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner or a subsequent Owner giving such consent by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

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

Section 8.3. Disqualified Obligations. Obligations owned or held by or for the account of the City or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in this Trust Agreement and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement; provided, however, that in determining whether the Trustee shall be protected in relying upon any such approval or consent of an Owner, only Obligations which a Responsible Officer of the Trustee actually knows to be owned or held by the City, or by any person directly or indirectly controlled by, or under direct or indirect common control with the City (except any Obligations held in any pension or retirement fund) shall be deemed not to be Outstanding unless all Obligations are so owned, in which case such Obligations shall be considered Outstanding for the purpose of such determination.

Section 8.4. Effect of Supplemental Trust Agreement. From and after the time any supplemental or amending agreement becomes effective pursuant to this Article VIII, this Trust Agreement or the Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Obligations Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental or amending agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Purchase Agreement, as the case may be, for any and all purposes. The Trustee may require each Owner, before his consent provided for in this Article VIII shall be deemed effective, to reveal whether the Obligations as to which such consent is given are disqualified as provided in Section 8.3.

Section 8.5. Endorsement or Replacement of Obligations Delivered After Amendments. The Trustee may determine that Obligations delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of

any Obligation Outstanding at such effective date and presentation of his Obligation for the purpose at the office of the Trustee, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to such Obligation Owners' action, which substitute Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Obligation then Outstanding, such substitute Obligation shall be exchanged at the Designated Office of the Trustee, without cost to such Owner, for an Obligation of the same character then Outstanding, upon surrender of such Obligation Outstanding hereunder.

Section 8.6. Amendatory Endorsement of Obligations. The provisions of this Article shall not prevent any Obligation Owner from accepting any amendment or supplement as to the particular Obligations held thereby, provided that proper notation thereof is made on such Obligations.

ARTICLE IX COVENANTS, NOTICES

Section 9.1. Compliance With and Enforcement of Purchase Agreement. The City shall perform all obligations and duties imposed on it under the Purchase Agreement and shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting any such action will deliver the same, or a copy thereof, to the Trustee.

Section 9.2. Observance of Laws and Regulations. The City shall well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 9.3. Recordation and Filing. The City shall file this Trust Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Owners. The Trustee has no duty or obligation to determine the sufficiency of any such filings.

Section 9.4. Further Assurances. The Trustee (at the reasonable request of the City) and the City shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention

or to facilitate the performance of this Trust Agreement and the Purchase Agreement and for the better assuring and confirming unto the Owners the rights and benefits provided herein.

Section 9.5. Notification to the City of Failure to Make Payments. The Trustee shall notify the City of any failure by the City to make any Payment or other payment required under the Purchase Agreement to be made to the Trustee, in writing and within one (1) Business Day of any such failure. Such notice shall not be a prerequisite for the occurrence of an Event of Default.

Section 9.6. Business Days. Except as otherwise required herein, if this Trust Agreement or the Purchase Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE X LIMITATION OF LIABILITY

Section 10.1. Limited Liability of the City. Except for the payment of Payments from the Excise Tax Revenues and the State Shared Revenues when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Obligations or the distribution of Payments to the Owners by the Trustee.

Section 10.2. No Liability of the City for Trustee Performance. The City shall have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 10.3. Indemnification of the Trustee.

(a) To the extent permitted by law, the City shall indemnify and save the Trustee, in its capacity as trustee and seller, and its officers, directors, agents and employees, harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (1) the use, maintenance, condition or management of, or from any work or thing done on, the Project or any portion thereof or interest therein by the City; (2) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Project or any interest therein; (3) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (4) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Project; (5) the acquisition of the Project or any interest therein; (6) the actions of any other party, including but not limited to the operation or use of the Project or interest therein by the City; (7) the ownership of the Project or interest therein; (8) the exercise and performance by the Trustee of its powers and duties hereunder, under the Purchase Agreement or the Obligations or in connection with any document

or transaction contemplated herewith or therewith; or (9) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Obligations, including the costs and expenses of defending itself against any claim of liability arising under this Trust Agreement. No indemnification will be made under this Section or elsewhere in this Trust Agreement for willful misconduct, negligence or breach of duty under this Trust Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. As security for the payment of amounts due under Section 7.5 and this Section, the Trustee shall be secured under this Trust Agreement by a lien prior to that for the Obligations. The obligations of the City hereunder for indemnification under this Section shall remain valid and binding notwithstanding, and shall survive, the payment or prepayment of principal represented by the Obligations or resignation or removal of the Trustee or the termination of this Trust Agreement.

(b) Promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt of notice of the commencement of any action in respect of which indemnity may be sought hereunder, the Trustee shall notify the City in writing of such circumstances or action (the "Notification"). Failure to give such notification shall not affect the right of the Trustee to receive the indemnification provided for herewith. Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by the City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder; provided, however the Trustee may retain its own counsel and still be indemnified against the cost of employing counsel and all other reasonable expenses despite an assumption of the defense by the City if the Trustee believes in good faith that there are defenses available to it which are adverse to or in conflict with those available to the City and which the Trustee believes in good faith cannot be effectively asserted by common counsel. The Trustee always has the right to employ separate legal counsel but, subject to the preceding sentence, the fees and expenses of its separate legal counsel must be paid by the Trustee unless the City and the Trustee have mutually agreed to the employment of the Trustee's separate legal counsel. The City shall not settle or compromise any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion, at the expense of the City. In the event the City is required to and does indemnify the Trustee as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 10.4. Opinion of Counsel. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which

opinion shall be made available to the other parties hereto upon request, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XI EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 11.1. Seller's Rights Held in Trust. As provided herein, the Trustee holds in trust hereunder all of the Seller's rights in and to the Purchase Agreement, including without limitation all of the Seller's rights to exercise such rights and remedies conferred on the Seller pursuant to the Purchase Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts required to be deposited in the Payment Fund and enforcement of the pledge of the Excise Revenues and the State Shared Revenues for the payment of the Obligations.

Section 11.2. Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything herein or in the Purchase Agreement to the contrary, there shall be no right under any circumstances to accelerate the payment dates of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Section 11.3. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of this Article XI or Section 9 of the Purchase Agreement shall be applied by the Trustee in the order following, in the case of the Obligations, upon presentation of the several Obligations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Obligation Owners in declaring such Event of Default, including reasonable compensation to the Trustee's or the Owners' agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations and, in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 11.4. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or

enforce its rights or the rights of the Owners by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 11.5. Non-waiver. Except as otherwise provided in this Article, the Obligation Owners have the right to institute suit to enforce and collect the Payments as provided in the Purchase Agreement. No delay or omission of the Trustee or of any Owner of any of the Obligations to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owners of Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Obligation Owners.

Section 11.6. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of the Owners of a majority in aggregate principal amount of the Obligations Outstanding.

Section 11.7. Limitation on Obligation Owners' Right to Sue.

(a) No Owner of any Obligation issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (1) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (2) the Owners of at least a majority in aggregate principal amount of all Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) said Owners shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

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

ARTICLE XII MISCELLANEOUS

Section 12.1. Defeasance.

(a) If and when any Obligation Outstanding hereunder or portion thereof shall be paid and discharged in any one or more of the following ways:

(1) By paying or causing to be paid the principal and interest represented by such Obligation, as and when the same become due and payable;

(2) By depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest represented by the Obligation due on such Obligation; or

(3) By depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are noncallable in such amount as shall be certified to the Trustee and the City in a verification report by an independent firm of nationally recognized certified public accountants acceptable to the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest represented by such Obligations at their respective payment or prepayment dates, which deposit may be made in accordance with the provisions of Section 7 of the Purchase Agreement;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to such Outstanding Obligations shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to subsections (2) or (3) of this Section and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to subsections (2) or (3), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such funds.

(b) Any funds held by the Trustee, at the time of one of the events described in paragraph (a) of this Section, which are not required for the payment to be made to the Owners or for the payment of any other amounts due and payable by the City hereunder or under the Purchase Agreement, shall be paid over to the City.

(c) Any Obligation or portion thereof in Authorized Denominations may be paid and discharged as provided in this Section; provided however, that if principal represented by any such Obligation is to be prepaid, notice of such prepayment shall have been given in accordance with the provisions hereof or the City shall have submitted to the Trustee instructions to be irrevocable as to the date upon which such Obligation or portion thereof is to be prepaid and as to the giving of notice of such prepayment; and provided further, that if any such Obligation or portion thereof will not be payable within sixty (60) days of the deposit referred to in subsections (a)(2) or (a)(3) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

(d) No Obligation may be provided for as described in this Section if, as a result thereof, or of any other action in connection with which the provisions for payment of such Obligation is made, the interest payable on any Obligation is thereby made includable in gross income for federal income tax purposes. The Trustee, the Depository Trustee, and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this subsection will not be breached by so providing for the payment of any Obligations.

Section 12.2. Notices. All written notices to be given under this Trust Agreement shall be given by overnight delivery or courier or by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States of America mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City:	City of El Mirage, Arizona 12145 Northwest Grande Avenue El Mirage, Arizona 85335 Attention: City Manager
If to the Trustee:	U.S. Bank National Association 101 North First Avenue, Suite 1600 Phoenix, Arizona 85003 Attention: Global Corporate Trust Services

Section 12.3. Incorporation of State Statutes.

(a) As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Trust Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Trust Agreement on behalf of the City

within three years from the execution of this Trust Agreement, unless a waiver of Section 38-511, Arizona Revised Statutes, is provided by the City. No basis exists for the City to cancel this Trust Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the “e-verify” requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Trust Agreement and may result in the termination of the services of the Trustee. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the City including granting the City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 12.4. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 12.5. Binding Effect and Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.6. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Trust Agreement.

Section 12.7. Destruction of Cancelled Obligations. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Obligations, the Trustee may destroy such Obligations and deliver a certificate of such destruction to the City instead.

Section 12.8. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to “Articles”, “Sections”, and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words “herein”, “hereof”, “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.9. Parties Interested Herein. Nothing in this Trust Agreement or the Obligations, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the Owners, any legal or

equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owners, from time to time, of the Obligations.

Section 12.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.11. Severability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

[Remainder of page left blank intentionally]

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

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By.....
Printed Name:
Title:

CITY OF EL MIRAGE, ARIZONA

By.....
Mayor

ATTEST:

.....
City Clerk

EXHIBIT A

(Form of Obligation)

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

Number: R-.....

Principal Amount: \$.....

PLEDGED EXCISE TAX REVENUE OBLIGATION,
SERIES 2015

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

THE CITY OF EL MIRAGE, ARIZONA

to

.....,
as Trustee

<u>Interest Rate:</u>	<u>Maturity Date:</u>	<u>Dated Date:</u>	<u>CUSIP:</u>
.....%	July 1, 20....	_____, 2015	28328R

REGISTERED OWNER: CEDE & CO.*

PRINCIPAL AMOUNT: DOLLARS

THIS IS TO CERTIFY THAT the registered owner identified above, or registered assigns, as the registered owner of this Pledged Excise Tax Revenue Obligation, Series 2015 (this “Obligation”) is the owner of an undivided, participatory, proportionate interest in the right to receive certain “Payments” under and defined in that certain First Purchase Agreement, dated as of _____ 1, 2015 (the “Purchase Agreement”), by and between _____ (the “Trustee”), and the City of El Mirage, Arizona, a municipal corporation under the laws of the State of Arizona (the “City”), which Payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under that certain First Trust Agreement, dated as of _____ 1, 2015 (the “Trust Agreement”), by and between the City and the Trustee.

* Included only while DTC is the Securities Depository.

The Trustee maintains a corporate trust office for payment and transfer of this Obligation (the “Designated Office”).

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

Said amounts representing the registered owner’s share of the Payments designated as interest are payable in lawful money of the United States of America by check mailed when due by first class mail by the Trustee to the registered owner in whose name this Obligation is registered at the close of business on the fifteenth (15th) day of the calendar month next preceding the Interest Payment Date at the address thereof as it appears on the registration books for the Obligations maintained by the Trustee. Said amounts representing the registered owner’s share of the Payments designated as principal are payable when due upon surrender of this Obligation at the Designated Office. Principal and interest payable to any owner of \$1,000,000 or more in principal amount of the series of obligations of which this Obligation is a part (the “Obligations”) may be paid by wire transfer in immediately available funds to an account in the United States of America if the owner makes a written request of the Trustee at least twenty (20) days before the date of payment specifying the account address. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice.

The Trustee has no obligation or liability to the registered owners of the Obligations for the payment of interest or principal represented by the Obligations. The Trustee’s sole obligations are to administer, for the benefit of the registered owners of the Obligations, the various funds and accounts established pursuant to the Trust Agreement. (The recitals, statements, covenants and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.)

This Obligation has been executed and delivered by the Trustee pursuant to the terms of, and for the purposes described in, the Trust Agreement. The City is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by resolution of the Mayor and Council of the City adopted September 1, 2015. Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office) for further definitions, the terms, covenants and provisions pursuant to which the Obligations are delivered, the rights thereunder of the registered owners of the Obligations, the terms under which the Trust Agreement or the Purchase Agreement may be

modified or supplemented, the rights, duties and immunities of the Trustee and the security for, and the rights and obligations of the City under the Purchase Agreement (including with respect to certain obligations to be secured on a parity with, the security for the Payments and to certain limitations on such security), to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees. (To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement and the Purchase Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal represented by all Obligations then outstanding, and may be amended without such consent under certain circumstances but in no event such that the interests of the owners of the Obligations are adversely affected, provided that no such amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Payment thereof in accordance with such owner's Obligation.)

The obligation of the City to make the Payments does not represent or constitute a general obligation of the City for which the City is obligated to levy or pledge any form of taxation nor does the obligation to make the Payments under the Purchase Agreement constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction or otherwise.

Neither the Trustee nor the registered owners of the Obligations shall have any right under any circumstances to accelerate the payment date of the Obligations or otherwise declare any of the Payments not then past due or in default to be immediately due and payable. (This Obligation represents an interest in a limited obligation of the City (as described herein), and no member of the Mayor and Council, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.)

The Obligations are executed and delivered only in fully registered form in denominations of \$5,000 of principal represented by the Obligations due on a specific payment date or integral multiples thereof. The Obligations shall not be transferable or exchangeable, except as provided in the Trust Agreement.

This Obligation may be exchanged for an Obligation or Obligations of like series and aggregate payment amount in authorized denominations having the same maturity date and interest rate.

This Obligation is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Designated Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Obligation. Upon such transfer a new Obligation or Obligations, of authorized denomination or denominations, for the same aggregate principal amount will be delivered to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Obligation shall be overdue, and the City and the Trustee shall not be affected by any notice to the contrary.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or governmental charges required by law in connection with the exchange or transfer.

The Trustee may, but shall not be obligated to, exchange or register the transfer of this Obligation (i) if this Obligation has been selected for prepayment, in whole or in part, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If this Obligation is transferred after having been selected for prepayment, any notice of prepayment which has been given to the transferor shall be binding on the transferee, and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.

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

Principal represented by the Obligations payable before or on July 1, 20__, is not subject to prepayment. Principal represented by the Taxed Obligations payable on or after July 1, 20__, is subject to prepayment in such order and from such principal amounts payable as may be selected by the City, in whole or in part on any date on or after July 1, 20__, at a price equal to the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment but without premium.

Principal represented by the Obligations payable on July 1, 20__, shall be prepaid on July 1 of the years indicated and in the principal amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium:

<u>Year Prepaid</u>	<u>Principal Amount Prepaid</u>
20__	\$____,000
20__	____,000

Whenever Obligations payable on July 1, 20__, are purchased, prepaid (other than pursuant to mandatory prepayment) or delivered by the City to the Trustee for cancellation, the principal amount of the Obligations payable on July 1, 20__, so retired shall satisfy and be credited against the mandatory prepayment requirements for such Obligations payable on July 1, 20__, for such years as the City may direct.

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

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

Date of Execution:

.....,
as Trustee

By.....
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned (the "Transferor"), hereby sells, assigns and transfers unto (the "Transferee"), whose address is and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

.....
.....

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

Date:
SIGNATURE(S) GUARANTEED BY:

.....
Firm or Bank

.....
Authorized Signature

Signature(s) guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or other guarantee program acceptable to the Trustee or Registrar

.....
NOTICE: No transfer will be registered and no new certificate will be issued in the name of the Transferee, unless that signature(s) to this assignment correspond(s) with the name as it appears on the face of the within certificate in every particular, without alteration or enlargement or any change whatever and name, address and the Social Security Number or federal employee identification number of the Transferee is supplied

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

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

UNIF GIFT/TRANS MIN ACT - Custodian for
(Cust.) (Minor)

under Uniform Gifts/Transfers to Minors Act of
(State)

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

EXHIBIT B

(Form of Payment Request Form)

Payment Request Form

Application No.

The Trustee is hereby requested to pay from the "Acquisition Fund" established by the First Trust Agreement, dated as of _____ 1, 2015 (the "Trust Agreement"), between the City of El Mirage, Arizona (the "City"), and, as trustee (the "Trustee") to the person or corporation designated below as "Payee," the sum set forth below such designation, in payment of the Project Costs (as such term is defined in the Trust Agreement) described below. The amount shown below is due and payable under a purchase order or contract with respect to such costs described below and has not formed the basis of any prior request for payment.

Payee:

Address or Wiring Instructions:

Amount:

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

The City acknowledges that it has received and inspected items related to such costs and has found each item thereof so described to be in good condition, in conformity with the City's specifications and satisfactory for the City's purposes and in accordance with the applicable purchase order or contract. Notwithstanding anything herein to the contrary, the City shall not be deemed to have waived or released the Payee from any liability or obligation to the City in the event the City's acknowledgment herein is discovered to be inaccurate in any respect as to any item described above.

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

DATED:, 20....

.....
City Representative

Please forward payment to Payee at the following address:

EXHIBIT C

(Form of Reimbursement Request Form)

Reimbursement Request Form

Application No.

The Trustee is hereby requested to pay from the "Acquisition Fund" established by the Trust Agreement, dated as of _____ 1, 2015 (the "Trust Agreement"), between the City of El Mirage, Arizona (the "City"), and, as trustee (the "Trustee"), to the City, the sum set forth below as reimbursement of (all/a portion) of the Project Costs (as such term is defined in the Trust Agreement) described below. Payment of the amount, shown below was made by the City on, 20....., as evidenced by attached hereto, as full/partial payment of, also attached hereto. The amount shown below was paid by the City and has not formed the basis of any prior request for payment.

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

Amount:

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

DATED:, 20....

.....
City Representative

Dated Received:, 20....

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER ___, 2015**NEW ISSUE – BOOK-ENTRY-ONLY****RATING: See “RATING” herein.**

In the opinion of Greenberg Traurig, LLP, Special Counsel, assuming compliance with certain tax covenants, the portion of each installment payment made by the City pursuant to the First Purchase Agreement and denominated as and comprising interest pursuant to the First Purchase Agreement and received by Owners of the Obligations (the “Interest Portion”) will be excludable from gross income for federal income tax purposes, will not be an item of tax preference for purposes of the alternative minimum tax for individuals and corporations (but will be taken into account in determining adjusted current earnings for purposes of computing such tax imposed on certain corporations) and will be exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excludable from gross income for federal income tax purposes. See “TAX MATTERS” herein for a description of certain federal tax consequences of ownership of the Obligations. See also “TAX MATTERS – Original Issue Discount and Original Issue Premium” herein.

\$10,500,000*

**CITY OF EL MIRAGE, ARIZONA
PLEGGED EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2015**

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

The City of El Mirage, Arizona (the “City”) Pledged Excise Tax Revenue Obligations, Series 2015 (the “Obligations”) will be executed and delivered to (i) finance the costs of municipal facilities and street improvements; and (ii) pay the costs and expenses relating to the execution and delivery of the Obligations.

The interest portion will be payable semiannually on each January 1 and July 1, commencing January 1, 2016*. The Obligations will be issuable as fully registered obligations without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial ownership interests in the Obligations will be available to purchasers in amounts of \$5,000 of principal due on a specific payment date and any integral multiple thereof only under the book-entry-only system maintained by DTC through brokers and dealers who are, or act through, DTC participants. Purchasers will not receive physical certificates. Such purchasers must maintain an account with a broker or a dealer who is, or acts through, a DTC participant to receive payment of principal and interest with respect to such Obligations. See APPENDIX G - “BOOK-ENTRY- ONLY SYSTEM” herein.

SEE PAYMENT SCHEDULE ON INSIDE FRONT COVER PAGE

The Obligations will be subject to optional and mandatory prepayment prior to their stated payment dates as described under the heading “THE OBLIGATIONS – Prepayment Provisions” herein*.

The Obligations will be undivided, proportionate interests in the installment payments to be made by the City pursuant to a First Purchase Agreement, to be dated as of September 1, 2015* (the “Purchase Agreement”), between the City and U.S. Bank National Association, as trustee (the “Trustee”) in its separate capacity as seller. Subject to the State Intercept of Funds with regard to the GADA Bonds, the installment payments to be made by the City will be payable from and secured by a paramount and first lien pledge of Excise Tax Revenues and State Shared Revenues on parity with the pledge for any Additional Revenue Obligations (all as defined herein). See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” herein.

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

The Obligations are offered when, as and if issued by the City and received by the underwriter identified below (the “Underwriter”), subject to the legal opinion of Greenberg Traurig, LLP, Special Counsel, as to validity and tax exemption. In addition, certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about September ___, 2015.

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

RBC Capital Markets

*Subject to change.

\$10,500,000*
CITY OF EL MIRAGE, ARIZONA
PLEDGED EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2015

PAYMENT SCHEDULE*
Base CUSIP^{®(1)} No. 28328R

Payment Date <u>(July 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP ^{®(1)} <u>No.</u>
20__	\$ ____,000	___.__%	___.__%	

\$ _____ % Term Obligation due July 1, 20__ - _____ % Yield CUSIP^{®(1)} No. _____

* *Subject to change.*

(1) *CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2015 CUSIP Global Services. All rights reserved. CUSIP[®] data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP[®] numbers are provided for convenience of reference only. None of the City, the Underwriter, the Financial Advisor (as defined herein) or their respective agents or counsel takes responsibility for the accuracy of such CUSIP[®] numbers.*

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of El Mirage, Arizona (the "City"), RBC Capital Markets, LLC (the "Underwriter"), or Piper Jaffray & Co. (the "Financial Advisor"), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover page and appendices hereto, has been obtained from the City, the Arizona Department of Revenue, the Assessor and Treasurer of Maricopa County, Arizona, and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the City, the Underwriter, or the Financial Advisor, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the City, the Underwriter, or the Financial Advisor. A variety of other information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information."

The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. All information, estimates and assumptions contained herein have been based on past experience and on the latest information available and are believed to be accurate and reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of forecasts, projections, opinions, assumptions, or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements" that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the City has been identified by source and has not been independently confirmed or verified by the City, the Underwriter, or the Financial Advisor and its accuracy cannot be guaranteed. The information and forward looking statements herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Obligations will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange in reliance upon certain exemptions. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the merits of the Obligations the accuracy or adequacy of this Official Statement or approved the Obligations for sale.

None of the City, the Underwriter, the Financial Advisor, counsel to the Underwriter or Special Counsel (as defined herein) are actuaries, and none of them have performed any actuarial or other analysis of the City's unfunded liabilities under the Arizona State Retirement System.

The City has undertaken to provide continuing disclosure as described in this Official Statement under the heading "CONTINUING DISCLOSURE" and in APPENDIX F - "FORM OF CONTINUING DISCLOSURE UNDERTAKING," all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OF EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE OBLIGATIONS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The information in APPENDIX G - "BOOK-ENTRY-ONLY SYSTEM" attached hereto has been furnished by The Depository Trust Company and no representation is made by the City, the Underwriter, the Financial Advisor, or any of their counsel or agents, as to the accuracy or completeness of such information.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE OBLIGATIONS.....	2
General Terms	2
Prepayment Provisions	2
SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.....	3
General	3
Pledge	4
Coverage Requirements.....	4
Additional Revenue Obligations.....	4
SOURCES AND USES OF FUNDS.....	5
CITY OF EL MIRAGE ROAD PROJECTS AND REGIONAL AREA ROAD FUND	
BOND INSURANCE	
DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE	7
EXCISE TAX REVENUES AND STATE SHARED REVENUES.....	7
Excise Tax Revenues.....	7
State Shared Revenues.....	9
Historical Excise Tax Revenues and State Shared Revenues	12
LITIGATION	12
LEGAL MATTERS	12
TAX MATTERS	13
General	13
Original Issue Discount and Original Issue Premium.....	14
Information Reporting and Backup Withholding	15
RATING	15
FINANCIAL ADVISOR.....	15
UNDERWRITING	15
RELATIONSHIP AMONG PARTIES	16
CONTINUING DISCLOSURE.....	16
FINANCIAL STATEMENTS.....	16
CERTIFICATION CONCERNING OFFICIAL STATEMENT.....	17
CONCLUDING STATEMENT	17
APPENDIX A: CITY OF EL MIRAGE, ARIZONA - DEMOGRAPHIC AND ECONOMIC INFORMATION	
APPENDIX B: CITY OF EL MIRAGE, ARIZONA - FINANCIAL DATA	
APPENDIX C: CITY OF EL MIRAGE, ARIZONA - AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014	
APPENDIX D: SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS	
APPENDIX E: FORM OF APPROVING LEGAL OPINION	
APPENDIX F: FORM OF CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX G: BOOK-ENTRY-ONLY SYSTEM	

OFFICIAL STATEMENT

\$10,500,000*

CITY OF EL MIRAGE, ARIZONA PLEGGED EXCISE TAX REVENUE OBLIGATIONS, SERIES 2015

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto (this "Official Statement"), provides certain information concerning the Pledged Excise Tax Revenue Obligations, Series 2015 (the "Obligations"), to be executed and delivered in the principal amount indicated above. The Obligations will be undivided, participating, proportionate interests in installment payments (the "Payments") to be made by the City of El Mirage, Arizona (the "City"), pursuant to a First Purchase Agreement, to be dated as of September 1, 2015* (the "Purchase Agreement"), between the City, as buyer, and U.S. Bank National Association, in its capacity as trustee (the "Trustee"), as seller.

The Obligations are being executed and delivered to (i) finance the costs of municipal facilities and street improvements (collectively, the "Project"), and (ii) pay the costs and expenses relating to the execution and delivery of the Obligations.

The Obligations will be executed and delivered pursuant to a First Trust Agreement, to be dated as of September 1, 2015* (the "Trust Agreement"), between the City and the Trustee. Certain of the Trustee's interests under the Purchase Agreement, including, without limitation, the right to receive and collect the Payments and the right to force the City to make the Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX D - "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS" in addition to the information hereinbelow for descriptions of the terms of the Purchase Agreement and the Trust Agreement and the definition of terms not elsewhere defined herein. See APPENDIX A - "CITY OF EL MIRAGE, ARIZONA - DEMOGRAPHIC AND ECONOMIC INFORMATION," APPENDIX B - "CITY OF EL MIRAGE, ARIZONA - FINANCIAL DATA," and APPENDIX C - "CITY OF EL MIRAGE, ARIZONA - AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014" for information about the City.

Outstanding GADA Bonds and State Intercept of Funds. The City previously issued its General Obligation Bonds (Projects of 2003), Series B (2007) in the aggregate principal amount of \$1,145,000, and its General Obligation Bonds (Projects of 2008), Series A (2009) in the aggregate principal amount of \$9,600,000 (collectively, the "GADA Bonds"), a portion of each of which remains outstanding. The GADA Bonds were sold to the Greater Arizona Development Authority ("GADA"). Pursuant to the resolutions authorizing the issuance of the GADA Bonds (collectively, the "GADA Resolutions"), the City pledged to levy on all taxable property within the City a continuing, direct, annual ad valorem tax over and above all other taxes authorized or limited by law, which tax, together with other funds then on an hand and available for such purposes, would be sufficient to pay the principal of and interest on the GADA Bonds as the same becomes due.

The GADA Resolutions further provide that in the event of a failure by the City to pay principal of and interest on the GADA Bonds, GADA may direct the withholding of the State Shared Revenues (defined below) otherwise due to the City as provided by Section 41-2257(L) and (M) and 41-2258(I), (J) and (K), Arizona Revised Statutes (the "State Intercept of Funds"), such monies to be applied to the payment of principal of and interest on the GADA Bonds. Notwithstanding the right to do so, the City shall not hereafter further encumber the State Shared Revenues on a basis equal to the State Intercept of Funds.

Subject to the State Intercept of Funds with regard to the GADA Bonds, the Payments will be payable from and secured by a paramount and first lien pledge of Excise Tax Revenues and State Shared Revenues on parity with the pledge for any Additional Revenue Obligations. "Excise Tax Revenues" means revenues from the City sales taxes, license and permit fees and fines and forfeitures which the City now collects; provided that the Mayor and Council

*Subject to change.

of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted at the discretion of such Council. "State Shared Revenues" means revenues from amounts allocated or apportioned to the City by the State of Arizona (the "State" or "Arizona"), any political subdivision thereof or any other governmental unit or agency, except the share of the City of any taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

So long as any amounts due under the Purchase Agreement remain unpaid or unprovided for, the City may not further encumber Excise Tax Revenues and State Shared Revenues on a basis equal to the pledge for the Purchase Agreement unless certain requirements are satisfied. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS - Additional Revenue Obligations" and, for detail regarding amounts due pursuant to the Purchase Agreement, APPENDIX B - "CITY OF EL MIRAGE, ARIZONA - FINANCIAL DATA."

Brief descriptions of the security for the Obligations and of matters related to the City are included in this Official Statement together with a summary of select provisions of the Purchase Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Purchase Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of all of which are available for inspection at the designated corporate trust office of the Trustee. Capitalized terms used but not defined herein shall have the meanings set forth in APPENDIX D - "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS - DEFINITIONS OF CERTAIN TERMS."

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or Beneficial Owners (as defined in APPENDIX G) of the Obligations.

References to provisions of federal or State law, whether codified or uncoded, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

THE OBLIGATIONS

General Terms

The Obligations will be dated the date of initial authentication and delivery and initially will be registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") under the book-entry-only system described in APPENDIX G. Beneficial ownership interests in the Obligations may be purchased through direct and indirect participants of DTC in amounts of \$5,000 of principal due on a single payment date or integral multiples thereof. See APPENDIX G - "BOOK-ENTRY-ONLY SYSTEM." The Obligations will become payable on the dates and in the principal amounts and bear interest from their dated date at the rates all as set forth on the inside front cover page of this Official Statement. Interest on the Obligations will accrue from the dated date of the Obligations and will be payable on January 1, 2016*, and on each July 1 and January 1 thereafter (each an "Interest Payment Date") until payment or prepayment.

Prepayment Provisions*

Optional Prepayment. Principal represented by the Obligations payable before or on July 1, 20__, will not be subject to prepayment prior to their stated payment dates. Principal represented by the Obligations payable on or after July 1, 20__, may be prepaid prior to the stated payment date, in whole or in part on any date, in any order of payment date and by lot within any payment date, by the City, on or after July 1, 20__, at a prepayment price equal to the principal amount thereof plus accrued interest on such principal to the date fixed for prepayment, but without premium.

*Subject to change.

Mandatory Prepayment. Principal represented by the Obligations payable on July 1, 20__ (the “Term Obligations”) will be subject to mandatory prepayment and will be prepaid on July 1 of the respective years set forth below and in the principal amounts set forth below, by payment of a prepayment price equal to the principal amount of the Term Obligations then called for prepayment plus the interest accrued to the date fixed for prepayment, but without premium, as follows:

Term Obligation due July 1, 20__

Prepayment Date <u>(July 1)</u>	<u>Principal Amount</u>
	\$

Whenever Term Obligations subject to mandatory prepayment are purchased, prepaid (other than pursuant to mandatory prepayment) or delivered by the City to the Trustee for cancellation, the principal amount of the Term Obligations so retired shall satisfy and be credited against the mandatory prepayment requirements for such Term Obligations for such years as the City may direct.

Manner of Selection for Prepayment. Principal represented by the Obligations will be prepaid only in amounts of \$5,000 payable on a specific payment date or integral multiples thereof. The City will, at least 45 days prior to the prepayment date, notify the Trustee of such prepayment date and of the payment dates of the Obligations and the principal amount of the Obligations of any such payment date to be prepaid on such date. For the purposes of any prepayment of less than all of the Obligations due on a single payment date, the particular Obligations or portions of the Obligations to be prepaid will be selected through the procedures of DTC. For purposes of any prepayment of less than all of the Obligations payable on a single payment date, the particular Obligations or portions of the Obligations to be prepaid on a single payment date will be selected on a *pro rata* basis by the Trustee by lot not more than 45 days nor less than 30 days prior to the prepayment date. While the City intends that allocations be made in accordance with the foregoing proportional provisions, the selection of the Obligations for prepayment will be subject to practices and procedures of DTC as in effect from time to time.

Notice of Prepayment. Prepayment notices will be sent only to DTC by electronic media, not more than 60 nor less than 30 days prior to the date set for prepayment. See APPENDIX G - “BOOK-ENTRY-ONLY SYSTEM.” Such notice will state that if, on the specified prepayment date, moneys for prepayment of all the Obligations to be prepaid together with interest to the date of prepayment, is held by the Trustee, then, from and after said date of prepayment, interest with respect to the Obligations will cease to accrue and become payable and that if such moneys are not so held, the prepayment will not occur.

SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS

General

The Obligations will be special, limited revenue obligations, taking the form of undivided, participating, proportionate interests in the Payments. The obligation of the City to make the Payments will be limited to payment from Excise Tax Revenues and State Shared Revenues and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the City or the State or any political subdivisions thereof, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

Excise Tax Revenues and State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement will constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City. The City may also make the Payments from its other

funds as permitted by law and as the City determines from time to time, and the Trustee will thereafter have no claim to such other funds.

Under the terms of the Trust Agreement, an irrevocable trust will be administered by the Trustee for the equal and proportionate benefit of the Owners of the Obligations, which trust includes: (1) all right, title and interest of the Trustee, as seller, in the Purchase Agreement and the right to (a) make claim for, collect or receive all amounts payable or receivable thereunder, (b) to bring actions and proceedings thereunder or for the enforcement of such rights, and (c) to do any and all other things which the Trustee is entitled to do thereunder; (2) amounts on deposit from time to time in the funds created pursuant to the Trust Agreement; and (3) any and all other property of any kind conveyed after the date of the Trust Agreement as additional security for the Obligations. See APPENDIX D - "SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS - THE TRUST AGREEMENT."

Pledge

Subject to the State Intercept of Funds with regard to the GADA Bonds, the Payments will be secured by a paramount and first lien on and pledge of Excise Tax Revenues and State Shared Revenues on parity with the pledge and lien granted by the City for the payment and security of any Additional Revenue Obligations. The Payments will be coequal as to the pledge of and lien on Excise Tax Revenues and State Shared Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Tax Revenues and State Shared Revenues or security therefor. If at any time moneys are not sufficient to make the deposits and transfers required, any such deficiency will be made up from the first moneys thereafter received and available for such transfers under the terms of the Purchase Agreement and, with respect to payment from Excise Tax Revenues and State Shared Revenues, *pro rata* with amounts due with respect to any Additional Revenue Obligations. The Purchase Agreement will not terminate so long as any of the Payments are due and owing pursuant to the terms of the Obligations.

THE PAYMENTS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY NOR WILL THE CITY BE LIABLE FOR THE PAYMENTS FROM *AD VALOREM* PROPERTY TAXES. PURSUANT TO THE TRUST AGREEMENT, THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS, PAYABLE SOLELY FROM THE PAYMENTS MADE PURSUANT TO THE PURCHASE AGREEMENT. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF AND WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

Coverage Requirements

To the extent permitted by applicable law, Excise Tax Revenues will be retained and maintained so that the amounts received from Excise Tax Revenues and State Shared Revenues, when combined mathematically for such purpose only, all within and for the most recently completed fiscal year of the City, will be equal to at least two (2) times the Annual Debt Service for the current fiscal year of the City. If Excise Tax Revenues plus State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1.25) times the Annual Debt Service for the current fiscal year of the City or if at any time it appears that Excise Tax Revenues plus State Shared Revenues will not be sufficient to meet such requirements, the City will, to the extent permitted by applicable law, impose new exactions of the type of the components of the revenues which are Excise Tax Revenues, or increase the rates for the components of the revenues which are Excise Tax Revenues currently imposed by the City fully sufficient at all times, after making allowances for contingencies and errors, in each fiscal year of the City in order that (i) Excise Tax Revenues and State Shared Revenues will be sufficient to meet all such requirements and (ii) Excise Tax Revenues and State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this paragraph.

Additional Revenue Obligations

Additional Revenue Obligations may be incurred but only if Excise Tax Revenues plus State Shared Revenues, when combined mathematically for such purpose only, in the most recently completed fiscal year of the City have amounted to at least two (2) times the Maximum Annual Debt Service.

SOURCES AND USES OF FUNDS

Principal Amount	\$10,500,000.00*
[Net] Original Issue Premium (a)	
Total Sources of Funds	\$ _____
Deposit to Acquisition Fund	\$ _____
Payment of Costs of Issuance (b)	
Total Uses of Funds	\$ _____

-
- (a) Net original issue premium consists of original issue premium on the Obligations less original issue discount on the Obligations.
 - (b) Includes compensation and costs of the Underwriter (as defined herein).

CITY OF EL MIRAGE ROAD PROJECTS AND REGIONAL AREA ROAD FUND

The Maricopa Association of Governments (MAG) is a Council of Governments that represents Maricopa County, 27 cities and towns within Maricopa County, three Native American Indian Communities, and portions of Pinal County including the City of Maricopa and the Town of Florence.

MAG manages the Arterial Street Life Cycle Program (ALCP) to schedule and fund regional street projects identified within the MAG Regional Transportation Plan. The primary funding source for the street projects is the Regional Area Road Fund (RARF) funded from 66.7% of the revenues generated by the Maricopa County Transportation Excise Tax (half-cent sales tax) authorized by voters through December 31, 2025.

The City and Maricopa County share lead agency responsibilities to manage various street improvements within El Mirage funded from RARF through MAG. From Fiscal Year 2005-2006 through Fiscal Year 2014-15, MAG has provided \$5.3 million from RARF for El Mirage street improvements and is scheduled to fund an additional \$32.9 million from RARF through Fiscal Year 2021-2022.

El Mirage will allocate \$8.8 million* of the proceeds from the Obligations to interim fund and accelerate street projects funded from RARF. **THE OBLIGATIONS WILL NOT BE AN OBLIGATION OF RARF, MAG, MARICOPA COUNTY, OR THE ARIZONA DEPARTMENT OF TRANSPORTATION. THE OBLIGATIONS WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADING “SECURITY FOR AND SOURCES OF PAYMENT.”** However, the City intends to, but is not required to, pay as much as \$8.8 million* of principal and interest of the Obligations with RARF funding from MAG by Fiscal Year 2021-2022.

BOND INSURANCE AND RELATED RISK FACTORS

The City has applied for a bond insurance policy (the “Policy”) to guarantee the scheduled payment of principal and interest with respect to the Obligations. The Obligations may or may not be issued with bond insurance and the decision whether to use bond insurance on all or a portion of the Obligations, and with which bond insurance company (the “Insurer”), will be subject to market conditions at the time of pricing of the Obligations.

If the Policy is obtained, there are certain risk factors related to any applicable bond insurance policy. In the event of default in the payment of principal or interest with respect to all or a portion of the Obligations when due, any owner of the Obligations will have a claim under the Policy for such payments.

The Insurer may direct, and must consent to, any remedies that are exercised and the Insurer’s consent may be required in connection with amendments to the Trust Agreement and the Purchase Agreement.

* Subject to change.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations will be payable solely from the moneys received by the Trustee pursuant to the Trust Agreement and the Purchase Agreement. In the event the Insurer becomes obligated to make payments with respect to the Obligations, no assurance is given that such event will not adversely affect the market price of the Obligations or the marketability (liquidity) of the Obligations.

The long-term ratings on the Obligations are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Obligations insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) of the Obligations. See "RATINGS" herein.

If insured, the Obligations would be general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the City, Bond Counsel, the Financial Advisor, the Underwriter or Underwriter's Counsel will make any independent investigation of the claims paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest with respect to the Obligations and the claims paying ability of the Insurer, particularly over the life of the investment.

DEBT SERVICE REQUIREMENTS AND PROJECTED COVERAGE*

The following table sets forth the amounts required to pay annual debt service on the Obligations. The revenues and the debt service coverage are based on Excise Tax and State Shared Revenues as of June 30, 2014. The revenues and the debt service coverage exclude the RARF funding from MAG described under “THE CITY OF EL MIRAGE ROAD PROJECTS AND REGIONAL AREA ROAD FUND.”

TABLE 1

Schedule of Annual Debt Service Requirements and Projected Coverage (a)

Fiscal Year	Excise Tax and State Shared	The Obligations		Annual Payments	Debt Service Coverage (c)
	Revenues (a)	Principal	Estimated Interest (b)		
2015-16	\$ 14,098,028	\$ -	\$ 422,096	\$ 422,096	33.40
2016-17	14,098,028	-	499,850	499,850	28.20
2017-18	14,098,028	615,000	499,850	1,114,850	12.65
2018-19	14,098,028	630,000	481,400	1,111,400	12.68
2019-20	14,098,028	655,000	456,200	1,111,200	12.69
2020-21	14,098,028	685,000	430,000	1,115,000	12.64
2021-22	14,098,028	720,000	395,750	1,115,750	12.64
2022-23	14,098,028	755,000	359,750	1,114,750	12.65
2023-24	14,098,028	790,000	322,000	1,112,000	12.68
2024-25	14,098,028	830,000	282,500	1,112,500	12.67
2025-26	14,098,028	875,000	241,000	1,116,000	12.63
2026-27	14,098,028	915,000	197,250	1,112,250	12.68
2027-28	14,098,028	960,000	151,500	1,111,500	12.68
2028-29	14,098,028	1,010,000	103,500	1,113,500	12.66
2029-30	14,098,028	1,060,000	53,000	1,113,000	12.67
		<u>\$ 10,500,000</u>	<u>\$ 4,895,646</u>	<u>\$ 15,395,646</u>	

- (a) The amount of Excise Tax Revenues and State Shared Revenues used to calculate the coverage requirements for existing and projected debt service is the audited amount for fiscal year 2013-14. See TABLE 5 - “EXCISE TAX REVENUES AND STATE SHARED REVENUES COLLECTIONS.”
- (b) Interest is estimated at 5.000% for the Obligations. The first interest payment on the Obligations will be due on January 1, 2016*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until payment or prepayment.
- (c) Debt service coverage is based on Excise Tax and State Shared Revenues available for debt service (see footnote (a)) compared to Annual Debt Service.

EXCISE TAX REVENUES AND STATE SHARED REVENUES

Excise Tax Revenues

City Sales Taxes. The City’s unrestricted transaction privilege (sales) tax is levied by the City upon persons and entities on account of their business activities within the City. The amount of tax due is calculated by applying the

* Subject to change.

tax rate against the gross proceeds of sales or gross income derived from the business activities shown in the table below.

TABLE 2
TRANSACTION PRIVILEGE (SALES) TAX RATES BY CATEGORY

<u>Category</u>	<u>Rate</u>
Communications, Transportation, and Utilities	3.00%
Contracting	3.00
Hotels	3.00
Hotel/Motel Additional Tax	2.00
Rental, Leasing, & Licensing	3.00
Restaurants and Bars	3.00
Retail	3.00
Severance - Metal Mining	0.10
Use Tax for Purchases and Inventory	3.00
All Others	3.00

Recent Legislative Changes Regarding Municipal Sales Tax Revenues. Chapter 255, Laws of Arizona 2013 (commonly referred to by its original bill number, HB2111), made changes to the collection process for such taxes, as well as modifying certain categories of business activity, as described below.

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

The law allows ADOR, subject to statutory guidelines, to disclose confidential information related to transaction privilege sales taxes collected by the department from any jurisdiction to any county, city or town official if it relates to a taxpayer who is subject to an ADOR audit. The law stipulates a variety of requirements for the audit, most of which generally require ADOR’s active involvement.

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

While no specific assurance can be given, the City does not expect the changes due to HB2111 to have a significant impact on the administration, collection or enforcement of the City’s transaction privilege taxes, including the Excise Tax Revenues, or amounts to be collected therefrom because ADOR currently collects transaction privilege (sales) taxes for the State and many political subdivisions in the State, including the City. The Arizona cities and towns affected by this legislation are working cooperatively with ADOR to achieve a smooth transition of tax administration. Additional information is available at https://www.azdor.gov/TPT_Simplification.aspx.

Beginning June 30, 2015, ADOR assesses and collects fees to recover a portion of the administrative, program and other operating costs incurred in providing administrative and collection services to local governments. A one-time fee is assessed to the City for the initial implementation of transaction privilege tax reform. In addition, an annual fee will be assessed to each jurisdiction, such as the City, to pay for ongoing ADOR operations and additional collection staff. This annual fee will be calculated in proportion to each jurisdiction’s share of State shared income taxes and State shared sales taxes distributed in the preceding fiscal year. Local governments can pay these obligations from any revenue source and these fees are not expected to reduce State Shared Revenues. The City does not expect these payments to have a material effect on the financial status of the City.

The following table shows audited collections of the City’s unrestricted transaction privilege (sales) tax collections by industry classification for fiscal years 2010-11 through and including 2013-14 and unaudited collections for fiscal year 2014-15.

TABLE 3

TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS BY INDUSTRY CLASSIFICATION (a)

	Audited				Unaudited
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15(b)</u>
Construction	\$ 220,055	\$ 238,256	\$ 210,964	\$ 353,889	\$ 422,420
Retail Trade	2,518,800	2,517,612	2,765,499	2,830,200	3,081,233
Communications and Utilities	1,214,447	1,234,096	1,305,915	1,308,741	1,375,480
Restaurants and Bars	229,159	250,297	248,927	232,918	262,924
Real Estate, Rental and Leasing	585,101	673,735	942,324	1,060,021	1,050,864
Accommodation	161,364	175,383	160,274	182,758	180,105
Services	99,732	117,129	142,586	132,962	117,575
Others	225,765	256,347	277,488	362,329	185,318
	<u>\$ 5,254,423</u>	<u>\$ 5,462,855</u>	<u>\$ 6,053,977</u>	<u>\$ 6,463,818</u>	<u>\$ 6,675,920</u>

- (a) Due to the City’s participation in the ADOR sales tax collection program and ADOR’s reporting of collections on a cash basis, the totals represented here may differ from the amounts shown for City Sales Tax in TABLE 5. The sales tax totals in this table do not include nonrecurring sales tax audit revenues resulting from audits performed on behalf of the City.
- (b) Figures for fiscal year 2014-15 are unaudited amounts which constitute “forward looking” statements which should be considered within an abundance of caution.

Licenses and Permits; Fines and Forfeitures. The City imposes and collects a business license tax on the right to engage in business within the City and the right to utilize certain City property, an occupational license tax on certain occupations and various permit fees for engaging in certain activities within the City, for the right to utilize certain City property and for parks and recreation. The City also imposes and collects fines and forfeitures for violation of State laws and City ordinances relating to, among other things, traffic and parking offenses.

State Shared Revenues

NO ASSURANCES CAN BE GIVEN THAT THE AMOUNT OF STATE SHARED SALES TAXES OR STATE SHARED INCOME TAXES DESCRIBED BELOW WILL NOT BE REDUCED OR ELIMINATED BY THE STATE LEGISLATURE IN THE FUTURE. **The State Legislature may from time to time eliminate State Shared Revenues or may change the amount and timing of State Shared Revenues and is under no legal obligation to maintain the amount of State Shared Revenues distributed to the City at any amount or level. Accordingly, the City is unable to covenant to maintain the State Shared Revenues at any particular level of coverage.**

From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocate the State Shared Sales Taxes, State Shared Income Taxes, and State Shared Vehicle License Taxes, including proposed adjustments that would reduce the distribution to cities and towns. The possibility of changes in this respect is more likely to be adverse to the City when the State is experiencing financial difficulties. The City cannot determine whether any such measures will become law or how they might affect the revenues which comprise the State Shared Revenues.

In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which would repeal or modify State Shared Sales Taxes, State Shared Income Taxes (the major source of funds for state revenue sharing), and State Shared Vehicle License Taxes. The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

State Shared Income Taxes. Under current State law, Arizona cities and towns are preempted from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to receive typically 15.00% of the net revenues of the State’s personal and corporate income tax collections for the fiscal year which is two fiscal years prior to the current fiscal year. Distribution of such funds is made monthly based on the proportion of each city’s or town’s population to the total population of all incorporated cities and towns in the State as determined by the latest census. Reduced economic activity or reductions in the statutory formula share could adversely affect the City’s revenues.

State Shared Sales Taxes. Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business activity as the City’s transaction privilege (sales) tax with the exception of food sales, which the State exempts from tax. As TABLE 4 indicates, the rate of taxation by the State varies among the different types of business activities taxed, with the most common effective rate being subject to the hereinafter described distribution share being 5.00% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25.00% of the “distribution share” of revenues attributable to each category of taxable activity. The allocation to each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest decennial or special census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns.

TABLE 4
STATE SALES TAX
TAXABLE ACTIVITIES, TAX RATES AND DISTRIBUTION SHARE

<u>Taxable Activities</u>	State Transaction Privilege (Sales) Tax Rates 0.60%			
	<u>State Tax Rate</u>	<u>Distribution Base</u>	<u>Education Tax Rate (a)</u>	<u>Combined Tax Rate</u>
Transporting	5.000%	20.00%	0.60%	5.600%
Utilities	5.000	20.00	0.60	5.600
Telecommunications	5.000	20.00	0.60	5.600
Pipeline	5.000	20.00	0.60	5.600
Private car line	5.000	20.00	0.60	5.600
Publication	5.000	20.00	0.60	5.600
Job printing	5.000	20.00	0.60	5.600
Prime contracting	5.000	20.00	0.60	5.600
Owner builder sales	5.000	20.00	0.60	5.600
Amusement	5.000	40.00	0.60	5.600
Restaurant	5.000	40.00	0.60	5.600
Personal property rental	5.000	40.00	0.60	5.600
Retail (excluding food sales)	5.000	40.00	0.60	5.600
Transient lodging	5.500	50.00	N/A	5.500
Mining - non-metal, oil/gas	3.124	32.00	N/A	3.124
Commercial lease	0.000	53.33	N/A	0.000
Severance - metalliferous mining	2.500	80.00	N/A	2.500
Use tax utilities	5.000	20.00	0.60	5.600
Jet fuel use tax	(b)	40.00	N/A	(b)

N/A = Not applicable.

(a) Represents the State transaction privilege (sales) tax rate approved by voters of the State in November 2000 (the “Education Tax”) on certain of the categories of business activity at six-tenths of one percent (0.6%). **The Education Tax collections are dedicated exclusively to education and are not distributed to the City or**

pledged to the payment of debt service with respect to the Obligations. The Education Tax expires June 30, 2021.

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

Source: Arizona Department of Revenue.

Historical Excise Tax Revenues and State Shared Revenues

The following table sets forth the City’s audited Excise Tax Revenues and State Shared Revenues collections for fiscal years 2010-11 through and including 2013-14 and unaudited collections for fiscal year 2014-15.

TABLE 5

**HISTORICAL EXCISE TAX REVENUES
AND STATE SHARED REVENUES COLLECTIONS (a)**

	<u>Audited</u>				<u>Unaudited</u>
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15(b)</u>
City Sales Tax	\$ 5,254,423	\$ 5,462,855	\$ 6,053,977	\$ 6,463,818	\$ 6,675,920
State Shared Sales Tax	2,450,985	2,484,627	2,602,643	2,767,698	2,905,888
State Shared Income Taxes	3,120,586	2,683,690	3,247,993	3,544,179	3,849,223
Licenses and Permits	1,036,083	1,069,740	1,280,892	1,322,333	1,407,927
	<u>\$ 11,862,077</u>	<u>\$ 11,700,912</u>	<u>\$ 13,185,505</u>	<u>\$ 14,098,028</u>	<u>\$ 14,838,958</u>

- (a) Due to the City’s participation in the ADOR sales tax collection program and ADOR’s reporting of collections on a cash basis, the totals represented here may differ from the amounts shown for City Transaction Privilege (Sales) Tax Collections in TABLE 3.
- (b) Figures for fiscal year 2014-15 are unaudited amounts which constitute “forward looking” statements which should be considered within an abundance of caution.

LITIGATION

No litigation or administrative action or proceeding is pending or threatened against the City which questions the City’s right to adopt or comply with the provisions of the documents under which the Obligations have been authorized or the validity or enforceability thereof or to consummate the transactions described therein or herein; nor is there any litigation or administrative action or proceeding threatened against the City which, if decided adversely to the City, as applicable, would impair the City’s ability to comply with all of the requirements of the documents under which the Obligations have been authorized or have a material adverse effect upon the financial condition of the City. Representatives of the City will deliver certificates to that effect at the time of the initial delivery of the Obligations.

LEGAL MATTERS

Legal matters incident to the execution and delivery of the Obligations and with regard to the tax-exempt status of the interest portion of the Obligations are subject to the legal opinion of Greenberg Traurig, LLP (“Special Counsel”), whose services have been retained by the City. The signed legal opinion of Special Counsel, dated and premised on the law in effect as of the date of the Obligations, will be delivered to the Underwriter at the time of original delivery of the Obligations. The proposed text of the legal opinion is set forth as APPENDIX E - “FORM OF APPROVING LEGAL OPINION.” The legal opinion to be delivered may vary from the text of APPENDIX E if necessary to reflect the facts and law existing on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Special Counsel has reviewed or expressed any opinion concerning any matters relating to the Obligations subsequent to the original delivery of the Obligations.

Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, as counsel to the Underwriter.

The various legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a

legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendition of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General

In the opinion of Special Counsel, under existing statutes, regulations, rulings and court decisions, the portion of each of the Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations (the "Interest Portion") will be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), will not be treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations (but will be taken into account in determining adjusted current earnings for purposes of computing such tax imposed on certain corporations) and will be exempt from Arizona income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. Special Counsel expresses no opinion as to the treatment for federal or Arizona income tax purposes on the Interest Portion as to any other tax consequence relating to the Obligations.

The Code prescribes a number of qualifications and conditions for such interest to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the City to the federal government, require future or continuing compliance after delivery of the Obligations in order for the Interest Portion to be and to remain so excluded from the date of execution and delivery. Such opinion on such tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain continuing covenants of the City contained in documents which are part of the transcript of proceedings for the Obligations and which are intended to evidence and assure that the Interest Portion will remain excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the certifications and representations, or compliance with the covenants, made by the City. Noncompliance with these requirements could cause the Interest Portion to be included in gross income for federal income tax purposes and to be subject to federal and Arizona income taxation retroactive to the date of execution and delivery of the Obligations. The City has covenanted in the Purchase Agreement to take all such actions that may be required of them for the Interest Portion to be and remain excluded from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion.

Prospective purchasers of the Obligations should be aware that the ownership of the Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Obligations or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on an Obligation; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the Interest Portion; (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States of America (the "United States") for purposes of the branch profits tax; (iv) the inclusion of the Interest Portion in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the impact of these other tax consequences.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of the Interest Portion, adversely affect the market price or marketability of the Obligations, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Obligations. If enacted into law, such legislation could

affect the market price or marketability of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the impact of any proposed or pending legislation.

Special Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Counsel as of the date thereof. Special Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Special Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Special Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Original Issue Discount and Original Issue Premium

Certain of the Obligations as indicated on the inside front cover page of this Official Statement ("Discount Obligations"), were offered and will be sold to the public at an original issue discount ("Original Issue Discount"). Original Issue Discount is the excess of the stated prepayment price at payment (the principal amount) over the "issue price" of a Discount Obligation. The issue price of a Discount Obligation is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Obligations of the same payment will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount accrues to the owner of a Discount Obligation over the period to payment date based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of Original Issue Discount that accrues during the period of ownership of a Discount Obligation (i) will be interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) will be added to the owner's tax basis for purposes of determining gain or loss on the payment, prepayment, prior sale or other disposition of that Discount Obligation. A purchaser of a Discount Obligation in the initial public offering at the price for that Discount Obligation stated on the cover of this Official Statement who holds that Discount Obligation to payment date will realize no gain or loss upon the retirement of that Discount Obligation.

Certain of the Obligations as indicated on the inside front cover page of this Official Statement (the "Premium Obligations"), were offered and will be sold at an "issue price" in excess of their stated prepayment price at payment. That excess constitutes obligation premium. The issue price of a Premium Obligation is the initial offering price to the public (other than bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Premium Obligations of the same payment date is sold pursuant to that offering. For federal income tax purposes, obligation premium is amortized over the period to payment date of a Premium Obligation, based on the yield to payment date of that Premium Obligation (or, in the case of a Premium Obligation callable prior to its stated payment date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Obligation), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that obligation premium is deductible by the owner of a Premium Obligation. For purposes of determining the owner's gain or loss on the sale, prepayment (including prepayment at payment date) or other disposition of a Premium Obligation, the owner's tax basis in the Premium Obligation is reduced by the amount of obligation premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Obligation for an amount equal to or less than the amount paid by the owner for that Premium Obligation. A purchaser of a Premium Obligation in the initial public offering at the price for that Premium Obligation stated on the cover of this Official Statement who holds that Premium Obligation to payment date (or, in the case of a callable Premium Obligation, to its earlier call date that results in the lowest yield on that Premium Obligation) will realize no gain or loss upon the retirement of that Premium Obligation.

Owners of Discount Obligations and Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of Original Issue Discount or obligation premium properly accruable in any period with respect to the Discount Obligations or Premium Obligations and as to other federal tax consequences, and the treatment of Original Issue Discount and obligation premium for purposes of state and local taxes on, or based on, income.

Information Reporting and Backup Withholding

Interest paid on obligations such as the Obligations is subject to information reporting to the Internal Revenue Service. This reporting requirement does not affect the excludability of interest on the Obligations from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Obligations, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Obligations and proceeds from the sale of the Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Obligations. This withholding generally applies if the owner of the Obligations (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Obligations may also wish to consult with their own tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

RATING

[] has assigned the rating of “___” to the Obligations. An explanation of the significance of a rating assigned by [] may be obtained from []. Such rating, if assigned, may be revised downward or withdrawn entirely by [], if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligations. The City has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any rating relating to the Obligations. See “CONTINUING DISCLOSURE” and APPENDIX F- “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

FINANCIAL ADVISOR

Piper Jaffray & Co. (the “Financial Advisor”) is employed as the Financial Advisor to the City in connection with the execution and delivery of the Obligations. The fees for Financial Advisor are contingent upon the sale, execution and delivery of the Obligations.

The Financial Advisor is engaged by the City to, among other things, coordinate the preparation of the Official Statement, but is not obligated to undertake, and has not undertaken, an independent verification, and does not guarantee or assume responsibility for the accuracy, completeness, or fairness, of the information in this Official Statement.

UNDERWRITING

The Obligations will be purchased by RBC Capital Markets, LLC (the “Underwriter”) at an aggregate purchase price of \$_____, pursuant to an obligation purchase contract (the “Obligation Purchase Contract”) entered into by and between the City and the Underwriter. If the Obligations are sold to produce the yields shown on the inside front cover page hereof, the Underwriter’s compensation will be \$_____. The Obligation Purchase Contract provides that the Underwriter will purchase all of the Obligations so offered if any are purchased. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing bonds into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields stated on the inside front cover page hereof. The initial offering yields set forth on the inside front cover page may be changed, from time to time, by the Underwriter.

RBC Capital Markets, LLC has provided the following information for inclusion in this Official Statement: The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset

management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

RELATIONSHIP AMONG PARTIES

Special Counsel and counsel to the Underwriter have and continue to represent the Underwriter with respect to financings other than for the City and will continue to do so if requested in the future. Special Counsel and counsel to the Underwriter have also previously acted as special counsel with respect to other obligations underwritten by the Underwriter and will continue to do so if requested in the future.

CONTINUING DISCLOSURE

The City, as the obligated person with respect to the Obligations, has covenanted for the benefit of certain owners of the Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2016 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other required filing will be filed by the City with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system, each described in APPENDIX F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The form of the undertaking, the specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is set forth in APPENDIX F. These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price. *Also pursuant to Arizona Law, the ability of the City to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the City not comply with such covenants due to a failure to appropriate for such purpose, the City has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Obligations and specifically their market price and transferability.

The City has been in compliance with all existing continuing disclosure undertakings in all material respects over the last five years.

FINANCIAL STATEMENTS

The financial statements of the City for the period ended June 30, 2014, a copy of which are included in APPENDIX C - “CITY OF EL MIRAGE, ARIZONA - AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014” of this Official Statement, includes the City’s financial statements for the fiscal year ended June 30, 2014 that were audited by Heinfeld, Meech & Co., P.C., to the extent indicated in its report thereon. **The City has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.** Representatives of the City are not aware of any facts that would make such audited financial statements misleading.

THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX C OF THIS OFFICIAL STATEMENT ARE CURRENT AS OF THEIR DATE ONLY AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE CITY.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The documents delivered in connection with the issuance of the Obligations will include a certificate from the City to the effect that, to the knowledge of appropriate representatives of the City after appropriate review, the statements contained in this Official Statement relating to the City were at the time of the sale, and at the time of delivery of the Obligations, true, correct and complete in all material respects and were not misleading and did not omit matters which, in light of the circumstances under which they are made, would make such statements not misleading.

CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Purchase Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Obligations.

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

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

CITY OF EL MIRAGE, ARIZONA

By _____
Mayor

**CITY OF EL MIRAGE, ARIZONA –
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

Located in the northwest portion of the greater Phoenix metropolitan area, the City has grown from a small town dependent on agriculture to a diverse urban economy with a 2014 estimated population of 32,857. The City was founded in 1937 from agricultural beginnings. The City was later incorporated in 1951 and was at the time primarily a compact residential community. The City is located approximately 16 miles north of Phoenix, Arizona. As development in the Phoenix metropolitan area accelerated to the northwest, the City experienced significant growth, primarily since the year 2000.

POPULATION STATISTICS

<u>Year</u>	<u>El Mirage</u>	<u>Maricopa County</u>	<u>Arizona</u>	<u>Source</u>
2014	32,857	4,008,651	6,667,241	Arizona Department of Administration
2010	31,767	3,817,117	6,392,017	U.S. Census
2000	7,609	3,072,149	5,130,632	U.S. Census
1990	5,001	2,122,101	3,665,339	U.S. Census

Municipal Government Organization

The City operates pursuant to a Council/Manager form of government. The Mayor and six City Councilmembers are elected at large on a non-partisan ballot for four-year terms. The Council determines the duties and compensation of City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades and other municipal purposes. The City Council appoints the City Manager.

The City Manager is responsible for executing City Council policies and administering City operations. The Finance Director is responsible for the financial management of the City. The City government is responsible for furnishing basic municipal services. Primary services delivered by the City's approximately 180 full-time and part-time, permanent employees include police, City courts, fire protection, parks and recreation, library, sanitation, water, sewer, building safety, public works and general administration. For fiscal year 2015-16, the operating budget will be \$97.1 million and the total adopted budget, which includes the operating budget, grants and capital outlay expenditures, will be \$32.0 million.

Administrative Staff

Dr. Spencer Isom, City Manager

Dr. Isom was unanimously appointed El Mirage City Manager by the City Council in November 2010, having served as the Assistant City Manager since September 2007. He has 22 years of diverse experience in management and administration in local and state governments. In addition to a doctorate in philosophy, Dr. Isom holds a Master's Degree in Public Administration, and a Bachelor's Degree in Community Health and Human Services.

Robert Nilles, Finance Director

Mr. Nilles has over 23 years of municipal and county finance, technology, and risk management experience with the last fifteen years in the capacity of finance director or deputy treasurer managing budgets ranging from \$70 million to \$470 million. Over the years, Mr. Nilles has participated in numerous development agreements including Major League Baseball spring training facilities (Kansas City Royals and Texas Rangers) with the City of Surprise, Arizona, master planned developments, and commercial and retail developments. Mr. Nilles is a CAFR reviewer for the Government Finance Officers Association. Mr. Nilles has a Bachelor's Degree in Accounting and a Master's Degree in Management.

Christy Eusebio, CPA, Assistant Finance Director

Ms. Eusebio manages the City’s accounting functions including payroll, accounts payable, financial reporting and budgeting. Ms. Eusebio has over 23 years of municipal finance experience including Deputy Finance Director and Programs Administrator (City of Glendale), Management and Budget Analyst and Financial Services Manager (City of Goodyear), Financial Systems Supervisor (Maricopa Association of Governments), and ten years with the City of Phoenix in various positions. Ms. Eusebio’s has a Master’s of Business Administration, a Bachelor’s degree in Management/Accounting, and a Bachelor’s degree in Management/Computer Information Systems.

Economy

Historically the City’s economy was based around agriculture and farming. However, due to the significant residential growth of the Phoenix metropolitan area, including the City, employment opportunities in the services industries have increased. The City is home to numerous retail establishments that accommodate the City’s increased residential population’s need for goods and services.

Employment and Employers

Following is a list of the City’s largest employers.

**MAJOR EMPLOYERS
El Mirage, Arizona**

Employer	Description	2013 Full Time Employees
Dysart Unified School District No. 89	K-12 School	529
Walmart	Retail Store	308
City of El Mirage	Government	172
DVC Construction	Construction	160
Parks and Sons	Service Provider	123
Sutter Masonry	Construction	110
BNSF Railway	Transportation	100
Look Trailers	Manufacturing	68
Southwest Steel	Production	67
Bashas	Grocery Store	65

Source: City of El Mirage

The Phoenix Metropolitan Area nonfarm employment structure is illustrated in the table below.

**2015 NONFARM EMPLOYMENT STRUCTURE
Phoenix Metropolitan Area as of May 2015**

Industry	May 2015
Natural Resources and Mining	3,400
Construction	101,400
Manufacturing	116,900
Trade, Transportation, Utilities and Information	403,100
Finance, Professional and Business, Education and Health, and Miscellaneous	2,902,206
Government	235,400
	<u>3,762,406</u>

Source: Arizona Department of Administration, Office of Employment and Population Statistics.

The following table illustrates comparative unemployment averages for the United States of America, the State, the County, Phoenix and the City.

AREA UNEMPLOYMENT AVERAGES

Year (May)	United States	State of Arizona	Maricopa County	City of Phoenix	City of El Mirage
2015	5.3%	5.5%	4.5%	4.8%	5.3%
2014	6.1	6.7	5.7	5.9	6.9
2013	7.3	7.6	6.4	6.7	7.5
2012	7.9	8.3	7.2	7.8	8.1
2011	8.7	9.1	8.1	8.7	9.7

Source: Arizona Department of Administration, Office of Employment and Population Statistics

Construction

The following tables illustrate the value of building permits for residential and non-residential construction and new housing starts for the City.

VALUE OF BUILDING PERMITS City of El Mirage, Arizona (000's omitted)

<u>Calendar Year</u>	<u>Residential</u>	<u>Commercial and Industrial</u>	<u>Other</u>	<u>Total</u>
2014	\$474	\$76	\$33	\$583
2013	407	64	49	520
2012	345	41	41	427
2011	332	25	38	395
2010	377	25	38	440

Source: City of El Mirage

NEW HOUSING PERMITS City of El Mirage, Arizona

<u>Calendar Year</u>	<u>Total Housing Starts</u>
2014	53
2013	64
2012	46
2011	1
2010	1

Source: City of El Mirage

Transportation

The City is accessible via the Loop 101 and U.S. 60 from the Phoenix Metropolitan area. Glendale Municipal Airport serves the residents of the City with a 5,350 foot lighted and paved runway. Residents also have access to the Phoenix Sky Harbor Airport which is approximately a 45-minute drive away.

Education

Within the City are two elementary schools, one junior high and one high school. Two private elementary schools are also within the City limits. Several community colleges, including Glendale Community College and Estrella Mountain Community College, are located in nearby communities. Arizona State University also has a campus located in Glendale, Arizona, Arizona State University-West, which is approximately nine miles from the City. Arizona State University-West offers resources for study and research including libraries and museums with collections, studios and performing arts spaces and scientific and technological research facilities. Arizona State University-West campus balances the traditions of a liberal arts education with the applied sciences and technologies required in the workplace.

Estrella Mountain Community College offers day and evening classes to over 7,300 students in the western portion of the County. Estrella Mountain Community College offers certificate and degree programs in Business and Personal Computers, Business Technology in the Office, Hospitality and Hotel Management, and Organizational Leadership. Transfer programs are available in Communication, English, Mathematics, and Sociology. Glendale Community College offers day and evening classes to over 32,000 students. Glendale Community College offers a large number of degree and certificate program in Justice Studies, Applied Science, Art History, Athletics, Automotive Technology, Biology, Computer Information Systems, Business Technology for the Office, Chemistry, Child and Family Studies, Computer Science, Electronics and Semiconductor Manufacturing Technology, English, Engineering Science, Geology, Journalism, Mathematics, Psychology and Video Production. Glendale Community College is also the location of the GM Training Center, which was formed in 1985 through a partnership with General Motors. This Training Center offers training and retraining to GM dealership technicians in the latest repair and service procedures. The Center also provides an associate's degree program for new dealership technicians through partnerships with General Motors, Ford, Chrysler, Toyota and Nissan.

CITY OF EL MIRAGE, ARIZONA -
FINANCIAL DATA

THE OBLIGATIONS WILL BE PAYABLE ONLY FROM AND SECURED BY THE AMOUNTS DESCRIBED UNDER THE HEADING "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS." THE OBLIGATIONS WILL NOT BE A GENERAL OBLIGATION OF THE CITY.

STATEMENTS OF INDEBTEDNESS
City of El Mirage, Arizona

General Obligation Bonded Debt Outstanding

<u>Issue Series</u>	<u>Original Amount</u>	<u>Maturity (July 1)</u>	<u>Outstanding</u>
2007B (GADA)	\$ 1,145,000	2008 to 2027	\$ 800,000
2009B (GADA)	9,600,000	2010 to 2029	7,525,000
2012A	14,900,000	2013 to 2042	14,030,000
2012B	3,305,000	2013 to 2024	2,760,000
2015	2,000,000	2025 to 2029	2,000,000
Total Outstanding, July 1, 2015			\$ 27,115,000

Excise Tax Revenue and State Shared Revenue Secured Obligations to be Outstanding

	<u>Maturity (July 1)</u>	<u>Outstanding</u>
The Obligations	2018-2030	\$ 10,500,000*
Total To be Outstanding		\$ 10,500,000*

Total Water and Wastewater Revenue-Secured Obligations Outstanding
Loans from the Water Infrastructure Finance Authority of Arizona (WIFA)

<u>WIFA Loan</u>	<u>Original Amount</u>	<u>Maturity (July 1)</u>	<u>Outstanding</u>
910080-06	\$ 1,108,911	2006 to 2025	\$ 634,782
920100-06	16,550,000	2006 to 2025	8,720,970
910100-08	1,900,000	2008 to 2027	848,850
920127-08	4,040,000	2008 to 2027	2,905,737
91A121-10	648,000	2010 to 2029	260,983
92A152-10	140,000	2010 to 2028	63,058
92A153-10	498,000	2010 to 2029	128,551
910154-12	500,000	2013 to 2032	458,848
92A227-12	4,050,000	2013 to 2032	3,575,514
Total WIFA Loans Outstanding, July 1, 2015			\$ 17,597,293

* Subject to Change

Direct Bonded Debt, Legal Limitation and Unused Borrowing Capacity, Fiscal Year 2014-15

Through Tax Year 2015 effective August 17, 2014, the Arizona Constitution provides that the general obligation bonded indebtedness for a municipality for general municipal purposes may not exceed six percent of the secondary assessed valuation of the taxable property in that municipality. In addition to the six percent limitation for general municipal purpose bonds, municipalities may issue general obligation bonds up to an additional twenty percent of the secondary assessed valuation for supplying water, artificial light, or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities and public safety, law enforcement, transportation and fire and emergency services facilities.

The following data is as of August 6, 2015 for the City:

2014-15 Net Secondary Assessed Valuation: \$109,007,802

6% General Obligation Bonds		20% General Obligation Bonds	
General Municipal Purpose Bonds		Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire and Emergency Services, Park, Street, and Transportation Bonds	
Total 6% Bond Capacity	\$ 6,540,468	Total 20% Bond Capacity	\$ 21,801,560
Less: Bonds Outstanding	6,147,590	Less: 20% Bonds Outstanding	20,967,410
Net Bond Capacity	<u>\$ 392,879</u>	Net Bond Capacity	<u>\$ 834,150</u>

Effective Tax Year 2015 on August 17, 2014, the Arizona Constitution provides that the general obligation bonded indebtedness for a municipality for general municipal purposes may not exceed six percent of the limited property value of the taxable property in that municipality. In addition to the six percent limitation for general municipal purpose bonds, municipalities may issue general obligation bonds up to an additional twenty percent of the limited property value for supplying water, artificial light, or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities and public safety, law enforcement, transportation and fire and emergency services facilities.

Direct and Overlapping General Obligation Bonded Debt, Fiscal Year 2015-16

Overlapping Jurisdiction	Authorized but Unissued	Overlapping	Portion Applicable to City of El Mirage	
			%	Net \$
State of Arizona	None	None	0.175%	None
Maricopa County	None	None	0.279%	None
Maricopa County Community College District	None	\$ 593,820,000	0.277%	\$ 1,646,391
Dysart Unified School District No. 89	\$ 67,960,000	160,327,000	9.287%	14,889,097
City of El Mirage	None	27,115,000	100.000%	27,115,000
Total Direct & Overlapping GO Bonded Debt to be Outstanding				<u>\$43,650,488</u>

- (a) Proportion applicable to the City is computed on the ratio of limited property value for 2015-16.
- (b) Does not include outstanding principal amounts of certificates of participation, revenue obligations, loan obligations, improvement bonds, or other debt not secured by ad valorem property taxes. Includes total stated principal amount of general obligation bonds outstanding, however, does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may be authorized by voters within overlapping jurisdictions pursuant to future elections.

Also does not include the obligation of the Central Arizona Water Conservation District (“CAWCD”) to the United States Department of the Interior (the “Department of the Interior”), for repayment of certain capital costs for construction of the Central Arizona Project (“CAP”), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD’s obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona’s Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD’s boundaries. At the date of this Official Statement, the tax levy is limited to 14 cents per \$100 of secondary assessed valuation, of which 14 cents is being levied. (See Sections 48-3715 and 48-3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

Source: The various entities and Property Tax Rates and Assessed Values, Arizona Tax Research Association, State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Assessor of the County.

Direct and Overlapping General Obligation Bonded Debt Ratios, Fiscal Year 2015-16

<u>General Obligation Bonds</u>	<u>Outstanding</u>	<u>Deb per Capita</u>	<u>% Limited Property Value</u>	<u>% Estimated Net Full Cash Value</u>
Direct	\$ 27,115,000	\$ 825	20.21%	2.04%
Direct and Overlapping	43,650,488	1,328	32.54%	3.28%

Source: Property Tax Rates and Assessed Values, Arizona Tax Research Association, State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the Arizona Department of Commerce, Population Statistics Unit and the U.S. Census Bureau.

PENSION AND RETIREMENT PLANS

Employee Retirement Systems and Pension Plans and Other Post-Employment Benefits

The City contributes to three separate State managed defined benefit pension plans for the benefit of all full-time employees and elected officials, of which two of the plans are described below. **Please refer to “Note 13” of Appendix C hereto for a more detailed description of these plans and the City contributions to the various plans.**

The Arizona State Retirement System (“ASRS”), a cost-sharing, multiple employer defined benefit plan, has reported increases in its unfunded liabilities. The increase in ASRS’ unfunded liabilities is expected to result in increased future annual contribution to ASRS by the City and its employees. The most recent annual ASRS reports may be accessed at: <https://www.azasrs.gov/content/annualreports>.

For the year ended June 30, 2014, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 11.54% (11.30% for retirement and for health insurance premiums, and 0.24% long-term disability) of the members' annual covered payroll. The annual contribution for the fiscal year ending June 30, 2015 is 11.60% (11.48% retirement pension and health insurance premiums, 0.12% long-term disability). The annual contribution rate for the fiscal year ending June 30, 2016 is 11.47% (11.35% retirement pension and health insurance premiums, 0.12% long-term disability). The City's employer contributions to ASRS for the years ended June 30, 2014, 2013, and 2012 were \$6,307, \$6,346, and \$6,876, respectively, which were equal to the required contributions for the year. The City's employee contributions to ASRS were equal to the employers required contributions.

Additionally, other enacted State legislation made changes to how ASRS operates, effective July 1, 2011, which includes requiring employers to pay an alternative contribution rate (ACR) for retired employees of ASRS that return to work, changing the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a Defined Contribution and Retirement Study Committee (as defined in the legislation) that will review the feasibility and cost to changing the current defined benefit plan to a defined contribution plan.

The Arizona Public Safety Personnel Retirement System ("PSPRS"), an agent multiple-employer defined benefit plan that covers public safety personnel who are regularly assigned to hazardous duties, for which the Arizona State Legislature establishes and may amend active plan members' contribution rate, has reported increases in its unfunded liabilities. The increase in the PSPRS's unfunded liabilities is expected to result in increased future annual contributions to PSPRS by the City and its employees, however the specific impact on the City, or on the City's and its employees' future annual contributions to the PSPRS, cannot be determined at this time. The most recent annual PSPRS reports may be accessed at: http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm.

For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 24.54% for fire and 27.98% for police, the aggregate of which is the actuarially required amount. The PSPRS ACR rates for both Fire and Police were 17.07%. The health insurance premium portion of the contribution for fire and police members was computed as \$125 and \$280 for the year ended June 30, 2013, respectively.

Under PSPRS for the fiscal year ending June 30, 2015, the employee contribution rate is set by statute at 11.05%. The employer contribution rates are based upon an actuarial valuation. In addition, the City is required to pay an Alternate Contribution Rate for any PSPRS member who returns to work after July 20, 2011 and is required to participate in another state retirement system.

The City's PSPRS rate for police for the fiscal year ending June 30, 2015 is 30.67% (includes 1.47% associated with the health insurance premium benefit component). The City's PSPRS rate for fire for the fiscal year ending June 30, 2015 is 25.21% (includes 1.17% associated with the health insurance premium benefit component). For the fiscal year ending June 30, 2016, the employee contribution rate will increase to 11.65% and the employer portion is set to increase to 32.00% (includes 0.57% associated with the health insurance premium benefit component) for police and is set to increase to 26.51% for fire.

It should be noted that the PSPRS Board of Directors has adopted a three year contribution rate phase-in associated with the Arizona Supreme Court decision which determined that the reduction in the permanent benefit increase enacted by the State Legislature in 2011 (Senate Bill 1609) is unconstitutional. Had this contribution rate phase-in not been adopted by the Board, the employer contribution rate for fiscal year ending 2016 would increase to 36.47% for police and 31.45% for fire. (Employers, as always, have the ability to contribute more than the "prescribed" contribution rate.) Other litigation relating to the 2011 legislation remains outstanding. If the ultimate outcome overturns additional portions of the legislation, there will be further adverse impacts on the funded ration and the actuarially determined contribution rates.

New Reporting Requirements. Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans, An Amendment of GASB Statement No. 25, is designed to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and

No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

GENERAL FUND

Below are the City general fund revenues, expenditures and changes in fund balance for the unaudited fiscal year 2014-15, and audited fiscal years 2009-10 through and including 2013-14. **THIS INFORMATION IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS OF THE FINANCIAL AFFAIRS OF THE CITY.**

	Audited				Unaudited
	2010-11	2011-12	2012-13	2013-14	2014-15
Revenues					
Property Tax	\$ 1,730,436	\$ 1,794,939	\$ 1,800,323	\$ 1,645,748	\$ 1,551,070
Sales Tax	5,368,649	5,534,445	6,051,967	6,480,147	6,675,920
Intergov't	8,380,043	6,387,482	7,093,143	7,981,722	7,970,499
Charge, License	1,036,071	1,037,740	1,280,892	1,322,333	1,407,927
Earnings	16,987	20,438	26,780	25,041	31,032
Other	1,043,704	535,233	511,129	566,091	404,359
	<u>\$ 17,575,890</u>	<u>\$ 15,310,277</u>	<u>\$ 16,764,234</u>	<u>\$ 18,021,082</u>	<u>\$ 18,040,807</u>
Expenses					
General	\$ 5,330,097	\$ 3,903,824	\$ 4,010,471	\$ 3,983,382	\$ 4,516,419
Public Safety	9,106,278	9,247,661	9,710,613	10,342,229	9,389,823
Com Dev	1,292,708	954,131	1,158,665	1,283,670	994,111
Capital	133,678	493,167	483,643	327,254	386,657
Debt Service	22,042	22,042	7,347	1,979	83,330
	<u>\$ 15,884,803</u>	<u>\$ 14,620,825</u>	<u>\$ 15,370,739</u>	<u>\$ 15,938,514</u>	<u>\$ 15,370,340</u>
Excess (Deficiency)	\$ 1,691,087	\$ 689,452	\$ 1,393,495	\$ 2,082,568	\$ 2,670,467
Other Sources (Uses)					
Capital Lease	-	-	-	16,132	-
Transfers In	1,800,000	2,345,308	2,275,000	2,896,971	3,165,000
Transfers Out (a)	(653,000)	(490,197)	(583,000)	(7,217,000)	(704,962)
	<u>\$ 1,147,000</u>	<u>\$ 1,855,111</u>	<u>\$ 1,692,000</u>	<u>\$ (4,303,897)</u>	<u>\$ 2,460,038</u>
Changes in Fund Balances	\$ 2,838,087	\$ 2,544,563	\$ 3,085,495	\$ (2,221,329)	\$ 5,130,505
Beginning Fund Balance	\$ 8,368,983	\$ 11,207,070	\$ 13,751,633	\$ 16,837,128	\$ 14,615,799
Ending Fund Balance	\$ 11,207,070	\$ 13,751,633	\$ 16,837,128	\$ 14,615,799	\$ 19,746,304

(a) Transfers Out for Fiscal Year 2013-14 included one-time contributions to construct a recreation facility and to purchase access to assured water supplies.

NOTE: *The following data and other information are given as background concerning the City. Under no circumstances will the Obligations be payable from ad valorem property taxes of the City.*

CITY OF EL MIRAGE, ARIZONA

**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following audited annual financial statements are for the fiscal year ended June 30, 2014. These are the most recent audited financial statements available for the City. These financial statements are not current and may not represent the current financial condition of the City.

Such audited financial statements are the most recent available for the City, are not current and, therefore, must be considered with an abundance of caution. The City has not requested the consent of Heinfeld Meech, LLP, Certified Public Accountants to include its report herein, and Heinfeld Meech, LLP has performed no procedures subsequent to rendering its report on the financial statements.

SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere herein, the following terms shall, for all purposes of the Trust Agreement and the Purchase Agreement have the following meanings:

“Acquisition Fund” means the fund of that name established pursuant to the Trust Agreement.

“Additional Revenue Obligations” means any additional obligations which may be issued or incurred by the City (or any financing conduit acting on behalf of the City) after the date of the Trust Agreement having a lien upon and payable from Excise Tax Revenues and State Shared Revenues on a parity with, and in compliance with the terms of, the Purchase Agreement.

“Annual Debt Service” means the amount to be paid in any Fiscal Year with respect to the Purchase Agreement and any Additional Revenue Obligations for payment of principal and interest requirements.

“Certificate of Completion” means the notice of completion, filed with the Trustee by the City Representative, stating that the Project has been acquired.

“City Representative” means the City Manager, the City Finance Director or any other person authorized by the City Manager or the Mayor and Council to act on behalf of the City with respect to the Trust Agreement.

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

“Defeasance Obligations” are those obligations described in the Trust Agreement by such term.

“Depository Trustee” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State of Arizona authority.

“Event of Default” means an event of default under the Purchase Agreement as described below under the subheading “THE PURCHASE AGREEMENT - Default; Remedies Upon Default.”

“Maximum Annual Debt Service” means, for any Fiscal Year, the greatest Annual Debt Service for the then-current or any succeeding Fiscal Year.

“Outstanding” refers to Obligations issued in accordance with the Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a mandatory prepayment installment with respect to principal represented thereby; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted by the Trust Agreement and the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of and premium, if any, and interest represented by such Obligations, provided, however, that if principal represented by any such Obligations is to be prepaid, the City shall have taken all action necessary to prepay such Obligations and notice of such prepayment shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to give such notices shall have been given to the Trustee.

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

“Payment Fund” means the fund by that name established pursuant to the Trust Agreement.

THE TRUST AGREEMENT

The following, in addition to the information under the headings “THE OBLIGATIONS” and “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS,” is a summary of certain provisions of the Trust Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Acquisition Fund. The Trustee will establish the Acquisition Fund. Upon receipt of a duly executed Payment Request Form or Reimbursement Request Form, the Trustee will pay the requested amount for Project Costs within three (3) business days following submission of a Payment Request Form or Reimbursement Request Form. On the Completion Date all remaining moneys in the Acquisition Fund shall be transferred to the Payment Fund and applied by the Trustee to the Payments due from the City on the next succeeding Interest Payment Date and the Acquisition Fund shall be closed.

Payment Fund. The Trustee will establish the Payment Fund. The moneys in the Payment Fund will be applied by the Trustee solely to pay principal and interest represented by the Obligations.

Investments Authorized; Allocation of Earnings. Upon written order of the City Representative, moneys held by the Trustee will be invested and re-invested in certain investments permitted by the Trust Agreement having the highest yield reasonably obtainable. The Trustee may purchase from, or sell to, itself or any affiliate, as principal or agent, investments permitted by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Any income, profit or loss on such investments will be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds will be deposited in the fund from which such deposit was made, except as otherwise provided. At the direction of the City Representative, any such income, profit or interest will be applied if necessary to pay any rebate due with respect to the Obligation pursuant to the Internal Revenue Code.

Appointment of the Trustee. The City will retain as the Trustee a bank or trust company with a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority, then the as set forth in its most recent report of condition so published.

Liability of the Trustee; Standard of Care. Except with respect to its authority and power generally and authorization to execute the Trust Agreement, the recitals of facts, covenants and agreements in the Trust Agreement, in the Purchase Agreement and in the Obligations will be taken as statements, covenants and agreements of the City, and the Trustee will assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Trust Agreement, the Purchase Agreement or of the Obligations or will incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Obligations assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee will perform only such duties as are specifically set forth in the Trust Agreement. After the occurrence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent indenture trustee would exercise under the circumstances in the conduct of the affairs of the Trustee.

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

Protection and Rights of the Trustee. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any document which it in good faith believes to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such document, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be bound to recognize any person as an Owner of any Obligation or to take any action at the request thereof unless such Obligation will be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation will be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith.

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

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

The Trustee will not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

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

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

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

Removal and Resignation of the Trustee. The Trustee may be removed by the City (if not in default) or by the Owners of a majority in aggregate principal amount of the Obligations Outstanding, at any time upon thirty (30) days prior written notice.

The Trustee at any time may resign by giving written notice to the City. Such resignation will become effective upon the appointment of a successor Trustee by the City.

Amendments Permitted. The Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement which will become effective upon the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of certain disqualified Obligations. No such modification or

amendment will (1) extend or have the effect of extending the final payment of principal represented by any Obligation or reducing the interest represented thereby or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement, without the consent of any such Owners, but only (1) to provide for additions or modifications to the Project, (2) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trustee (for its own behalf) or the City, (3) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (4) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (5) to provide for the appointment of a successor trustee pursuant to the terms of the Trust Agreement, (6) to preserve the exclusion of interest represented by the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or other obligations the interest on which is likewise exempt from federal and State income taxes, (7) to cure, correct or supplement any ambiguous or defective provision in the Trust Agreement or the Purchase Agreement, (8) with respect to rating matters, or (9) in regard to questions arising under the Trust Agreement or under the Purchase Agreement, as the parties to the Trust Agreement or the Purchase Agreement may deem necessary or desirable and which will not adversely affect the interests of the Owners of the Obligations. Any such supplemental or amending agreement will become effective upon execution and delivery by the parties to the Trust Agreement or the Purchase Agreement.

Procedure for Amendment With Written Consent of Obligation Owners. A copy of the proposed supplemental or amending agreement, together with a consent request, must be mailed to each Owner of an Obligation, but failure to mail copies of such supplemental or amending agreement and request does not affect the validity of the supplemental or amending agreement when assented to by a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations then disqualified). The supplemental or amending agreement will not become effective until the required Owners have consented and the Trustee has mailed notice to the Owners of the Obligations stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will become effective (but failure to mail copies of said notice shall not affect the validity of such supplemental or amending agreement or consents thereto).

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

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

Remedies Upon Default; No Acceleration. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding and receiving indemnity satisfactory to it must, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything in the Trust Agreement or in the Purchase Agreement to the contrary, there will be no right under any circumstances to accelerate the payment dates of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of the Trust Agreement or the Purchase Agreement shall be applied by the Trustee in the order following, in the case of the Obligations, upon presentation of the several Obligations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Obligation Owners in declaring such Event of Default, including reasonable compensation to the Trustee's or the Owners' agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations and, in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

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

Power of the Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance or disposal of such action; provided, however, that the Trustee will not discontinue or otherwise dispose of any litigation, without the consent of the Owners of a majority in aggregate principal amount of the Obligations Outstanding.

Limitation on Obligation Owners' Right to Sue. No Owner of any Obligation will have the right to institute any action, for any remedy, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity; and (d) the Trustee shall have not complied with such request for a period of sixty (60) days.

No one or more Owners of Obligations will have any right in any manner whatever by their action to enforce any right under the Trust Agreement, except in the manner therein provided, and all proceedings with respect to an Event of Default will be pursued in the manner therein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner.

Defeasance. If and when any Obligation Outstanding under the Trust Agreement shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal and interest represented by such Obligation, as and when the same become due and payable;

(b) by depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest represented by such Obligation; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are non-callable in such amount as shall be certified to the Trustee and the City by a national firm of certified public accountants acceptable to both the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest represented by such Obligations at their respective payment or prepayment dates;

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

If any Obligation or portion thereof will not be payable within sixty (60) days of the deposit referred to in paragraphs (b) or (c) above, the Trustee shall give notice of such deposit by first class mail to the Owners.

THE PURCHASE AGREEMENT

The following, in addition to the information under the headings “INTRODUCTORY STATEMENT” and “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS,” is a summary of certain provisions of the Purchase Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

Purchase/Sale. Pursuant to the Purchase Agreement, the Trustee will sell and convey to the City and the City will buy and accept from the Trustee, the Project.

Payments. The obligation of the City to make the Payments will be limited to amounts from Excise Tax Revenues and State Shared Revenues.

The obligations of the City to make the Payments from the sources described and to perform and observe the other agreements contained in the Purchase Agreement will be absolute and unconditional and will not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by the Trustee of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the City (i) will not suspend or discontinue the Payments, (ii) will perform and observe all other agreements contained in the Purchase Agreement, and (iii) will not terminate the Purchase Agreement for any cause.

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

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

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

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

Upon any partial prepayment of a Payment, each installment of interest which shall thereafter be payable as a part of the subsequent Payments will be reduced, taking into account the interest rate or rates on the Obligations remaining Outstanding after the partial prepayment, so that the interest remaining payable as a part of the subsequent Payments will be sufficient to pay the interest on such Outstanding Obligations when due.

Default; Remedies Upon Default.

(i) Upon (A) the nonpayment of the whole or any part of certain amounts due pursuant to the Purchase Agreement at the time when the same are to be paid as provided in the Purchase Agreement or the Trust Agreement, (B) the violation by the City of any other covenant or provision of the Purchase Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to any Additional Revenue Obligations, or (D) the insolvency or bankruptcy of the City as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of such amounts as required under the Purchase Agreement or the Trust Agreement on the due date, or the nonpayment of principal and interest due with respect to any Additional Revenue Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or the Purchase Agreement not cured within sixty (60) days after notice in writing from the Trustee specifying such default; and (C) in the case of any default under any Additional Revenue Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement and the Continuing Disclosure Undertaking, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by the City under the Trust Agreement or the Purchase Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City under the Trust Agreement or the Purchase Agreement and with respect to the Excise Tax Revenues and State Shared Revenues, without notice and without giving any bond or surety to the City or anyone claiming under the City, have a receiver appointed of the amounts of the Excise Tax Revenues and State-Shared Revenues which are pledged to the payment of amounts due thereunder, with such powers as the court making such appointment shall confer (and the City will irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

The obligations of the City under the Purchase Agreement, including, without limitation, its obligation to pay the Payments, will survive any action brought, and the City will continue to pay the Payments and perform all other obligations provided in the Purchase Agreement; provided, however, that the City will be credited with any amount received by the Trustee pursuant to actions brought under the provisions of the Purchase Agreement summarized under this subheading.

FORM OF APPROVING LEGAL OPINION

DRAFT

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Closing Date]

Re: Pledged Excise Tax Revenue Obligations, Series 2015 Representing Proportionate Interests of the Owners Thereof in Purchase Price Payments to be Made by City of El Mirage, Arizona, to U.S. Bank National Association, as Trustee

We have examined the transcript of proceedings (the “Transcript”) relating to the execution and delivery by U.S. Bank National Association (the “Trustee”) of the Pledged Excise Tax Revenue Obligations, Series 2015 (the “Obligations”), pursuant to a First Trust Agreement, dated as of September 1, 2015 (the “Trust Agreement”), between the Trustee and City of El Mirage, Arizona (the “City”). Each of the Obligations is an undivided, participating, proportionate interest in certain payments to be made by the City pursuant to a First Purchase Agreement, dated as of September 1, 2015 (the “Purchase Agreement”), between the Trustee as seller and the City as buyer to finance certain projects for the City. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon the opinions of the City Attorney delivered even date herewith as to the matters provided therein.

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

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

2. The obligations of the City pursuant to the Purchase Agreement with respect to payment of principal and interest with respect to the Obligations constitute a valid and binding special obligation of the City payable solely from, and secured solely by, the revenues and other moneys pledged and assigned pursuant to the Trust Agreement to secure such payments. Those revenues and other moneys include payments required to be made by the City pursuant to the Purchase Agreement, and the obligation of the City to make those payments is secured by a limited pledge of amounts from “Excise Tax Revenues” and “State Shared Revenues” as described in, and

provided by, the Purchase Agreement. Such payments are not secured by an obligation or pledge of any moneys raised by taxation other than the specified taxes; the Obligations do not represent or constitute a debt or pledge of the general credit of the City and the Purchase Agreement, including the obligation of the City to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. (a) Subject to the assumption stated in the last sentence of this paragraph, the portion of each payment made by the City pursuant to the Purchase Agreement, denominated and comprising interest with respect to the Obligations and received by the beneficial owners of the Obligations (the "Interest Portion"), is excludable from the gross income of the beneficial owners thereof for federal income tax purposes. Furthermore, the Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however the Interest Portion is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. (We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership or disposition of, the Obligations.) The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the receipt or accrual of interest on, or ownership or disposition of, the Obligations.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

DRAFT

\$10,500,000*
CITY OF EL MIRAGE, ARIZONA
PLEGDED EXCISE TAX REVENUE OBLIGATIONS,
SERIES 2015

[Closing Date]

(CUSIP Base No.: 28328R)

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by City of El Mirage, Arizona (the “*City*”), in connection with the execution and delivery of \$10,500,000* principal amount of Pledged Excise Tax Revenue Obligations, Series 2015, Representing Proportionate Interests of the Owners Thereof in Purchase Price Payments to be Made by the City to U.S. Bank National Association, as trustee (the “*Obligations*”). The Obligations are being executed and delivered pursuant to a First Trust Agreement, dated as of September 1, 2015* (the “*Trust Agreement*”), by and between the City and U.S. Bank National Association as trustee (the “*Trustee*”). The City covenants and agrees as follows:

1. *Definitions.* In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

Annual Financial Information means the financial information and operating data set forth in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the City prepared pursuant to the standards and as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

EMMA means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Final Official Statement means the Final Official Statement relating to the Obligations, dated September, 2015.

GAAP means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

* Subject to change.

Listed Event means the occurrence of events set forth in Exhibit II.

Listed Events Disclosure means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

Purchase Agreement means the First Purchase Agreement, dated as of September 1, 2015*, by and between the City and the Trustee, in its separate capacity as “Seller.”

Rule means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

State means the State of Arizona.

2. *Purpose of this Undertaking.* This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

3. *CUSIP Number/Final Official Statement.* The CUSIP Numbers of the Obligations are as follows:

CUSIP No.

Maturity Date

4. *Annual Financial Information Disclosure.* Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form set forth in Exhibit D), through EMMA on February 1 of each, commencing February 1, 2016.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. *Listed Events Disclosure.* Subject to Section 8 of this Undertaking, the City shall disseminate in a timely manner, but in not more than ten (10) business days, its Listed Events Disclosure through EMMA. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any of the Obligations or

* Subject to Change

defeasance of any Obligations need not be given under this Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Obligations pursuant to the terms of the Obligations. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. *Consequences of Failure of the City to Provide Information.* The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Trust Agreement, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. *Amendments; Waiver.* Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

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

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Trust Agreement at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying GAAP to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. *Termination of Undertaking.* This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Trust Agreement.

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

10. *Additional Information.* Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or

notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. *Beneficiaries.* This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. *Recordkeeping.* The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. *Assignment.* The City shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

14. *Governing Law.* This Undertaking shall be governed by the laws of the State.

Dated: [Closing Date]

CITY OF EL MIRAGE, ARIZONA

By
Mayor

ATTEST:

.....
City Clerk

ACKNOWLEDGED FOR PURPOSES OF
SECTION 11(c) OF THE PURCHASE
AGREEMENT BY _____,
AS TRUSTEE

By

Title:

ATTACHMENTS:

- Exhibit I - Annual Financial Information and Timing and Audited Financial Statements
- Exhibit II - Events for Which Listed Events Disclosure Is Required

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement in TABLE 3 - “TRANSACTION PRIVILEGE (SALES) TAX COLLECTIONS BY INDUSTRY CLASSIFICATION” and TABLE 5 “HISTORICAL EXCISE TAX REVENUES AND STATE SHARED REVENUES COLLECTIONS” (actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2016. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP. Audited Financial Statements will be provided through EMMA within 30 days after availability to the City.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or conditional trustee or the change of name of a trustee, if material.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each payment of each series of the Obligations, each in the aggregate principal amount of such payment, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In

the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the Underwriter, the Financial Advisor or their agents and counsel take responsibility for the accuracy thereof.

§ _____
CITY OF EL MIRAGE, ARIZONA
PLEDGED EXCISE TAX REVENUE OBLIGATIONS, SERIES 2015

OBLIGATION PURCHASE AGREEMENT

_____, 2015

CITY OF EL MIRAGE, ARIZONA
c/o The Honorable Mayor and Council
12145 Northwest Grand Avenue
El Mirage, Arizona 85335

The undersigned, RBC Capital Markets, LLC (the “Underwriter”), offers to enter into the following agreement with the City of El Mirage, Arizona (the “City”), which, upon the City’s written acceptance of this offer, will be binding upon the City and upon the Underwriter. This offer is made subject to the City’s written acceptance hereof on or before 11:59 p.m., Arizona time, on the date first written above, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the City. The acceptance is made by the City by signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Trust Agreement (as defined herein) or in the Official Statement (as defined herein).

1. Purchase and Sale of the Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to cause to be sold and delivered to the Underwriter, all, but not less than all, of the Obligations. Inasmuch as this purchase and sale represents a negotiated transaction, the City acknowledges and agrees that: (i) the Underwriter is not acting as an agent or fiduciary of the City, but rather is acting solely in its capacity as underwriter for itself and its own account; (ii) the transaction contemplated by this Agreement is an “arm’s length,” commercial transaction between the City and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor, or fiduciary to the City; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); (iv)

the Underwriter is acting solely in its capacity as underwriter for its own account; (v) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (vi) the City has consulted its own legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

(b) The principal amounts of the Payments (as defined below) represented by the Obligations, the dated date, the payment dates, the prepayment provisions and the rates per annum of the interest amount represented by the Obligations are set forth in the Schedule attached hereto. The terms of the Obligations shall be as otherwise described in, and the Obligations shall be executed and delivered by the Trustee pursuant to a First Trust Agreement, to be dated as of September 1, 2015 (the "Trust Agreement"), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon among the Underwriter, the City and the Trustee. The Obligations represent undivided proportionate interests in the installment payments (each a "Payment," and, collectively, the "Payments") to be made by the City pursuant to a First Purchase Agreement, to be dated as of September 1, 2015 (the "Purchase Agreement"), between the City and the Trustee, as seller.

(c) The proceeds of the Obligations will be used to (i) pay costs of certain municipal facilities and street improvements, and (ii) pay costs relating to the execution and delivery of the Obligations.

(d) The Obligations will be purchased by the Underwriter at a purchase price of \$_____ (consisting of the par amount of the Obligations, plus [net] original issue [premium][discount] of \$_____ and less the Underwriter's discount of \$_____).

2. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Obligations at a price not to exceed the public offering price set forth on the inside front cover page of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Obligations to certain dealers (including dealers depositing Obligations into investment trusts) and others at prices lower than, or yields higher than, the public offering prices or yields stated on the inside front cover page of the Official Statement.

3. The Official Statement.

(a) The Preliminary Official Statement, dated September __, 2015 (including the cover page, the inside front cover page and Appendices thereto, the "Preliminary Official Statement"), of the City relating to the Obligations, as to be subsequently revised to reflect the changes resulting from the sale of the Obligations and including amendments or supplements thereto, is hereinafter called the "Official Statement."

(b) The Preliminary Official Statement has been prepared by the City for use by the Underwriter in connection with the public offering, sale and distribution of the Obligations by the Underwriter. The City hereby deems the Preliminary Official Statement "final" as of its date, except for the omission of such information which is dependent upon the

final pricing of the Obligations for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”).

(c) The City represents that the City Council (or appropriate officials of the City) has reviewed and approved the information in the Official Statement and hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Obligations. The City consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Obligations. The City shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the City’s acceptance of this Agreement (but, in any event, not later than within seven business days after the City’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Obligations), the City becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the City will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the City or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish, at the City’s own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the City can assume that the “end of the underwriting period” for purposes of the Rule is the date of the Closing (as defined herein).

4. Representations, Warranties and Covenants of the City. The undersigned on behalf of the City, but not individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) The City is validly existing as a municipal corporation duly created, organized and existing under the laws of the State, and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority pursuant to the resolution of the Mayor and City Council of the City adopted on September 1, 2015 (the “Resolution”), authorizing the sale and execution and delivery of the Obligations, (i) to enter into, execute and deliver this Agreement, the Trust Agreement, the Purchase Agreement and an Undertaking which satisfies the requirements of Section (b)(5)(i) of the Rule (the “Undertaking”) and all documents required hereunder and thereunder to be executed and delivered by the City (this Agreement, the Trust Agreement, the Purchase Agreement and the Undertaking are hereinafter referred to as the “City Documents”), (ii) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, and (iii) to impose, levy, collect and pledge the Excise Tax Revenues and State Shared Revenues as contemplated in the City Documents and the Official Statement, and the City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents as they pertain to such transactions;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized all necessary action to be taken by it for (i) adoption of the Resolution by the Mayor and City Council for the execution and delivery and sale of the Obligations, (ii) the approval, execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and (iii) the consummation by the City of all other transactions contemplated by the Official Statement, the City Documents, the Resolution and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the City in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The City Documents constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors’ rights and subject to annual appropriation;

(d) The City is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the City under any of the foregoing; and the execution and delivery of the City Documents and the adoption of the Resolution and compliance with the provisions on the City’s part contained therein, will not conflict with or constitute a material breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or to which any of its property or assets are otherwise

subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City securing the Obligations or under the terms of any such law, regulation or instrument;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under the City Documents have been duly obtained;

(f) The Obligations conform to the description thereof contained in the Official Statement under the caption "THE OBLIGATIONS;" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE;"

(g) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the City after due inquiry, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Obligations or the levying or collection of Excise Tax Revenues and State Shared Revenues securing the payment of the Obligations pursuant to the Trust Agreement or in any way contesting or affecting the validity or enforceability of the City Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or any authority for the execution and delivery of the Obligations, the adoption of the Resolution or the execution and delivery of the City Documents, nor, to the best knowledge of the City, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the City Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) The City has not granted a lien on, made a pledge of or agreed to apply the Excise Tax Revenues or State Shared Revenues and other moneys payable pursuant to the Purchase Agreement, except as provided or permitted in the Purchase Agreement or as described in the Official Statement;

(j) At the time of the City's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as it relates to the City does not and will not contain any untrue statement of a

material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The City will apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the Trust Agreement and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Obligations;

(m) The City will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Obligations for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate, and (z) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions, and (B) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the City will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the City of any notification with respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(n) The City has submitted to the Arizona Department of Revenue or the Arizona State Treasurer’s Office, as applicable, the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the City pursuant to Arizona Revised Statutes, and will file the information relating to the Obligations required to be submitted to the Arizona State Treasurer’s Office pursuant thereto within 60 days of the date of Closing;

(o) The City has executed and delivered or shall execute and deliver prior to the Closing, and in time for the Closing to occur at its specific time, the documents required to cause the Obligations to be eligible for deposit with DTC (as defined herein) or other securities depositories;

(p) The financial statements of and other financial information regarding the City in the Official Statement fairly present the financial position and results of the City as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods concerned

(except as otherwise disclosed in the Official Statement or financial statements); since June 30, 2014, the City has not incurred any material liabilities, direct or contingent, nor has there been any material change in the financial position, results of operations or condition, financial or otherwise, of the City that are not disclosed in the Official Statement, whether or not arising from transactions in the ordinary course of business and prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City, and the City is not a party to any litigation or other proceeding pending or, to the best knowledge of the City after due inquiry, threatened which, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City, or on the imposition, levy, collection or pledge of Excise Tax Revenues or State Shared Revenues for the payment of the Obligations;

(q) Except as otherwise indicated in the Official Statement, the City has been in material compliance with the terms of all continuing disclosure undertakings previously executed by the City pursuant to the Rule for the previous five years;

(r) Prior to the Closing, the City will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which secure the Obligations without prior approval of the Underwriter; and

(s) Any certificate signed by any official of the City authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

5. Closing.

(a) At 8:30 a.m. Arizona time, on _____, 2015, or at such other time and date as shall have been mutually agreed upon by the City and the Underwriter (the "Closing"), the City will, subject to the terms and conditions hereof, cause the Obligations to be delivered to the Underwriter, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Obligations as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the City. Payment for the Obligations as aforesaid shall be made at the offices of Bond Counsel, or such other place as shall have been mutually agreed upon by the City and the Underwriter.

(b) Delivery of the Obligations shall be made by means of a F.A.S.T. closing through the facilities of The Depository Trust Company ("DTC"), New York, New York. The Obligations shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one certificate for each maturity of the Obligations, registered in the name of Cede & Co., all as provided in the Trust Agreement, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

6. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the City contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and

instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the City of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the City contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The City shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the City Documents and the Obligations shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and (ii) all actions of the City required to be taken by the City shall be performed in order for Greenberg Traurig, LLP ("Bond Counsel") and counsel to the Underwriter to deliver their respective opinions referred to hereinafter;

(d) At the time of Closing, all official action of the City relating to the Obligations and the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the City Documents shall have been duly executed and delivered by the City and the Trustee shall have duly executed and delivered the Obligations;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the City, from that set forth in the Official Statement that in the judgment of the Underwriter is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Obligations on the terms and in the manner contemplated in the Official Statement;

(g) The City shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, executed on behalf of the City by its Mayor, or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) the City Documents with such supplements or amendments as may have been agreed to by the Underwriter;

(3) the approving opinion of Bond Counsel, dated the date of Closing, with respect to the Obligations, in substantially the form attached to the Official Statement, along with a reliance letter with respect thereto, dated the date of the Closing and addressed to the Underwriter;

(4) The supplemental opinion of Bond Counsel and/or an opinion of the City Attorney, in each case addressed to the Underwriter, substantially to the effect that:

(i) The City is a municipal corporation, duly incorporated and validly existing under the laws of the State, and has full legal right, power and authority (A) to adopt the Resolution and to enter into, execute and deliver the City Documents, (B) to cause the Obligations to be executed, delivered and sold by the Trustee to the Underwriter as provided herein, (C) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, and (D) to impose, levy, collect and pledge the Excise Tax Revenues and State Shared Revenues as provided in this Agreement and the City Documents, and the City has complied, and will at the Closing be in compliance in all material respects, with the terms of the City Documents as they pertain to such transactions;

(ii) By all necessary official action of the City, prior to or concurrently with the acceptance hereof, the City has duly authorized all necessary action to be taken by the City for (A) the adoption of the Resolution, the execution and delivery of the City Documents, and the execution, delivery and sale of the Obligations by the City, (B) the approval, execution and delivery of, and the performance by the City of the respective obligations on its part contained in the Obligations and the City Documents, and (C) the consummation by the City of all other transactions contemplated by the Official Statement and the City Documents;

(iii) All proceedings pertinent to the validity and enforceability of the Obligations have been duly and validly adopted or undertaken in compliance with all applicable procedural requirements of the City;

(iv) The City Documents have been duly authorized, executed and delivered by the City, and, to the extent applicable, and, assuming due and valid authorization, execution and delivery by the other parties thereto, constitute

legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights, and the Obligations, when executed, delivered and paid for in accordance with the Trust Agreement and this Agreement, will constitute legal, valid and binding obligations entitled to the benefits of the Trust Agreement and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and, in the case of the Undertaking, annual appropriation of amounts to pay for compliance therewith; upon the execution of the Obligations as aforesaid, the Trust Agreement will provide, for the benefit of the holders, from time to time, of the Obligations, the legally valid and binding pledge of and lien it purports to create as set forth in the Trust Agreement;

(v) The distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the City;

(vi) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under the City Documents and the Obligations have been obtained;

(vii) The execution and delivery of the City Documents and compliance by the City with the provisions hereof and thereof, under the circumstances contemplated herein and therein, will not conflict with or constitute on the part of the City a material breach of or violate any existing law to which the City is subject;

(viii) The Obligations are exempt securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act or to qualify the Trust Agreement under the Trust Indenture Act;

(ix) The statements and information contained in the Official Statement under the captions "THE OBLIGATIONS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS," "TAX MATTERS," and "CONTINUING DISCLOSURE" (except with respect to compliance by the City with prior undertakings as to which no opinion need be expressed) therein and in Appendices D, E and F thereto fairly and accurately summarized the matters purported to be summarized therein;

(x) Except as disclosed in the Preliminary Official Statement or Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the signer after due inquiry, threatened against the City, affecting the corporate existence of the City or the titles of its officers to their respective offices or affecting the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Obligations or the collection of taxes securing the payment of principal of and interest with respect to the Obligations pursuant to the Trust Agreement or in any way contesting or affecting the validity or enforceability of the Obligations, the City Documents, or contesting the exclusion from gross income of the interest on the Obligations for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or any authority for the issuance of the Obligations, or the execution and delivery of the City Documents or contesting the power of the City to execute and deliver the City Documents, nor, to the best knowledge of the City, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the City Documents; and

(xi) The execution and delivery of the City Documents and compliance by the City with the provisions hereof and thereof, under the circumstances contemplated herein and therein, will not conflict with or constitute on the part of the City a material breach of or a default under any agreement or instrument to which the City is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the City is subject;

(5) An opinion, dated the date of the Closing and addressed to the Underwriter, of counsel for the Underwriter, to the effect that:

(i) The Obligations are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act and the Trust Agreement need not be qualified under the Trust Indenture Act; and

(ii) Based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any 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 (except for any financial, forecast, technical and statistical statements and data included in the

Official Statement and the information regarding DTC and its book-entry system, in each case as to which no view need be expressed);

(6) A certificate, dated the date of Closing, of the City to the effect that to the best knowledge of the signer (i) except as disclosed in the Preliminary Official Statement and the Official Statement, no litigation or proceeding against it is pending or, to its knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the officials of the City to hold and exercise their respective positions, (b) contest the due organization and valid existence of the City, (c) contest the validity, due authorization and execution of the City Documents, or (d) attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and collecting revenues, including the collection of the Excise Tax Revenues and State Shared Revenues securing the payment of the principal of and interest on the Obligations; (ii) the Resolutions has been duly adopted by the City, is in full force and effect and has not been modified, amended or repealed, and (iii) to the best of its knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(7) A certificate, dated the date of Closing, of appropriate representatives of the City in form and substance satisfactory to Bond Counsel (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the City there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(8) A certificate of the Trustee to the effect that (i) the Obligations have been duly executed and delivered by an authorized officer of the Trustee; (ii) the Trust Agreement has been duly executed and delivered by an authorized officer of the Trustee; and (iii) the resolutions of the Trustee authorizing the execution and delivery and/or performance of the Trust Agreement by the Trustee have been duly adopted by the Trustee, are in full force and effect and have not been modified, amended or repealed;

(9) Any other certificates and opinions required by the Trust Agreement for the issuance thereunder of the Obligations;

(10) Evidence satisfactory to the Underwriter that the Obligations have been assigned ratings of “___” and “___” by _____ and _____, respectively, and that such ratings are in effect as of the date of the Closing;

(11) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the City;

(12) A certified copy of the Resolution;

(13) The filing copy of the Information Return Form 8038-G (IRS) for the Obligations; and

(14) The filing copy of the Report of Bond and Security Issuance for the Arizona State Treasurer’s Office pursuant to Section 35-501(B), Arizona Revised Statutes.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and none of the Underwriter or the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriter set forth in Section 8 hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Obligations if, between the date of this Agreement and the Closing, the market price or marketability of the Obligations shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the Arizona Legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or

proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Obligations or, with respect to State taxation, of the interest on the Obligations as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Obligations, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restriction (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Obligations or as to obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(f) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income securities (or interest thereon), or the validity or enforceability of the City's pledge of any portion of the Excise Tax Revenues or State Shared Revenues;

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or

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

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the City;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or an escalation of existing hostilities or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred any downgrading, or any notice shall have been given of (A) any intended or potential downgrading or (B) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the City's obligations (including the rating to be accorded the Obligations); or

(l) the purchase of and payment for the Obligations by the Underwriter, or the resale of the Obligations by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay any expenses incident to the performance of the City's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the City Documents, the Preliminary Official Statement and the Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation and printing of the Obligations; (iii) the fees and disbursements of Bond Counsel and counsel to the Underwriter; (iv) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the City; and (v) the fees for bond ratings and credit enhancement fees or premiums, if any. The City shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter, which are incidental to implementing this Agreement, including, but not limited to, means, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Obligations; and (ii) all other expenses incurred by it in connection with the public offering of the Obligations.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the City to comply with the terms or to fulfill any of the conditions of this Agreement or if for any reason the City shall be unable to perform its obligations under this Agreement, the City will reimburse the Underwriter for all out-of-pocket expenses (including the fees and disbursements of counsel to the Underwriter) reasonably

incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The City hereby acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the issuance of the Obligations.

9. Notices. Any notice or other communication to be given to the City under this Agreement may be given by delivering the same in writing to the address set forth on the first page of this Agreement, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to the Underwriter, RBC Capital Markets, LLC, 2398 East Camelback Road, Suite 700, Phoenix, AZ 85016, Attention: Nicholas Dodd.

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City, and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the City. All of the City's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Obligations pursuant to this Agreement; and (iii) any termination of this Agreement.

11. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the City and shall be valid and enforceable at the time of such acceptance.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State.

13. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. Business Day. For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. Notice Concerning Cancellation of Contracts. To the extent applicable by provision of law, the parties hereto acknowledge that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes.

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least one counterpart of this Agreement shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS, LLC
As Underwriter

By: _____
Nicholas Dodd, Managing Director

Accepted at _____ o'clock __.m. MST this _____ day of _____, 2015.

CITY OF EL MIRAGE, ARIZONA

By: _____
Finance Director, City of El Mirage, Arizona

ATTEST:

By: _____
City Clerk, City of El Mirage, Arizona

SCHEDULE

\$ _____

CITY OF EL MIRAGE, ARIZONA
PLEDGED EXCISE TAX REVENUE OBLIGATIONS, SERIES 2015

Obligations Dated: Date of Initial Delivery

PAYMENT SCHEDULE

<u>Date</u> <u>(July 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
--------------------------------	---------------	--------------------------------	--------------

Prepayment Provisions: