

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT

RESOLUTION NO. 2018-0010

A RESOLUTION OF THE DISTRICT BOARD OF RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT RATIFYING THE GIVING OF NOTICE OF HEARING WITH RESPECT TO APPROVING, AND APPROVING, A FEASIBILITY REPORT WHICH INCLUDES IDENTIFYING THE PUBLIC INFRASTRUCTURE OF THE PROJECTS, THE AREAS TO BE BENEFITTED, THE EXPECTED METHOD OF FINANCING AND THE SYSTEM OF PROVIDING REVENUES TO OPERATE AND MAINTAIN THE PROJECTS, ALL AS PROVIDED IN SUCH REPORT; AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$6,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS, SERIES 2018; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES 2018 STANDBY CONTRIBUTION AGREEMENT, A SERIES 2018 DEPOSITORY AGREEMENT, A SERIES 2018 INDENTURE OF TRUST AND SECURITY AGREEMENT AND CERTAIN OTHER DOCUMENTS RELATING TO THE BONDS; AWARDED THE BONDS TO THE PURCHASER THEREOF; DELEGATING THE DETERMINATION OF CERTAIN TERMS AND CONDITIONS FOR SALE OF THE BONDS AND MATTERS RELATED THERETO TO THE DISTRICT MANAGER AND AUTHORIZING THE SUBSEQUENT LEVYING OF AN *AD VALOREM* PROPERTY TAX WITH RESPECT TO THE BONDS

BE IT RESOLVED BY THE DISTRICT BOARD OF RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT as follows:

1. Findings.

a. Pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "Act"), and Section 9-500.05, Arizona Revised Statutes, the Town of Sahuarita, Arizona (hereinafter called the "Municipality"), Rancho Sahuarita Community Facilities District (hereinafter called the "District"), Interchange Opportunity Fund L.L.P. (hereinafter referred to as the "LLLP") and Rancho Sahuarita Management Company, L.L.C. (hereinafter referred to as the "LLC") entered into a District Development, Financing Participation and Intergovernmental Agreement (Rancho Sahuarita Community Facilities District), dated as of April 1, 2014 (hereinafter referred to as the "Development Agreement") to specify, among other things, conditions, terms, restrictions and requirements for public infrastructure (as such term is defined

in the Act) and the financing of public infrastructure and subsequent reimbursements or repayments over time.

b. With regard to the property which makes up the real property included within the District, the District, the LLLP and the LLC specified some of such matters in the Development Agreement, particularly matters relating to the acquisition or construction of certain public infrastructure by the District, the acceptance by the Municipality or other appropriate political subdivisions, the reimbursement or repayment of the LLLP and the LLC with respect thereto, the advance of moneys for public infrastructure purposes and the repayment of such advances and the obtaining of credit enhancement for, and processing of disbursement and investment of proceeds of, certain bonds, all pursuant to the Act.

c. The District is authorized (1) by Section 48-719, Arizona Revised Statutes to issue and sell general obligation bonds of the District to provide moneys for public infrastructure purposes consistent with The General Plan of Rancho Sahuarita Community Facilities District (hereinafter referred to as the "General Plan") and (2) by Section 48-709(F), Arizona Revised Statutes to repay all or part of fees and charges collected from landowners for public infrastructure purposes, the advance of moneys by landowners for public infrastructure purposes or the granting of real property by the landowner for public infrastructure purposes from the proceeds of such bonds pursuant to agreements entered into with landowners and the Municipality, pursuant to Section 48-709(A)(10), Arizona Revised Statutes.

d. Such bonds may not be issued unless approved at an election ordered and called to submit to the qualified electors of the District or to those persons who will be qualified to vote pursuant to Section 48-707(G), Arizona Revised Statutes [being, if no person has registered to vote within the area to be included within the boundaries of the District within fifty (50) days immediately preceding any scheduled election date, the owners of land within the District who will be qualified electors of the State of Arizona and other landowners according to Section 48-3043, Arizona Revised Statutes (hereinafter referred to as the "qualified electors"),] the question of authorizing the board of directors of the District (hereinafter called the "District Board") to issue such bonds (hereinafter referred to as the "Bonds").

e. The District Board deemed it necessary and advisable to order and call such an election and to establish the procedures whereby such election should be held and did so pursuant to Resolution No. 2014-0001 adopted on April 28, 2014 (hereinafter referred to as the "Election Resolution"), which provided that a special election be held on August 12, 2014 (hereinafter referred to as the "Election"), at which time there was submitted to the qualified electors of the District the question set forth in the official ballot described in the Election Resolution.

f. The election board for the Election filed with the District Board its returns of election and the ballots cast at the polling place, and the District Board canvassed the returns of the Election and determined (1) that a total of one (1) ballot(s) had been cast in response to the question submitted with respect to issuance of the Bonds, that in answer to such question, such ballots were marked "Bonds, Yes" and no ballots were marked "Bonds, No" with respect to the issuance of the Bonds; (2) that the Election had been conducted and the returns thereof made as required by law and (3) that only qualified electors were permitted to vote at the Election.

g. Pursuant to Resolution No. 2014-0002 adopted by the District Board on August 25, 2014, the District Board found and determined that a majority of the votes cast by the qualified electors voting at the Election voted "Bonds, Yes" and that the Bonds up to and including \$60,000,000 aggregate principal amount are therefore authorized to be sold and issued.

h. Pursuant to Section 48-715, Arizona Revised Statutes and the Election Resolution, the District Board has caused a report of the feasibility and benefits of certain projects relating to certain public infrastructure provided for in the General Plan and to be financed with proceeds of the sale of a first Series of the Bonds (hereinafter referred to as the "First Series of Bonds") to be prepared, such report having included a description of certain public infrastructure to be acquired and all other information useful to understand the projects, a map showing, in general, the location of the projects, an estimate of the cost to construct, acquire, operate and maintain the projects, an estimated schedule for completion of the projects, a map or description of the area to be benefitted by the projects and a plan for financing the projects (hereinafter referred to as the "Report"). A public hearing on the Report was held on the date of adoption of this Resolution, but prior thereto (hereinafter referred to as the "Hearing"), after provision for publication of notice thereof as provided by law (hereinafter referred to as the "Notice").

i. It has been requested that the District Board undertake any and all of the public infrastructure purposes described in the General Plan as such purposes relate to the public infrastructure (hereinafter referred to as the "Projects") described in the Development Agreement, and the District Board desires to undertake such public infrastructure purposes as described in the Development Agreement, including consideration of the acquisition or construction of the Projects which are designated in the General Plan.

j. The District Board (1) has determined to authorize the issuance of the First Series of Bonds to provide funds for any and all of the public infrastructure purposes provided for by the Act to the extent authorized in the Election and (2) shall enter in its minutes a record of the First Series of Bonds sold and their numbers and dates and levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described herein, to pay Debt Service (as such term is hereinafter defined) when due.

k. Pursuant to the Act, the District Board has determined to enter into a Series 2018 Standby Contribution Agreement, to be dated as of the first day of the month of the dated date of the First Series of Bonds determined as provided herein (hereinafter referred to as the "Standby Contribution Agreement"), by and among the District, the LLLP, the LLC and U.S. Bank National Association, as trustee (hereinafter referred to as the "Trustee"), to provide for certain public infrastructure purposes for the District, including for credit enhancement for the First Series of Bonds.

l. Pursuant to the Act, the District Board has also determined to enter into a Series 2018 Depository Agreement, to be dated as of the first day of the month of the dated date of the First Series of Bonds determined as provided herein (hereinafter referred to as the "Depository Agreement"), by and between the District and the Trustee, in its separate capacity as depository

(hereinafter referred to as the "Depository"), to provide for certain public infrastructure purposes for the District, including for credit enhancement for the First Series of Bonds.

m. Pursuant to the Act, the District Board has further determined to enter into a Series 2018 Indenture of Trust and Security Agreement, to be dated as of the first day of the month of the dated date of the First Series of Bonds as provided herein (hereinafter referred to as the "Indenture"), from the District to the Trustee to secure (including with amounts to be available pursuant to the Standby Contribution Agreement and the Depository Agreement), and process the issuance, registration, transfer and payment and the disbursement and investment of proceeds of, the First Series of Bonds. (Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.) The District Board has determined by this Resolution to authorize the sale and issuance of the First Series of Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the First Series of Bonds by the Trustee, to authorize the execution and delivery of the Indenture.

n. The sale of the Bonds will be accomplished by entities submitting proposals pursuant to a Request for Proposals to Purchase General Obligation Bond of Rancho Sahuarita Community Facilities District promulgated by the District Treasurer prior to the adoption hereof (hereinafter referred to as the "Request".)

o. The only entity submitting a proposal pursuant to the Request was Western Alliance Public & Non-Profit Finance (hereinafter referred to as the "Proposal").

p. There have been placed on file with the District Clerk of the District and presented to the District Board, in connection with the purposes described in paragraphs 1.h. through n. (1) the proposed form of the Standby Contribution Agreement, (2) the proposed form of the Depository Agreement and (3) the proposed form of the Indenture as well as the Request and the Proposal. (The documents described in Clauses (1) through (3), both inclusive, are hereinafter referred to, collectively, as the "Bond Documents.")

q. The District Board hereby finds and determines that (1) the proposed amount of indebtedness evidenced by the First Series of Bonds will not exceed the estimated cost of the public infrastructure improvements to be financed with the proceeds of the sale thereof plus all costs connected with the public infrastructure purposes related thereto and sale and issuance of the First Series of Bonds and (2) the total aggregate outstanding amount of the First Series of Bonds will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure to be acquired by the District with proceeds of the First Series of Bonds (based upon information to be submitted to the District by the LLP and the LLC, hereby found and determined to be not less than \$10,000,000) all as provided in the Act.

r. Pursuant to the Internal Revenue Code of 1986, as amended (hereinafter referred to as the "Code"), and the regulations promulgated thereunder (hereinafter referred to as the "Regulations"), issuers of obligations, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes (hereinafter referred to as "Tax-Exempt Obligations"), are required to establish policies and procedures to ensure

compliance with the applicable provisions of the Code and the Regulations, and the District Board has determined that procedures should be adopted in order to ensure that Tax-Exempt Obligations issued by the District comply with the provisions of the Code and the Regulations (hereinafter referred to as the "Procedures").

s. There has also been placed on file with the District Clerk of the District and presented to the District Board the Procedures.

t. All formal actions concerning and relating to the passage of this Resolution were taken in an open meeting, in compliance with all legal requirements, and all things required to be done preliminary to the authorization, sale and issuance of the First Series of Bonds have been duly done and performed in the manner required by law, and the District Board is now empowered to proceed with the sale and issuance of the First Series of Bonds.

2. a. Approval of Notice of Hearing on Report. The form of the Notice attached hereto and marked as the Exhibit is hereby ratified in all respects as well as the publication of the Notice and mailing of the Report to the governing body of the Municipality.

b. Preparation of Report. The preparation of the Report is hereby ratified and confirmed. (Upon completion of a draft of the Report, the Report, marked in a conspicuous fashion "DRAFT," was submitted to the District Board and the LLLP and the LLC for their review and comment.)

c. Approval of Report and Resolution of Intent. After review of the Report and based on the Hearing and the mailing of the Report to the governing body of the Municipality, the Report is hereby approved in the form submitted to the District Board, and such reasonable actions as may be necessary to cause the results contemplated by and set forth in the Report shall be taken, including particularly the construction or acquisition of the Projects for the benefit of the areas described in the Report and the consummation of the expected method of financing, and an appropriate system of providing revenues or other means to maintain, the Projects, all as provided in the Report.

3. a. Approval of Sale and Issuance of First Series of Bonds. The First Series of Bonds is hereby authorized to be issued as a series of general obligation bonds of the District to be designated "General Obligation Bonds, Series 2018." The First Series of Bonds shall be issued in the aggregate principal amount, be in fully registered form only and denominations, bear interest from their date, be numbered and mature and be subject to redemption prior to maturity, in each case as provided in the Indenture as determined by the District Manager as hereinafter provided. The District Manager is hereby authorized and directed to cause the sale of the First Series of Bonds based upon the Proposal.

b. Forms, Terms and Provisions, and Execution and Delivery, of First Series of Bonds. The forms, terms and provisions of the First Series of Bonds provided for in the Indenture are hereby approved, with only such changes therein as are not inconsistent herewith and as are approved by the officers authorized in the Indenture to execute the First Series of Bonds, and each is hereby authorized to execute and deliver them. (The persons who shall so

execute and deliver the First Series of Bonds shall be the persons holding such offices at the time of the initial issuance and delivery of the First Series of Bonds.)

c. Forms, Terms and Provisions, and Execution and Delivery, of Bond Documents and Request. The forms, terms and provisions of the Bond Documents in substantially the forms of such documents (including the exhibits thereto) presented at the meeting at which this Resolution is adopted, are hereby approved, with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the officers authorized to execute the documents, which approval will be conclusively demonstrated by the execution thereof, and the District Manager, and the District Clerk are hereby authorized to execute and attest, respectively, the Bond Documents. The Request in the form already promulgated and presented at the meeting at which this Resolution is adopted is hereby ratified and confirmed in all respects.

d. Authorization to Execute and Deliver Order to Trustee. The District Manager is hereby authorized to execute and deliver to the Trustee the written order of the District for the authentication and delivery of the First Series of Bonds by the Trustee.

e. Other Actions Necessary. The District Manager, the District Treasurer, the District Clerk and the other officers of the District shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated by the Bond Documents and the Proposal, including without limitation, the closing and other documents required to be delivered in connection with the sale and delivery of the First Series of Bonds, the foregoing documents to include an agreement with an entity to make information available to the owners of the First Series of Bonds as required by the Proposal. (The persons who shall so take such actions shall be the persons holding such offices at the time of the initial issuance and delivery of the First Series of Bonds.) The promulgation of the Request by the District Treasurer is hereby verified and confirmed.

f. Tax Levy.

1. For each year while any of the First Series of Bonds is outstanding, the District Board shall annually levy and cause to be collected an *ad valorem* tax, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any moneys from any sources in the Enabling Act and under the Indenture, to pay Debt Service when due.

2. Moneys derived from the levy of the tax provided for in this Section with respect to the First Series of Bonds when collected constitute funds to pay Debt Service and shall be kept in the Series 2018 Tax Account and separately from other funds of the District.

3. The District Board shall make annual statements and estimates of the amount to be raised to pay Debt Service on the First Series of Bonds. The District Board shall file the annual statements and estimates with the Clerk of the Municipality and shall publish a notice of the filing of the estimate. The District Board, on or before the date set by law for certifying the annual budget of the Municipality, shall fix, levy and assess the amounts to be

raised by *ad valorem* taxes of the District and shall cause certified copies of the order to be delivered to the Board of Supervisors of Pima County, Arizona, and to the Department of Revenue of the State. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this Section.

g. No Obligation of Municipality. Neither the full faith and credit nor the general taxing power of the Municipality is pledged to the payment of the First Series of Bonds. Nothing contained in this Resolution, the Bond Documents or any other instrument related to the First Series of Bonds shall be construed as obligating the Municipality, or as incurring a charge upon the general credit or any other credit or revenues of the Municipality nor shall the breach of any agreement contained in this Resolution, the Bond Documents or any other instrument or documents executed in connection therewith impose any charge upon the general credit or any other credit or revenues of the Municipality.

h. Appointment of Trustee and Depository. The Trustee is hereby confirmed as trustee, registrar and paying agent and as depository for the purposes of the Indenture and the Depository Agreement, respectively.

i. Implementation of Procedures. The Procedures are hereby adopted to establish policies and procedures related to the purposes set forth in the Recitals hereto. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

4. Repeal of Resolution. After any of the First Series of Bonds are delivered by the Trustee upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the First Series of Bonds and the interest thereon shall have been fully paid, canceled and discharged.

5. Severability; Amendment; Effective Date.

a. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

b. This Resolution may only be amended as provided by the terms of the Indenture.

c. All resolutions or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency.

d. This Resolution shall be effective immediately.

///

///

PASSED by the District Board of Rancho Sahuarita Community Facilities District this 12th day of March, 2018.



Tom Murphy
Chairperson, District Board
Rancho Sahuarita Community Facilities District

ATTEST:


Lisa Cole, MMC
District Clerk
Rancho Sahuarita Community Facilities District

APPROVED AS TO FORM:


Daniel J. Hochuli
District Counsel
Rancho Sahuarita Community Facilities District

ATTACHMENT:

EXHIBIT -- Form of Notice of Hearing on Report

EXHIBIT

FORM OF NOTICE OF HEARING ON REPORT

NOTICE FOR HEARING REQUIRED BY A.R.S. § 48-715 ON
REPORT OF THE FEASIBILITY AND BENEFITS OF
CERTAIN PROJECTS TO BE FINANCED WITH THE
PROCEEDS OF THE SALE OF GENERAL OBLIGATION
BONDS OF RANCHO SAHUARITA COMMUNITY
FACILITIES DISTRICT

Pursuant to Section 48-715, Arizona Revised Statutes, notice is hereby given that a public hearing on the report of the feasibility and benefits of projects to be financed with the proceeds of the sale of the first series of general obligation bonds of Rancho Sahuarita Community Facilities District shall be held by the District Board on March 12, 2018, at or after 6:30 p.m. (Arizona time), in the Council Chambers located at 375 West Sahuarita Center Way, Sahuarita, Arizona. Such feasibility report and further information relating thereto are on file with the Town Clerk of the Town of Sahuarita, Arizona/District Clerk of Rancho Sahuarita Community Facilities District, 375 West Sahuarita Center Way, Sahuarita, Arizona 85629, telephone number: (520) 822-8800.

Dated this day of February, 2018.

/s/ Kelly Udall

District Manager, Rancho Sahuarita Community
Facilities District

Publish once in the *Arizona Daily Star* not less than ten days before March 12, 2018.

March 7, 2018

VIA EMAIL

Mr. A.C. Marriott
District Treasurer
Rancho Sahuarita Community Facilities District
c/o Town of Sahuarita
375 W. Sahuarita Center Way
Sahuarita, Arizona 85629
amarriotti@saharitaaz.gov

Re: Rancho Sahuarita Community Facilities District (Town of Sahuarita, Arizona)
General Obligation Bond, Series 2018 (the “Series 2018 Bond”)

Western Alliance Bank and Western Alliance Business Trust are pleased to submit the following preliminary terms, subject to formal credit approval and receipt and approval of all relevant documentation with respect to purchase of the Series 2018 Bond. This term sheet is provided solely as a basis for discussion, outlining the general contemplated structure for the Series 2018 Bond, and should not be construed as a commitment by the Purchaser. This term sheet is a non-binding outline only and does not purport to summarize all of the conditions, terms, covenants, representations, warranties and other provisions which would be contained in definitive legal documentation for the Series 2018 Bond contemplated hereby.

Borrower: Rancho Sahuarita Community Facilities District (the “Borrower” or “District”)
Town: Town of Sahuarita, Arizona (the “Town”)
Developer: Interchange Opportunity Fund L.L.P., an Arizona limited liability limited partnership (“IOF”) and Rancho Sahaurita Management Company, L.L.C., an Arizona limited liability company (“RSMC,” and together with IOF, the “Master Developers”)
Purchaser: Western Alliance Business Trust or a wholly owned affiliate of Western Alliance Bank (the “Purchaser”). The contacts for the Purchaser are as follows:

Monika E. Suarez
Senior Vice President – Municipal Finance Director
Western Alliance Bank
601 W. 5th Street, Suite 100
Los Angeles, CA 90071
Ph. (213) 362-5277
msuarez@westernalliancebank.com

Joshua J. Lentz
Vice President – Municipal Finance Officer
Western Alliance Bank
One E. Washington Street, Ste. 1400
Phoenix, AZ 85004
Ph. (602) 346-7467
jlentz@westernalliancebank.com

Purpose:	Proceeds from the Series 2018 Bond are to be used to (i) pay costs of the Public Infrastructure improvements, and (ii) pay cost of issuance associated with the issuance of the Series 2018 Bond.
Tax Status:	Interest on the Series 2018 Bond shall be excluded from gross income for federal income tax purposes and exempt from income taxation under the laws of the State of Arizona. Such interest shall not be a preference item for AMT purposes. The Series 2018 Bond shall be designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986.
Principal Amount:	Not to exceed \$6,000,000
Final Maturity Date:	July 15, 2043
Interest Payment Dates:	Semi-annual interest payments on each July 15 and January 15 commencing January 15, 2018 through July 15, 2043, computed on the basis of a 360 year consisting of twelve 30-day months.
Principal Payment Dates:	Fully amortizing annual principal payments on each July 15 commencing July 15, 2020 through July 15, 2043.
Estimated Weighted Average Maturity:	Not to exceed 16 years
Interest Rate Pricing:	78% of the sum of the 16-Year LIBOR Interest Rate Swap Rate plus 3.50% (tax-exempt fixed rate). Based on market rates as of March 7, 2018, the indicative interest rate would be <u>5.06%</u> *. The interest rate may be locked two weeks prior to funding following all necessary approvals.
Redemption Provisions:	<p><u>Optional Redemption.</u></p> <p>The Series 2018 Bond or any portion thereof or any integral multiple thereof may be called prior to maturity and redeemed at the option of the District, from any sources of funds, in whole or in part, on any Interest Payment Date on or after July 15, 2028, at a price equal to the principal amount of the Series 2018 Bond to be redeemed, together with accrued interest to the date of redemption, without any penalty.</p> <p><u>Mandatory Sinking Fund Redemption.</u></p> <p>The Series 2018 Bond maturing on July 15, 2043 is subject to redemption prior to their stated maturity in part by lot, from sinking fund payments made by the District at redemption price equal to the principal thereof to be redeemed, without premium, in the aggregate respective principal amounts and on July 15 in each of the respective years as determined upon the locking of the interest rate on the Series 2018 Bond.</p>

* Preliminary, subject to change and market conditions. The interest rate is based on the MID 16-Year LIBOR Interest Rate Swap Rate of 2.9885% as of March 7, 2018, 15:59:53 EST. Today's interest rate calculation is as follows: $78\%(2.9885\%+3.50\%) = 5.06\%$. The interest rate calculation is rounded to the nearest one hundredth percentage.

Source: Bloomberg Finance L.P.

Security:	<p>Principal of and interest on the Series 2018 Bond will be payable from a continuing, direct, annual, ad valorem tax levied against all of the taxable property in the District, together with any amounts from sources described in the Enabling Act and available pursuant to the governing legal document.</p> <p>Debt service also will be guaranteed pursuant to a standby contribution agreement with the Developer, which amounts will be paid at the times and for the period set forth in the standby contribution agreement.</p> <p>In the event the Developer fails to pay amounts due pursuant to the standby contribution agreement, debt service also will be payable from the then stated amount of a letter of credit which will be drawn and held pursuant to a depository agreement.</p>
Reserve Fund:	None.
Additional General Obligation Bonded Indebtedness	The Borrower retains the right to issue, subject to the authorization remaining from the election, additional series of bonds payable from <i>ad valorem</i> property taxes to the extent additional amounts of the authorized bonds to be issued together with the Series 2018 Bond or refunding bond of the Series 2018 Bond are not more than fifty percent (50%) of the net assessed property value for secondary tax purposes as of the last preceding tax levy of property within the boundaries of the District.
Other Fees Due at Closing:	The Borrower shall be obligated to pay all delivery costs, including legal fees of the Purchaser's Counsel. The Purchaser's Counsel fee shall not exceed \$15,000.
Purchaser's Counsel:	Timothy E. Pickrell, Esq. of Squire Patton Boggs (US) LLP / Phoenix, Arizona
Bond Counsel:	Greenberg Traurig, LLP / Phoenix, Arizona
Municipal Advisor:	Stifel, Nicolaus & Company, Incorporated / Phoenix, Arizona
Major Developers' Counsel	Gallagher & Kennedy / Phoenix, Arizona
Bond Trustee:	U.S. Bank National Association / Phoenix, Arizona
Closing Date:	March 29, 2018 (Estimated)
Representations / Warranties:	Bond Counsel will be responsible for preparing all legal documentation, which will contain customary affirmative and negative covenants as well as usual representations and warranties for like situated borrowers acceptable to the Purchaser and the Purchaser's Counsel.
Legal Opinion(s):	Opinions of Bond Counsel, among other things, as to (1) treatment of payments under the Series 2018 Bond as tax-exempt obligations under the IRS Code and treatment of payments under the Series 2018 Bond as exempt from State of Arizona income taxes; (2) opinion as to the validity and enforceability of the Series 2018 Bond and security lien on <i>ad valorem</i> taxes to be collected within the District; (3) opinion as to the Series 2018 Bond being exempt from registration pursuant to the Securities Act of 1933, as amended and the legal documents being exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended, and (4) such other opinions as the

Purchaser may require.

An opinion of the Town Attorney shall also be provided in form and substance satisfactory to the Purchaser and the Purchaser's Counsel.

An opinion of the Master Developers' Counsel shall also be provided in form and substance satisfactory to the Purchaser and the Purchaser's Counsel.

Documentation:

Prior to the issuance of the Series 2018 Bond, the following conditions precedent shall have occurred, all of which shall be in form and substance satisfactory to the Purchaser and the Purchaser's Counsel:

1. formal credit approval by the Purchaser for the purchase of the Series 2018 Bond;
2. satisfactory review by the Purchaser's Counsel of any outstanding agreements entered into by the Borrower and the Town which may impact the security for the Series 2018 Bond or the obligations of the Borrower and the Town with respect to repayment of the Series 2018 Bond;
3. any authorizing resolution(s) of the Borrower and the Town as required for the issuance and repayment of the Series 2018 Bond;
4. opinions as required by the Purchaser and the Purchaser's Counsel;
5. properly executed legal documents in form and substance satisfactory to the Purchaser and the Purchaser's counsel evidencing or supporting the repayment of the Series 2018 Bond; and
6. additional conditions precedent that the Purchaser and the Purchaser's Counsel consider customary and reasonably appropriate for the proposed purchase of the Series 2018 Bond.

The Purchaser will book the Series 2018 Bond as a loan, and, therefore, the Series 2018 Bond will be purchased by the Purchaser under the following conditions:

- (i) the Series 2018 Bond shall not be registered or otherwise qualified for sale under the "Blue Sky" laws;
- (ii) the Purchaser will hold their respective term bond as a single debt instrument;
- (iii) a CUSIP number will not be obtained for the Series 2018 Bond; however, the Purchaser is treating the Series 2018 Bond as a loan and the Series 2018 Bond shall not be construed by the Purchaser as a security;
- (iv) no official statement or similar offering document has been prepared in connection with the private placement of the Series 2018 Bond;
- (v) the Series 2018 Bond will be in certificated form, will not settle through the DTC or any similar repository and will not be in book entry form; and
- (vi) the Purchaser will sign a letter of representations in a form acceptable to Purchaser's Counsel.

No Fiduciary Relationship:

Inasmuch as the Series 2018 Bond represents a negotiated transaction, the Borrower understands, and hereby confirms, that the Purchaser is not acting as a fiduciary of the Borrower, but rather is acting solely in its capacity as a Purchaser, for its own account. The Borrower acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the Borrower and the Purchaser and its affiliates, (ii) in connection with such transaction, the Purchaser and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), (iii) the Purchaser and its affiliates are relying on the Purchaser exemption in the Municipal Advisor Rules, (iv) the Purchaser and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto, (v) the Purchaser and its affiliates have financial and other interests that differ from those of the Borrower, and (vi) the Borrower has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

Reporting Requirements:

Within nine (9) months after each fiscal year, the Borrower shall provide:

- (a) a copy of the Borrower's audited financial statements;
- (b) a table presenting the real and secured property taxes levied and collected for the prior fiscal year;
- (c) a table presenting the net limited assessed property values of major taxpayers for the prior fiscal year;
- (d) a table presenting the net limited assessed property value for the prior fiscal year and preliminary estimate for the current fiscal year;
- (e) a table presenting the estimated net full cash value for the prior fiscal year and a preliminary estimate for the current fiscal year; and
- (f) a table presenting the debt service requirements and the projected impact on the Series 2018 Bond tax rate including the Master Developers estimated contribution.

The Purchaser shall be copied on all quarterly standby contribution payment requests from the Bonds Trustee to the Master Developers.

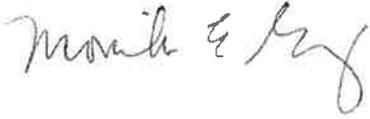
The Purchaser shall receive notice of any significant impact to the Borrower's financial position. The Borrower shall furnish at the Purchaser's request such additional information that Purchaser may from time to time reasonably request.

Assignment:

The Purchaser retains the right to assign or to participate its interest in the Series 2018 Bond. The Purchaser acknowledges and agrees that the Series 2018 Bond may only be transferred to a "Qualified Institutional Buyer" or an "Accredited Investor" within the meaning of the Securities Act of 1933, as amended.

Please sign the enclosed copy of this term letter to myself via e-mail or regular mail to our attention (see contact information on first page).

Submitted on behalf of Western Alliance Bank and its affiliate, Western Alliance Business Trust.



Monika E. Suarez
Senior Vice President – Municipal Finance Director



Joshua J. Lentz
Vice President – Municipal Finance Officer

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT

By: _____
Name: _____
Title: _____
Date: _____

**Rancho Sahuarita Community Facilities District (Sahuarita, Arizona)
General Obligation Bond, Series 2018 (the "Bond")**

Request for Proposals to Purchase General Obligation Bond of
Rancho Sahuarita Community Facilities District
Proposed General Terms and Conditions

Terms/Definitions	Description
Issuer:	Rancho Sahuarita Community Facilities District (the "District").
Principal Amount:	\$5,780,000*
Authority:	<p>Pursuant to an election held August 12, 2014, the District is authorized to issue not to exceed \$60,000,000 in principal amount of general obligation bonds. \$5,780,000* will be issued in the form of the Bond for public infrastructure purposes pursuant to Title 48, Chapter 4, Article 6 of Arizona Revised Statutes (the "Act") and an Indenture of Trust and Security Agreement (the "Indenture") from the District to U.S. Bank National Association (the "Trustee"). The issuance of the Bond and necessary, related matters will be authorized by a resolution of the board of directors of the District (the "Board") to be adopted on March 12, 2018. Such resolution will also approve a feasibility report required with respect to the projects to be financed with proceeds of the sale of the Bond as required by Section 48-715, Arizona Revised Statutes (the "Report").</p> <p>The Act provides that the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged will not exceed 60 percent of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure owned or to be acquired by the District with the proceeds of the bonds.</p>
Documents Which Should Be Reviewed:	<p>Links are provided below to the most recent drafts of the Indenture and the Report as well as the Standby Contribution Agreement and the Depository Agreement described therein. All such documents are subject to change before adoption of the Resolution. Notice will be provided to all those receiving this Request of any material changes in such documents before such adoption. (None are expected.) Initially, capitalized terms used herein but not defined herein have the meanings provided in the Indenture.</p>
Security and Source of Payment:	<p>After the Bond is issued, State law requires that the Board annually levy and cause an ad valorem tax to be collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described in the Act and which may be available pursuant to the Indenture, including the Standby Contribution Agreement and the Depository Agreement, to pay Debt Service when due. Such taxes are to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected. The proceeds of the taxes will be kept in the Tax Account and will be used only for the payment of principal and interest as above-stated. Following collection and deposit of the taxes in the Tax Account, moneys credited to the Tax Account will be invested in accordance with the provisions of State law.</p> <p>The Bond and any other general obligation bonds of the District will be payable on a parity basis with respect to the collection and application of property tax revenues of the District. Such property taxes will be allocated to each series of bonds in accordance with any debt service then due and, in either case, taking into account other funds held by the District for such payment. Property tax revenues allocated for any series of bonds will be deposited into the applicable fund or account set aside for such series.</p> <p>Debt Service on the Bond (but not debt service with respect to any subsequently issued bonds of the District) also will be payable from amounts to be paid pursuant to the Standby Contribution Agreement, which amounts will be paid to the Trustee at the times and for the period set forth in the Standby Contribution Agreement. Interchange Opportunity Fund L.L.P. and Rancho Sahuarita Management Company, L.L.C. will be obligated, jointly and severally, to pay such amounts. The Standby Contribution Agreement may be terminated under certain circumstances prior to the final maturity of the Bond. Please review the Standby Contribution Agreement linked hereto with respect to availability of amounts pursuant to the Standby Contribution Agreement. It is expected, but there can be no guarantee, that based on anticipated development, the amount of ad valorem taxes to be collected from year to year at a tax rate of \$4.69 per \$100 of net limited assessed property value on all taxable property then</p>

* Preliminary, subject to change.

Terms/Definitions	Description
	<p>within the boundaries of the District may, each year, pay an increasing amount of Debt Service and ultimately may be sufficient alone to pay Debt Service.</p> <p>In the event such entities fail to pay amounts due pursuant to the Standby Contribution Agreement, Debt Service (but not debt service with respect to any subsequently issued bonds of the District) may also be payable from the stated amount of the Letter of Credit which will be drawn and held pursuant to the Depository Agreement and then, under certain circumstances, paid to the Trustee for such purpose at the times and in the amounts set forth in the Depository Agreement. Amounts available to be held pursuant to the Depository Agreement will be subject to reduction and not subject to replenishment if used for such purposes. The Depository Agreement may be terminated under certain circumstances prior to the maturity of the Bond. See the Indenture and the Depository Agreement linked hereto with respect to availability of amounts pursuant to the Depository Agreement.</p> <p>For convenience only, Exhibit B hereto provides certain information with respect to the ad valorem property tax base of the District. Accuracy of the information and the source indicated should not be assumed. The information should be confirmed from the source or other sources deemed reliable by entities submitting proposals.</p> <p>NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BOND. THE BOND IS AN OBLIGATION OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.</p>
Bank Qualified:	Yes
Principal and Interest Payments / Alternate Mandatory Redemption Schedule:	Interest will be payable on January 15, 2019, and each January 15 and July 15 (each an "Interest Payment Date") thereafter until maturity or prior redemption. Principal will mature on July 15. The Bond will be a single term bond with mandatory redemption requirements each year prior to final maturity. Exhibit A hereto provides two options for such redemption requirements. Entities submitting proposals may provide a rate for either or both options.
Optional Redemption:	Entities submitting proposals to provide. Will be taken into account in determining final award.
No Offering Document or Credit Rating:	The District will not apply for an independent credit rating or produce offering documents with respect to the Bond. Entities submitting proposals must conduct their own due diligence as to the purchase of the Bond.
Bond Counsel:	Greenberg Traurig, LLP; contact: Michael Cafiso, Esq., (602) 445-8452 / cafisom@gtlaw.com or Paul Gales, Esq., (602) 445-8404 / galesp@gtlaw.com
Financial Advisor:	Stifel Nicolaus & Company Incorporated; Mark Reader, (602) 794-4011 / mreader@stifel.com or Erika Coombs, (602) 794-4030 / ecoombs@stifel.com Please direct all questions to A.C. Marriotti, District Treasurer.
Costs:	All costs associated with the issuance of the Bond will be payable from the proceeds of the sale of the Bond, including the fees and expenses of the counsel of the entity to which final award is made, the Financial Advisor and Bond Counsel. Proposals will disclose all potential additional fees and expenses. Payment of all fees and expenses will be contingent upon closing.
Estimated Closing:	March 29, 2018 (subject to change).
Proposals Due:	Proposals will be submitted to the District Treasurer or before Wednesday, February 28, 2018 by 3:00 p.m. (MST) . Electronic proposals are preferred. Proposals will disclose anticipated due diligence and credit approval procedures and timelines as well as expiration of any proposed terms, rates, costs and conditions.
Proposal Award:	District officials may select a purchaser on a preliminary basis, if any, to negotiate terms, conditions, covenants and financing documentation. The District Treasurer reserves the right to reject any or all proposals, and submit future requests for proposals depending on results, among other factors.
Questions:	Please direct all questions to A.C. Marriotti, District Treasurer, (520) 822-8838 / amarriotti@sahuaritaaz.gov.

Documents to be provided in the link herein:

https://sendfile.stifel.com/pickup/nUS4bhuns2UDL6qY4YLjFMQCbZKjDJcE_bYLif9

The document link expires at 2pm Mountain Time on Tuesday, February 27, 2018.

- Indenture (Draft)
- Feasibility Report (Draft)
- Standby Contribution Agreement (Draft)
- Depository Agreement (Draft)
- Resolution (Draft)

EXHIBIT A
PRELIMINARY MATURITY SCHEDULES
(Subject to Change)

OPTION 1
Final Maturity of 7/15/2038 (20-year)

<u>Fiscal Year</u>	<u>Principal</u>
2018/19	\$ -
2019/20	195,000
2020/21	205,000
2021/22	215,000
2022/23	220,000
2023/24	235,000
2024/25	245,000
2025/26	255,000
2026/27	270,000
2027/28	280,000
2028/29	295,000
2029/30	310,000
2030/31	325,000
2031/32	340,000
2032/33	355,000
2033/34	370,000
2034/35	390,000
2035/36	405,000
2036/37	425,000
2037/38	445,000
	<u>\$5,780,000</u>

Average Life: 12.612 years

PRELIMINARY MATURITY SCHEDULES
(Subject to Change)

OPTION 2 –
Final Maturity of 7/15/2043 (25-year)

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>
2018/19	\$ -
2019/20	135,000
2020/21	140,000
2021/22	145,000
2022/23	155,000
2023/24	160,000
2024/25	170,000
2025/26	175,000
2026/27	185,000
2027/28	195,000
2028/29	205,000
2029/30	215,000
2030/31	225,000
2031/32	235,000
2032/33	245,000
2033/34	255,000
2034/35	270,000
2035/36	280,000
2036/37	295,000
2037/38	310,000
2038/39	325,000
2039/40	340,000
2040/41	355,000
2041/42	375,000
2042/43	390,000
	<u>\$5,780,000</u>

Average Life: 15.937 years

EXHIBIT B

CERTAIN DISTRICT INFORMATION

Real and Secured Property Taxes Levied and Collected (a)
Rancho Sahuarita Community Facilities District

Fiscal Year	District Tax Rate (a)	District Tax Levy	Collected to June 30 th of Initial Fiscal Year		Cumulative Collections to January 25, 2018	
			Amount	% of Adj. Levy	Amount	% of Adj. Levy
2017 ^(b)	\$0.300	\$2,420			\$1,529	63%
2016	0.300	2,303	\$2,303	100%	2,303	100%
2015	0.300	2,361	2,361	100%	2,361	100%

- (a) To date, only the tax for Operation and Maintenance up to the maximum amount allowed by the Act (\$0.30 per \$100 of Net Limited Assessed Property Value) has been levied and collected. The tax for debt service (initially \$4.69 per \$100 of Net Limited Assessed Property Value) will be levied after issuance of the Bond. Taxes are collected by the Treasurer of Pima County, Arizona (the "County"). Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.
- (b) 2017 taxes in course of collection:
 First installment due 10-01-17, delinquent 11-01-17;
 Second installment due 03-01-18, delinquent 05-01-18.

Source: Treasurer of the County.

Net Limited Assessed Property Values by Property Classification
Rancho Sahuarita Community Facilities District

Class	2015	2016	2017	Preliminary 2018 ^(a)
Commercial, Industrial, Utilities & Mines	\$61,820	\$37,901	\$74,031	\$76,727
Agricultural and Vacant	748,561	728,332	744,630	1,107,608
Residential (owner occupied)	0	0	0	0
Residential (rental)	548	300	195	134
Totals	\$810,929	\$766,533	\$818,856	\$1,184,469

- (a) Preliminary. The values are subject to positive or negative adjustments until approved by the Board of Supervisors of the County on or before August 20, 2018.

Source: *The Property Tax Abstract*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association. Note that Net Limited Assessed Property Values is described as "Net Assessed Value" in the Property Tax Abstract.

**Net Limited Assessed Property Values of Major Taxpayers
Rancho Sahuarita Community Facilities District**

<u>Major Taxpayer</u>	<u>2017 Net Limited Assessed Property Values</u>	<u>As % of Net Limited Assessed Property Values</u>
Fidelity National Title TR 30007	\$378,986	45.7%
Landmark Title TR 18336-T	150,762	18.4
Title Security Agency of AZ TR 201538-S	129,002	15.8
Title Security Agency of AZ TR 2069	82,985	10.1
Landmark Title Assurance LLC TR 18165-T	41,135	5.0
Reays Ranch Investors LLC	30,270	3.7
Sahuarita Water Company LLC	10,675	1.3
	<u>\$818,815</u>	<u>100.00%</u>

Source: The Assessor of the County.

Comparative Net Limited Assessed Property Value

<u>Year</u>	<u>Rancho Sahuarita Community Facilities District</u>
2018 ^(a)	\$1,184,469
2017	818,856
2016	766,533
2015	810,929

(a) Preliminary. The District’s preliminary fiscal year 2018 Net Limited Assessed Property Values is estimated at \$1,184,469, an increase of approximately 44.65% from the fiscal year 2017 Net Limited Assessed Property Values. The values are subject to positive or negative adjustments until approved by the respective Board of Supervisors of the County on or before August 20, 2018.

Source: *Property Tax Rates Assessed Values*, Arizona Tax Research Association and *the Property Tax Abstract*, Arizona Department of Revenue. Note that Net Limited Assessed Property Values is described as “Net Assessed Value” in the Property Tax Abstract.

**Estimated Net Full Cash Value History
Rancho Sahuarita Community Facilities District**

Fiscal Year	Estimated Net Full Cash Value
2018 ^(a)	\$9,039,792
2017	6,446,872
2016	5,953,799
2015	5,116,306

(a) Preliminary. The District’s preliminary fiscal year 2018 estimated Net Full Cash Value is estimated at \$9,039,792, an increase of approximately 40.22% from the fiscal year 2017 estimated Net Full Cash Value. The values are subject to positive or negative adjustments until approved by the respective Board of Supervisors of the County on or before August 20, 2018.

Source: *The Property Tax Abstract*, Arizona Department of Revenue.

OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS

Overlapping General Obligation Bonded Indebtedness

Overlapping general obligation bonded indebtedness is shown below including a breakdown of each overlapping jurisdiction’s applicable general obligation bonded indebtedness, Net Limited Assessed Property Values and combined tax rate per \$100 Net Limited Assessed Property Values. The applicable percentage of each jurisdiction’s Net Limited Assessed Property Values which lies within the District’s boundaries was derived from information obtained from the Assessor of the County.

**TABLE 8
OVERLAPPING GENERAL OBLIGATION BONDED INDEBTEDNESS**
Proportion Applicable
to the District

Overlapping Jurisdiction	2017	Net Outstanding Bonded Debt ^(a)	Proportion Applicable to the District		2017
	Net Limited Assessed Property Values		Approx. Percent	Net Amount	Combined Tax Rate Per \$100 Net Limited Assessed Property Values ^(b)
State of Arizona	\$59,406,279,473	None	0.0014%	None	\$ 0.0000
Pima County ^(c)	8,074,957,717	\$321,285,000	0.0101		5.6471
Pima County Community College District	8,074,957,717	None	0.0101	None	1.3890
Sahuarita Unified School District No. 30	285,070,059	55,600,000	0.2872		9.0399
Pima County Joint Technical Education District	7,662,220,610	None	0.0107	None	0.0500
Town of Sahuarita	280,622,189	None	0.2918	None	
Rancho Sahuarita Community Facilities District ^(d)	818,856	5,780,000	100.00	\$5,780,000*	0.3000**
Total Net Direct and Overlapping General Obligation Bonded Debt and Tax Rate				\$5,780,000*	\$17.4307*

* Subject to change.

** The levy for the bonds starting in 2018 will be \$4.69 per \$100 of Net Limited Assessed Property Value.

- (a) Includes general obligation bonds outstanding and general obligation bonds scheduled for sale. Does not include the obligation of the Central Arizona Water Conservation District to the United States of America, Department of the Interior for repayment of certain capital costs of construction of the Central Arizona
- (b) The combined tax rate includes the tax rate for debt service payments and maintenance and operation outlay for the District and the tax rate for all other purposes such as capital and other maintenance and operation outlay, each of which is based on the Net Limited Assessed Property Value of locally assessed property and on the Net Full Cash Assessed Property Value of centrally valued property.
- (c) The County's tax rate includes the \$4.4596 tax rate of the County, the \$0.1400 tax rate of CAWCD, the \$0.3135 tax rate of the County Flood Control District, the \$0.5053 tax rate of the County Free Library, the \$0.0459 tax rate of the County Fire District and the \$0.4875 "State Equalization Assistance Property Tax." It should be noted that the County Flood Control District does not levy taxes on personal property. The State Equalization Assistance Property Tax is adjusted annually pursuant to Arizona Revised Statutes, Section 41-1276. The County has \$25,681,000 of authorized but unissued general obligation bonds. (None of the other overlapping jurisdictions have any.)
- (d) Includes the Bonds.

Source: Individual jurisdictions and the Assessor of the County.

DRAFT
10/02/13
06/06/17
01/31/18
03/09/18

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT,

U.S. BANK NATIONAL ASSOCIATION,
as Trustee,

INTERCHANGE OPPORTUNITY FUND L.L.L.P

and

RANCHO SAHUARITA MANAGEMENT COMPANY, L.L.C.

SERIES 2018 STANDBY CONTRIBUTION AGREEMENT

Dated as of _____ 1, 2018

TABLE OF CONTENTS

Page

PARTIES 1

RECITALS 1

ARTICLE ONE DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION . 2

SECTION 1.01. Definitions. 2

SECTION 1.02. Notices, etc. 3

SECTION 1.03. Effect of Headings and Table of Contents. 4

SECTION 1.04. Successors and Assigns. 4

SECTION 1.05. Severability Clause. 4

SECTION 1.06. Benefits of Agreement. 4

SECTION 1.07. Governing Law. 4

SECTION 1.08. Notice of Section 38-511, Arizona Revised
Statutes. 4

SECTION 1.09. E-Verify. 5

SECTION 1.10. Anti-Israel Boycott. 5

SECTION 1.11. Further Assurances. 5

SECTION 1.12. Amendments. 6

SECTION 1.13. Business Days. 6

SECTION 1.14. Termination. 6

SECTION 1.15. Beneficiaries. 6

SECTION 1.16. Integration. 7

ARTICLE TWO PAYMENTS; RELATED MATTERS 8

SECTION 2.01. Payments. 8

SECTION 2.02. Nature of the Obligations of the LLLP and the LLC. 9

SECTION 2.03. No Set-Off. 11

SECTION 2.04. Remedies. 11

SECTION 2.05. Waiver of Notice; Payment of Expenses. 11

ARTICLE THREE THE TRUSTEE 12

SECTION 3.01. Certain Duties and Responsibilities. 12

SECTION 3.02. Certain Rights of Trustee. 12

SECTION 3.03. Not Responsible for Recitals or Application of
Proceeds. 13

SECTION 3.04. Compensation and Reimbursement. 14

SECTION 3.05. Corporate Trustee Required; Eligibility. 14

SECTION 3.06. Resignation and Removal; Appointment of Successor. .. 15

SECTION 3.07. Acceptance of Appointment by Successor. 16

SECTION 3.08. Merger, Conversion, Consolidation or Succession to
Business. 16

SIGNATURES 17

* * *

THIS SERIES 2018 STANDBY CONTRIBUTION AGREEMENT, dated as of _____ 1, 2018 (hereinafter referred to as this "Agreement"), by and among Rancho Sahuarita Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "Issuer"); U.S. Bank National Association, a national banking association with trust powers having a corporate trust office in the City of Phoenix, Maricopa County, Arizona, as trustee (hereinafter together with its successors referred to as the "Trustee"); Interchange Opportunity Fund L.L.P., an Arizona limited liability partnership, as investor, guarantor and indemnitor but not as developer (hereinafter referred to as the "LLLP"), and Rancho Sahuarita Management Company L.L.C., an Arizona limited liability company, as developer, guarantor and indemnitor (hereinafter referred to as the "LLC"),

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "Enabling Act"), a general obligation bond election was held on August 12, 2014 (hereinafter referred to as the "Election"), submitting to those persons who are qualified to vote pursuant to the Enabling Act the question of authorizing the district board of the Issuer (hereinafter referred to as the "Board") to issue general obligation bonds of the Issuer in the aggregate principal amount of \$60,000,000 to provide moneys for any "public infrastructure purposes" (as such term is defined in the Enabling Act) consistent with The General Plan for the Proposed Rancho Sahuarita Community Facilities District filed with the Clerk of the Town of Sahuarita, Arizona, before or on March 24, 2014; and

WHEREAS, the issuance of such general obligation bonds was approved at the Election; and

WHEREAS, pursuant to a Resolution of the Board adopted on June 26, 2018 (hereinafter referred to as the "Bond Resolution"), the Board (1) authorized the sale and issuance of its General Obligation Bonds, Series 2018, in the aggregate principal amount of \$_____,000 (hereinafter referred to as the "Series 2018 Bonds") to provide funds for all or a portion of the public infrastructure purposes provided for in the Enabling Act and described in the feasibility report presented to and approved by the Board on February 26, [???] 2018, and in the District Development, Financing Participation and Intergovernmental Agreement (Rancho Sahuarita Community Facilities District), dated as of April 1, 2014 (hereinafter referred to as the "Development Agreement"), by and among the Town of Sahuarita, Arizona, a municipality incorporated and existing pursuant to the laws of the State of Arizona, the Issuer, the LLLP and the LLC and (2) entered in its minutes a record of the Series 2018 Bonds sold and their numbers and dates and will levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the Issuer sufficient, together with moneys from the sources described therein

(including amounts available hereunder), to pay Debt Service (as such term is hereinafter defined) when due; and

WHEREAS, the Board has by the Bond Resolution duly authorized the issuance of the Series 2018 Bonds and, in order to provide terms for, to secure and to provide for authentication and delivery of the Series 2018 Bonds, has duly authorized the execution and delivery of a Series 2018 Indenture of Trust and Security Agreement, dated as of even date herewith (hereinafter referred to as the "Series 2018 Indenture"), from the Issuer to U.S. Bank National Association, as trustee; and

WHEREAS, as provided in the Development Agreement and the Series 2018 Indenture, the proceeds of the sale of the Series 2018 Bonds shall be used by the Issuer to construct or acquire from the LLLP and the LLC a portion of the "public infrastructure" (as such term is defined in the Enabling Act) described in the Development Agreement; and

WHEREAS, in consideration for the issuance of the Series 2018 Bonds, and the actions taken and to be taken in the Development Agreement and the Series 2018 Indenture, by the Issuer and as a condition precedent to the execution and delivery of this Agreement and the issuance of the Series 2018 Bonds, the LLLP and the LLC shall be obligated, jointly and severally, to contribute certain amounts for the benefit of the Issuer which shall, pursuant to, and for purposes of, the Enabling Act, be considered by the Issuer in levying taxes to pay principal of and interest on the Series 2018 Bonds when due; and

WHEREAS, the Issuer may enter into, and expend moneys pursuant to, this Agreement for the public infrastructure purposes provided for by this Agreement with respect to the Issuer;

NOW, THEREFORE, in the joint and mutual exercise of the their powers, and in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, the parties hereto recite and agree that:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

1. The terms defined hereinabove, hereinafter and in the Series 2018 Indenture have the meanings assigned to them hereinabove, hereinafter and in Article One of the

Series 2018 Indenture and include the plural as well as the singular.

2. All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed.

3. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision.

SECTION 1.02. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Agreement by the Issuer, the Trustee, the LLLP or the LLC to be made upon, given or furnished to, or filed with,

1. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to the Issuer at 375 West Sahuarita Center Way, Sahuarita, Arizona 85629, Attention: District Clerk, or at any other address furnished in writing to such Person by the Issuer,

2. the Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its corporate trust office in Phoenix, Arizona, or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003, Attention: Global Corporate Trust Services, or at any other address furnished in writing to such Person by the Trustee,

3. the LLLP or the LLC shall be sufficient for every purpose hereunder if in writing and mailed, first class mail postage prepaid, to the LLLP or the LLC addressed to the LLLP or the LLC at 4549 East Fort Lowell Road, Tucson, Arizona 85712, Attention: Robert Sharpe in the case of the LLLP and Fred Lewis in the case of the LLC, or at any other address furnished in writing to such Person by the LLLP or the LLC, as applicable, or

4. the Purchaser shall be sufficient for every purpose hereunder if in writing and mailed, first class mail postage prepaid, to the Purchaser addressed to the Purchaser at _____, Attention: _____, or at any other address furnished in writing to such Person by the Purchaser.

B. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 1.03. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.04. *Successors and Assigns.*

All covenants and agreements in this Agreement by the Issuer, the Trustee, the LLLP and the LLC shall bind their successors and assigns, whether so expressed or not.

SECTION 1.05. *Severability Clause.*

In case any provision in this Agreement or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.06. *Benefits of Agreement.*

Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim pursuant to this Agreement.

SECTION 1.07. *Governing Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

SECTION 1.08. *Notice of Section 38-511, Arizona Revised Statutes.*

The Issuer may, within three (3) years after its execution, cancel this Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer is, at any time while this Agreement is in effect, an employee or agent of any of the Trustee, the LLLP or the LLC in any capacity or a consultant to any of the Trustee, the LLLP or the LLC with respect to the subject matter of this Agreement as it relates to the Trustee, the LLLP and the LLC, respectively, and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer from any of the Trustee, the LLLP or the LLC arising as the result of this Agreement as it relates to the Trustee, the LLLP and the LLC, respectively. Neither the Trustee, the LLLP or the LLC

has taken nor shall take any action which could cause any person described in the preceding sentence to be or become an employee or agent of either of the Trustee, the LLC or the LLLP in any capacity or a consultant to any of the Trustee, the LLLP or the LLC with respect to the subject matter of this Agreement.

SECTION 1.09. *E-Verify.*

To the extent applicable under Section 44-4401, Arizona Revised Statutes, the Trustee, the LLLP and the LLC each shall comply with all federal immigration laws and regulations that relate to their employees and their compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by any of them of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of this Agreement by the Issuer. The Issuer retains the legal right to randomly inspect the papers and records of the Trustee, the LLLP and the LLC to ensure that they are complying with the foregoing. The Trustee, the LLLP and the LLC shall keep such papers and records open for random inspections during normal business hours by the Issuer. The Trustee, the LLLP and the LLC shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto their property to perform such random inspections and waiving their respective rights to keep such papers and records confidential.

SECTION 1.10. *Anti-Israel Boycott.*

Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Trustee, the LLLP and the LLC hereby each certify, as applicable, that it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Issuer determines that the certification above is false or that it has been breached, the Issuer may impose remedies as provided by law against the breaching party.

SECTION 1.11. *Further Assurances.*

A. The Issuer, the Trustee, the LLLP and the LLC shall do, execute, acknowledge, and deliver all and every such further acts, conveyances and assurances as shall be reasonably required for accomplishing the purposes of this Agreement.

B. The LLLP and the LLC shall cause this instrument and any instruments of further assurance, including financing statements, if any, to be promptly registered and filed, and to be kept registered and filed, and, when necessary, to re-register, and re-file the same, all in such manner and in such places as may be required by law, fully to preserve and protect the rights of the Issuer hereunder, and the LLLP and the LLC shall execute any financing statement, continuation statement or other document required for such purposes.

SECTION 1.12. *Amendments.*

Pursuant to the provisions established in the Series 2018 Indenture, this Agreement may be amended by an instrument in writing executed and delivered by each of the Issuer, the Trustee, the LLLP and the LLC.

SECTION 1.13. *Business Days.*

For purposes of this Agreement, if any date for any certification, payment, submission or determination is not a Business Day, the applicable certification, payment, submission or determination shall be made or done on the next succeeding day which is a Business Day.

SECTION 1.14. *Termination.*

Subject to the last sentence of this Section, this Agreement shall terminate upon the earlier of (A) the payment or the provision for the payment in full of all of the outstanding Series 2018 Bonds or (B) receipt by the Issuer Representative of evidence satisfactory to the Issuer Representative that, for any consecutive three (3) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year after the Series 2018 Depository Agreement has been terminated), a tax rate of \$4.69 per \$100 of limited assessed valuation of property within the boundaries of the Issuer for each such Fiscal Year would have been sufficient to pay Maximum Annual Debt Service for any subsequent Fiscal Year plus the historical, annual, average of amounts necessary for payment of amounts described in Section 9.1 of the Development Agreement as of such Fiscal Year. Such evidence shall consist of a written projection, prepared by the Issuer Representative upon a written request of the LLLP or the LLC, that is based upon the application of such secondary tax rate in light of the actual limited assessed valuation of the property within the boundaries of the Issuer for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) and the historic, average, annual percentage delinquency factor for the Issuer as of such Fiscal Year and no credit for any fund balances or investment income accruing during such Fiscal Year. After receipt of proof of satisfaction of such condition, the Board shall approve in writing such termination, such approval not to be withheld unreasonably.

SECTION 1.15. *Beneficiaries.*

This Agreement is entered into by the LLLP and the LLC with the Trustee and the Issuer for the benefit of the Issuer, the Trustee and, as third party beneficiaries, the Holders, from time to time, of the Series 2018 Bonds, all of whom shall be entitled to enforce performance and observance of this Agreement to the same extent provided for the enforcement of remedies pursuant to the Series 2018 Indenture.

SECTION 1.16. *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

* * *

ARTICLE TWO

PAYMENTS; RELATED MATTERS

SECTION 2.01. *Payments.*

A. [Reserved to Preserve Section Numbering]

B. 1. On September 1 of each Fiscal Year commencing the Fiscal Year ending in 2019, the Issuer shall certify to the Trustee the amount of property taxes which would be produced based upon (a) the current limited assessed valuation of taxable property within the boundaries of the Issuer and (b) a tax rate of \$4.69 per \$100 (or such lower rate as may be permitted as hereinafter provided) of limited assessed valuation (assuming a five percent (5%) delinquency factor) (hereinafter referred to as the "2018 Tax Year Tax Amount").

2. On September 15 of each Fiscal Year commencing the Fiscal Year ending in 2019, the Trustee shall determine (a) Debt Service (without regard to any optional redemption) due on the next succeeding January 15 plus Debt Service due on the next succeeding July 15 (hereinafter referred to as the "2018 Total Debt Service"), (b) the amount in the Series 2018 Tax Account available to pay Debt Service (hereinafter referred to as collectively the "September Available Moneys"), and (c) the difference, if any, between (x) one-half (1/2) of the 2018 Total Debt Service and (y) the sum of (A) the September Available Moneys and (B) one-half (1/2) of the 2018 Tax Year Tax Amount (such difference being hereinafter referred to as the "October Payment").

3. On March 11 of each Fiscal Year commencing the Fiscal Year ending in 2019, the Trustee shall determine (a) the amount in the Series 2018 Tax Account available to pay Debt Service (hereinafter referred to as the "March Available Moneys"), and (b) the difference, if any, between (x) one-half (1/2) of the 2018 Total Debt Service and (y) the sum of (A) the March Available Moneys and (B) one-half (1/2) of the 2018 Tax Year Tax Amount (such difference being hereinafter referred to as the "April Payment").

4. On September 15 and March 11 of each Fiscal Year commencing the Fiscal Year ending in 2019, the Trustee shall submit a written request to the LLLP for, and on October 12 and April 11, respectively, the LLLP and the LLC shall be obligated, jointly and severally, to pay and shall pay to the Trustee, the October Payment and the April Payment, respectively. While the Purchaser is the Holder of the Bonds, the Purchaser shall receive a copies of such requests.

C. 1. On December 15 of each Fiscal Year commencing the Fiscal Year ending in 2019, the Trustee shall determine the difference between the amount in the Series 2018 Tax Account on such date and the amount necessary to pay Debt Service (without regard to any optional

redemption) on the next succeeding January 15 (such difference being hereinafter referred to as the "December Payment").

2. On June 15 of each Fiscal Year commencing the Fiscal Year ending in 2018, the Trustee shall determine the difference between the amount in the Series 2018 Tax Account on such date and the amount necessary to pay Debt Service on the next succeeding July 15 (such difference being hereinafter referred to as the "June Payment").

3. On December 21 and June 20 of each Fiscal Year commencing the Fiscal Year ending 2018, the Trustee shall submit a written request to the LLLP and the LLC for, and on the next succeeding December 31 and June 30, respectively, the LLLP and the LLC shall be obligated, jointly and severally, to pay and shall pay to the Trustee, the December Payment and the June Payment, respectively. While the Purchaser is the Holder of the Bonds, the Purchaser shall receive a copies of such requests.

D. The LLLP and the LLC shall be liable and obligated pursuant to Sections 2.01(B)(4) and (C)(3) only if the Issuer has with respect to any Interest Payment Date occurring on January 15 levied for Debt Service for that Fiscal Year a tax rate pursuant to Section 10.01(A) of the Series 2018 Indenture of at least \$4.69 per \$100 of limited assessed valuation and with respect to any Interest Payment Date occurring on July 15 levied such tax rate for the immediately preceding Fiscal Year; provided, however that the tax rate in any such Fiscal Year for such purpose may be less than \$4.69 if the Board expected that such lower rate would produce secondary ad valorem tax revenues sufficient to pay in full Debt Service and the Series 2018 Depository Agreement has been, or is in the process of being, terminated pursuant to its terms.

E. All payments by the LLLP and the LLC pursuant to the preceding subsections of this Section shall be paid to the Trustee or the Issuer, as the case may be, in immediately available funds composed of lawful money of the United States of America.

SECTION 2.02. *Nature of the Obligations of the LLLP and the LLC.*

The obligations of the LLLP and the LLC pursuant to this Agreement shall be absolute and unconditional (except as set forth in Section 2.01 hereof) and shall remain in full force and effect until this Agreement is terminated. Such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of the LLLP or the LLC:

A. the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer, the LLLP or the LLC pursuant to the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement; or

B. the failure to give notice to the LLLP or the LLC of the occurrence of an event of default pursuant to the terms and provisions of the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement; or

C. the waiver of the payment, performance or observance by the Issuer, the LLLP or the LLC of any of the obligations, covenants or agreements of any of them contained in the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement; or

D. the extension of the time for payment of any principal of or premium, if any, or interest on any Series 2018 Bond or the extension or renewal of the time for performance of any other obligations, covenants or agreements pursuant to or arising out of the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement; or

E. the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Series 2018 Indenture, the Series 2018 Depository Agreement, or the Development Agreement or this Agreement; or

F. the taking or the omission of any of the actions referred to in the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement (other than as set forth in Section 2.01 hereof); or

G. any failure, omission, delay or lack on the part of the Issuer, the Trustee, the LLLP or the LLC to enforce, assert or exercise any right, power or remedy conferred on the Issuer or the Trustee in the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement (except as set forth in Section 2.01 hereof), or any other act or acts on the part of the Issuer, the Trustee or any of the owners from time to time of the Series 2018 Bonds; or

H. the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or re-adjustment of, or other similar proceedings affecting the Issuer, the LLLP or the LLC or any of the assets of any of them or any allegation or contest of the validity of the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement in any such proceeding; or

I. the release or discharge of the Issuer, the LLLP or the LLC from the performance or observance of any obligations, covenant or agreement contained in the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement or this Agreement by operation of law; or

J. the default or failure of the LLLP or the LLC fully to perform any of its obligations set forth in the Series 2018 Depository Agreement, the Development Agreement or this Agreement; or

K. the invalidity of the Series 2018 Indenture, the Series 2018 Depository Agreement, the Development Agreement, this Agreement or the Series 2018 Bonds.

SECTION 2.03. *No Set-Off.*

Except as otherwise provided herein, no monetary set-off, reduction or diminution of any obligation or any defense of any kind or nature which the LLLP or the LLC has or may have against the Issuer or the Trustee or which the Issuer may have against the Trustee shall be available hereunder to the LLLP or the LLC against the Trustee.

SECTION 2.04. *Remedies.*

Upon the occurrence of any failure to pay amounts due hereunder, the Trustee shall proceed directly against the LLLP and the LLC pursuant to this Agreement without proceeding against or exhausting any other remedies which it may have against the Issuer or any other person, firm or corporation and without resorting to any other security held by the Issuer or the Trustee for the amounts so due. Before taking any action hereunder, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses and to protect against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

SECTION 2.05. *Waiver of Notice; Payment of Expenses.*

The LLLP and the LLC hereby expressly waive notice from the Trustee or, as third party beneficiaries, the owners from time to time of any of the Series 2018 Bonds of their acceptance and reliance on this Agreement. The LLLP and the LLC shall be liable and obligated to pay and shall pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Agreement following any default on the part of the LLLP and the LLC hereunder, whether the same shall be enforce by suit or otherwise.

* * *

ARTICLE THREE

THE TRUSTEE

SECTION 3.01. *Certain Duties and Responsibilities.*

A. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Trustee. In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Agreement.

B. No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

1. this Subsection shall not be construed to limit the effect of Subsection A of this Section;

2. the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent and

3. no provision of this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in Sections 2.04 and 3.04A(3).

C. Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct, affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 3.02. *Certain Rights of Trustee.*

Except as otherwise provided in Section 3.01 hereof the Trustee may rely and shall be protected in acting or refraining from acting upon:

A. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document or communication reasonably believed by

it to be genuine and to have been signed or presented by the proper Persons;

B. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by this Agreement before the Trustee is to take or refrain from taking any action;

C. any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request, and any order or resolution of the Board may be sufficiently evidenced by a Board Resolution;

D. whenever in the administration of this Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

E. the Trustee may consult with legal counsel and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon;

F. the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Issuer, personally or by agent or attorney and

G. the Trustee may perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it hereunder.

SECTION 3.03. *Not Responsible for Recitals or Application of Proceeds.*

The recitals contained herein shall be taken as the statements of the other parties hereto, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the amounts held hereunder or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of this Agreement.

SECTION 3.04. *Compensation and Reimbursement.*

A. The Issuer shall

1. pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

2. except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provisions of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith and

3. indemnify, to the extent permitted by applicable law, the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

B. The Trustee shall not have the right to set off against or to appropriate or apply any of the amount deposited pursuant to Section 2.01 or any of the investment income therefrom to any unpaid obligation of the Issuer to the Trustee hereunder or as a result of any other matter between the Issuer and the Trustee.

SECTION 3.05. *Corporate Trustee Required; Eligibility.*

There shall at all times be a Trustee hereunder which shall be a bank or trust company organized and doing business pursuant to the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by federal or State authority, and having a corporate trust office in the City of Phoenix, Arizona. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 3.06. *Resignation and Removal; Appointment of Successor.*

A. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee pursuant to Section 3.07.

B. The Trustee may resign at any time by giving written notice thereof to the Issuer. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

C. The Trustee may be removed at any time by the Issuer by Board Resolution if no event of default by the Issuer hereunder or under the Series 2018 Indenture or the Series 2018 Standby Contribution Agreement has occurred or, with passage of time or giving of notice, shall occur.

D. If at any time:

1. the Trustee shall cease to be eligible pursuant to Section 3.05 and shall fail to resign after written request therefor by the Issuer or

2. the Trustee shall become incapable of acting or shall be adjudged insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in any such case, the Issuer by Board Resolution may remove the Trustee.

E. If the Trustee shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Issuer by Board Resolution, shall promptly appoint a successor Trustee. In case all or substantially all of the amounts held hereunder shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee shall be so appointed, then the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or by such receiver or trustee. If no successor Trustee shall have been so appointed and accepted appointment in the manner hereinafter provided, either the Issuer or the LLC may petition any court of competent jurisdiction for the appointment of a successor Trustee.

SECTION 3.07. *Acceptance of Appointment by Successor.*

A. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to the Issuer and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 3.04. Upon request of any such successor Trustee, the Issuer and the LLC shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

B. No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible pursuant to this Article.

SECTION 3.08. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible pursuant to this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

* * *

This instrument may be executed in any number of counter-
parts, each of which so executed shall be deemed to be an original,
but all such counterparts shall together constitute but one and the
same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this
Agreement to be duly executed, and to be effective as of the day and
year first above written, which date shall be deemed the date hereof
for all purposes.

RANCHO SAHUARITA COMMUNITY FACILITIES
DISTRICT

By.....
District Manager

ATTEST:

.....
District Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By.....
Authorized Officer

INTERCHANGE OPPORTUNITY FUND, LLLP, an
Arizona limited liability limited
partnership

By: Sharpe & Associates, Inc., an
Arizona corporation, its General
Partner

By.....
Robert M. Sharpe, President

RANCHO SAHUARITA MANAGEMENT COMPANY, an
Arizona limited liability limited company

By: MKS Equitas Investment Group Ltd.,
an Arizona corporation, as member

By.....
Fred Lewis, President

DRAFT
10/02/13
06/06/17
01/31/18
03/09/18

RANCHO SAHUARITA COMMUNITY FACILITIES DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION,
as Depository

SERIES 2018 DEPOSITORY AGREEMENT

Dated as of _____ 1, 2018

TABLE OF CONTENTS

	<u>Page</u>
PARTIES	1
RECITALS	1
ARTICLE ONE DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION ..	2
SECTION 1.01. Definitions.....	2
SECTION 1.02. Notices, etc.....	2
SECTION 1.03. Effect of Headings and Table of Contents.....	3
SECTION 1.04. Successors and Assigns.....	3
SECTION 1.05. Severability Clause.....	3
SECTION 1.06. Benefits of Agreement.....	4
SECTION 1.07. Governing Law.....	4
SECTION 1.08. Notice of Section 38-511, Arizona Revised Statutes.....	4
SECTION 1.09. E-Verify.....	4
SECTION 1.10. Anti-Israel Boycott.....	5
SECTION 1.11. Further Assurances.....	5
SECTION 1.12. Amendments.....	5
SECTION 1.13. Business Days.....	5
SECTION 1.14. Termination.....	5
SECTION 1.15. Integration.....	6
ARTICLE TWO THE LETTER OF CREDIT	7
SECTION 2.01. Beneficiary; Authority to Draw; Draws; Alternates.....	7
SECTION 2.02. Application.....	9
SECTION 2.03. Investment of and Security for Fund.....	9
SECTION 2.04. Annual Reports.....	10
ARTICLE THREE THE DEPOSITORY	11
SECTION 3.01. Certain Duties and Responsibilities of Depository.....	11
SECTION 3.02. Certain Rights of Depository.....	11
SECTION 3.03. Not Responsible for Recitals or Application of Proceeds.....	12
SECTION 3.04. Compensation and Reimbursement.....	13
SECTION 3.05. Corporate Depository Required; Eligibility.....	13
SECTION 3.06. Resignation and Removal; Appointment of Successor.....	14
SECTION 3.07. Acceptance of Appointment by Successor.....	15
SECTION 3.08. Merger, Conversion, Consolidation or Succession to Business.....	15
SIGNATURES.....	16

* * *

THIS SERIES 2018 DEPOSITORY AGREEMENT, dated as of _____ 1, 2018 (hereinafter referred to as this "Agreement"), by and between Rancho Sahuarita Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "Issuer"), and U.S. Bank National Association, a national banking association with trust powers having a corporate trust office in the City of Phoenix, Maricopa County, Arizona, as depository (hereinafter together with any successor to the trust herein granted referred to as the "Depository"),

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "Enabling Act"), a general obligation bond election was held on August 12, 2014 (hereinafter referred to as the "Election"), submitting to those persons who are qualified to vote pursuant to the Enabling Act the question of authorizing the district board of the Issuer (hereinafter referred to as the "Board") to issue general obligation bonds of the Issuer in the aggregate principal amount of \$60,000,000 to provide moneys for any "public infrastructure purposes" (as such term is defined in the Enabling Act) consistent with The General Plan for The Proposed Rancho Sahuarita Community Facilities District filed with the Clerk of the Town of Sahuarita, Arizona, before or on March 24, 2014; and

WHEREAS, the issuance of such general obligation bonds was approved at the Election; and

WHEREAS, pursuant to a Resolution of the Board adopted on June 26, 2018 (hereinafter referred to as the "Bond Resolution"), the Board (1) authorized the sale and issuance of its General Obligation Bonds, Series 2018, in the aggregate principal amount of \$_____,000 (hereinafter referred to as the "Series 2018 Bonds") to provide funds for any and all of the public infrastructure purposes provided for in the Enabling Act and described in the feasibility report presented to and approved by the Board on March 12, 2018, and (2) entered in its minutes a record of the Series 2018 Bonds sold and their numbers and dates and will levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the Issuer sufficient, together with moneys from the sources described therein (including amounts available hereunder), to pay Debt Service (as such term is hereinafter defined) when due; and

WHEREAS, the Board has by the Bond Resolution duly authorized the issuance of the Series 2018 Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the Series 2018 Bonds, has duly authorized the execution and delivery of a Series 2018 Indenture of Trust and Security Agreement, dated as of even date herewith (hereinafter referred to as the "Series

2018 Indenture"), from the Issuer to U.S. Bank National Association, as trustee; and

WHEREAS, in consideration for the issuance of the Series 2018 Bonds, and the actions taken and to be taken in the Series 2018 Indenture, by the Issuer and as a condition precedent to the execution and delivery of this Agreement and the issuance of the Series 2018 Bonds, Interchange Opportunity Fund L.L.L.P., as an investor and guarantor but not as a developer (hereinafter referred to as the "LLLLP"), has had established by Western Alliance Bank in favor of the Depository an irrevocable standby letter of credit in the amount of **[\$5 times MADs]**; and

WHEREAS, the Issuer may enter into, and expend moneys pursuant to, this Agreement for the public infrastructure purposes provided for by this Agreement with respect to the Issuer;

NOW, THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, the parties hereto recite and agree that:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

1. The terms defined hereinabove, hereinafter and in the Series 2018 Indenture have the meanings assigned to them hereinabove, hereinafter and in Article One of the Series 2018 Indenture and include the plural as well as the singular.

2. All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed.

3. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision.

SECTION 1.02. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver,

payment or other document provided or permitted by this Agreement by the Issuer or the Depository to be made upon, given or furnished to, or filed with,

1. the Depository shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Depository at its corporate trust office in Phoenix, Arizona, or if in writing and mailed, first-class postage prepaid, to the Depository addressed to it at 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003, Attention: Global Corporate Trust Services, or at any other address furnished in writing to such Person by the Depository, or

2. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to the Issuer at 375 West Sahuarita Center Way, Sahuarita, Arizona 85629, Attention: District Clerk or at any other address previously furnished in writing to such Person by the Issuer, or

3. the LLLP shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the LLLP addressed to the LLLP at 4549 East Fort Lowell Road, Tucson, Arizona 85712, Attention: Robert Sharpe, or at any other address furnished previously in writing to such Person by the LLLP.

B. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 1.03. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.04. *Successors and Assigns.*

All covenants and agreements in this Agreement by the Issuer and the Depository shall bind their successors and assigns, whether so expressed or not.

SECTION 1.05. *Severability Clause.*

In case any provision in this Agreement or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.06. *Benefits of Agreement.*

Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and, for purposes of the last paragraph of Section 2.01(B), the LLLP, any benefit or any legal or equitable right, remedy or claim pursuant to this Agreement. The role of the Depository hereunder is administrative only, and the Depository is a party to this Agreement only to hold the Letter of Credit or proceeds thereof in trust for the benefit of the Issuer and the Holders of the Series 2018 Bonds and to carry out the instructions given to the Depository hereunder.

SECTION 1.07. *Governing Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

SECTION 1.08. *Notice of Section 38-511, Arizona Revised Statutes.*

The Issuer may, within three (3) years after its execution, cancel this Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer is, at any time while this Agreement is in effect, an employee or agent of the Depository in any capacity or a consultant to the Depository with respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer from the Depository arising as the result of this Agreement. The Depository has not taken and shall not take any other action which would cause any person described in the preceding sentence to be a licensee or employee or agent of the Depository in any capacity or a consultant to the Depository with respect to the subject matter of this Agreement.

SECTION 1.09. *E-Verify.*

To the extent applicable under Section 44-4401, Arizona Revised Statutes, the Depository shall comply with all federal immigration laws and regulations that relate to their employees and their compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Depository of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of this Agreement by the Issuer. The Issuer retains the legal right to randomly inspect the papers and records of the Depository to ensure that the Depository is complying with the foregoing. The Depository shall keep such papers and records open for random inspections during normal business hours by the Issuer. The Depository shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto their property to perform such random inspections and waiving their respective rights to keep such papers and records confidential.

SECTION 1.10. *Anti-Israel Boycott.*

Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Depository hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Issuer determines that the Depository's certification above is false or that it has breached such agreement, the Issuer may impose remedies as provided by law.

SECTION 1.11. *Further Assurances.*

The Issuer and the Depository shall do, execute, acknowledge and deliver all and every such further acts, conveyances, mortgages, financing statements and assurances as shall be reasonably required for accomplishing the purposes of this Agreement.

SECTION 1.12. *Amendments.*

Pursuant to the conditions established in the Series 2014 Indenture, this Agreement may be amended by an instrument in writing executed and delivered by each of the Depository and the Issuer.

SECTION 1.13. *Business Days.*

For purposes of this Agreement, if any date for any payment or determination is not a Business Day, the applicable payment or determination shall be made or done on the next succeeding day which is a Business Day.

SECTION 1.14. *Termination.*

Subject to the last sentence of this Section, this Agreement shall terminate upon the earliest of (A) the payment or the provision for payment in full of all of the outstanding Series 2018 Bonds, (B) the expiration of the Letter of Credit because the face amount thereof has been reduced to \$50,000 or less or (C) receipt by the Issuer Representative of evidence satisfactory to the Issuer Representative that, in any Fiscal Year after the first Fiscal Year in which principal of the Series 2018 Bonds has started to be amortized, for such Fiscal Year, a tax rate of \$4.69 per \$100 of limited assessed valuation of property within the boundaries of the Issuer for such Fiscal Year would have been sufficient to pay Maximum Annual Debt Service for any subsequent Fiscal Year plus the historical, annual, average of amounts necessary for payment of amounts described in Section 9.1 of the Development Agreement as of such Fiscal Year. Such evidence shall consist of a written projection, prepared by the Issuer Representative, if the Letter of Credit has not been drawn, upon a written request of the LLLP and otherwise at the discretion of the Issuer Representative, that is based upon the application of such secondary tax rate in light of the actual limited assessed valuation of the property within the boundaries of the Issuer for such Fiscal

Year, assuming a delinquency factor equal to the greater of five per cent (5%) and the historic, average, annual percentage delinquency factor for the Issuer as of such Fiscal Year and no credit for any balance or investment income accruing during such Fiscal Year. After receipt of proof of satisfaction of such condition, the Board shall approve in writing such termination, such approval not to be withheld unreasonably.

SECTION 1.15. *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

* * *

ARTICLE TWO

THE LETTER OF CREDIT

SECTION 2.01. *Beneficiary; Authority to Draw; Draws; Alternates.*

A. The Letter of Credit shall be held by the Depository for the benefit of the Issuer and shall be the subject of the Draw upon the occurrence of any one of the following events so long as the Issuer has with respect to any Interest Payment Date occurring on the January 15 immediately preceding the Draw levied for Debt Service for that Fiscal Year a tax rate pursuant to Section 10.01(A) of the Series 2018 Indenture of at least \$4.69 per \$100 of limited assessed valuation and with respect to any Interest Payment Date occurring on the July 15 immediately preceding the Draw levied such tax rate for the immediately preceding Fiscal Year:

1. The failure of the LLLP or the LLC to pay any amount due on the applicable date due pursuant to the Series 2018 Standby Contribution Agreement.

2. The failure to obtain and deliver to the Depository an Alternate Letter of Credit pursuant to Section 2.01C.

3. The Letter of Credit Bank (i) commences a proceeding pursuant to any federal or state insolvency, reorganization or similar law, or has such a proceeding commenced against it and either has an order of insolvency or reorganization entered against it or has the proceeding remain undismissed and unstayed for ninety (90) days or (ii) has a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property.

Notwithstanding the first sentence of this Section, the tax rate in any such Fiscal Year for such purpose may be less than \$4.69 if the Board expected that such lower rate would produce ad valorem tax revenues sufficient to pay in full Debt Service and this Agreement is in the process of being terminated pursuant to its terms.

The Depository shall present a sight draft to the Letter of Credit Bank (together with any required certificates pursuant to the Letter of Credit) so as to permit the timely transfer of funds from the Letter of Credit Bank to the Depository for the Draw and shall follow such other procedures so as to comply with the Letter of Credit in order to make the Draw. The Depository shall promptly notify the LLLP and the Issuer if the Letter of Credit Bank has not transferred funds in accordance with the Letter of Credit upon the presentment of such draft.

B. Upon receipt of moneys from the Letter of Credit Bank, the Depository shall deposit the amount representing the Draw in a separate account established hereby in the name of the Issuer for the

purposes hereof to be called the "Series 2018 Principal Account" and apply the same as provided in Section 2.02.

C. The LLLP may, at its option, provide for the delivery to the Depository of an Alternate Letter of Credit to take effect on the Letter of Credit Termination Date of the then effective Letter of Credit. For an Alternate Letter of Credit to be effective, sixty (60) Business Days prior to the Letter of Credit Termination Date, the Depository and the Issuer shall have received the following, in form and substance acceptable to the Issuer Representative:

1. evidence that the issuer of the Alternate Letter of Credit has a Tier 1 Leverage Ratio indicated in the definition of "Alternate Letter of Credit";

2. an opinion of counsel for the issuer of the Alternate Letter of Credit that it constitutes a legal, valid and binding obligation of the issuer in accordance with its terms;

3. an opinion of nationally recognized bond counsel that such replacement is authorized hereunder and will not cause interest on the Bonds to become includable in gross income for federal income tax purposes and

4. the Alternate Letter of Credit, meeting all of the other requirements provided in the definition of "Alternate Letter of Credit" and being unconditionally binding and effective as of the Letter of Credit Termination Date.

D. The Depository shall not sell, assign or transfer the Letter of Credit except to a successor Depository pursuant to this Agreement.

E. If the Draw has occurred because of the event described in Section 2.01(A)(2) or (3), the Issuer Representative may, in the sole and absolute discretion of the Issuer Representative and pursuant to the same terms and conditions described in Section 2.01(C) and whatever additional terms and conditions the Issuer Representative deems appropriate, instruct the Depository to pay an amount equal to the Draw to the issuer of a new letter of credit meeting the qualifications in the definition of "Alternate Letter of Credit" in exchange for such new letter of credit and thereafter such new letter of credit shall be treated as the Letter of Credit for all purposes of this Agreement.

F. On February 15 of each year, if the limited assessed valuation of property within the boundaries of the Issuer used to levy taxes during the preceding August exceeded that used in the prior August, the difference between the Maximum Annual Debt Service and the Discounted Tax Revenues shall be calculated and the Issuer shall direct the Depository to cause the face amount of the Letter of Credit to be reduced such that the face amount of the Letter of Credit is equal to five (5) times such difference; provided, however, that the foregoing shall not be applicable until the Discounted Tax Revenues

exceed \$75,000. (If subsequent bonds of the Issuer are issued and secured similarly by a letter of credit, the foregoing reduction shall be based on the total amount of all letters of credit in place and pro rata allocation based on each series of bonds outstanding.) After receipt of proof of satisfaction of each of the foregoing satisfactory to the District Treasurer, the District Board shall approve in writing by affirmative action the applicable reduction, such approval not to be withheld unreasonably, and the Depository shall be notified as such by the District Treasurer and directed to take such action as is necessary to reduce appropriately the Letter of Credit.

SECTION 2.02. *Application.*

A. After the Draw, the Depository shall pay to the Trustee from amounts on deposit in the Series 2018 Principal Account the amounts requested pursuant to Section 5.02(C)(1)(c) of the Series 2018 Indenture.

B. The Depository shall pay to the LLLP all amounts held by the Depository hereunder upon the termination of this Agreement.

C. The Depository shall return the Letter of Credit to the LLLP upon the earlier of the termination thereof or of this Agreement.

SECTION 2.03. *Investment of and Security for Fund.*

A. Amounts on deposit in the Series 2018 Principal Account shall be invested in the Permitted Investments indicated in writing by the Issuer Representative but only such that the yield, calculated for federal income tax purposes, of such Permitted Investments is not materially higher than the yield, calculated on the same basis, for the Series 2018 Bonds, and the Depository shall take all actions necessary with regard to any Permitted Investment to assure that amounts are invested accordingly and such that amounts are available therefrom for the purposes hereof; provided, however, that such amounts may be invested at a higher yield upon receipt from the Issuer of an opinion of nationally recognized bond counsel, addressed to the Depository, to the effect that such amounts may be so invested.

B. The earnings accruing on amounts deposited hereunder and any profit realized from such investment shall be added to the amount held hereunder, and any loss resulting from such investment shall be subtracted from the amount held hereunder.

C. The Depository shall not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from disregard or negligent implementation of any written direction by the Issuer.

SECTION 2.04. *Annual Reports.*

As soon as possible after July 15 of each Fiscal Year and more often as requested in writing by the Issuer Representative, the Depository shall provide to the Issuer a report indicating the balance in the Series 2018 Principal Account as well as all deposits to, and payments from, the Series 2018 Principal Account during the prior Fiscal Year.

* * *

ARTICLE THREE

THE DEPOSITORY

SECTION 3.01. *Certain Duties and Responsibilities of Depository.*

A. The Depository undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Depository. In the absence of bad faith on its part, the Depository may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Depository and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Depository, the Depository shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Agreement.

B. No provision of this Agreement shall be construed to relieve the Depository from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

1. this Subsection shall not be construed to limit the effect of Subsection (A) of this Section;

2. the Depository shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Depository was negligent and

3. no provision of this Agreement shall require the Depository to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in Section 3.04(A)(3).

C. Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct, affecting the liability of or affording protection to the Depository shall be subject to the provisions of this Section.

SECTION 3.02. *Certain Rights of Depository.*

Except as otherwise provided in Section 3.01 hereof:

A. the Depository may rely and shall be protected in acting or refraining from acting upon:

1. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent,

order, bond, telex or other paper, document or communication reasonably believed by it to be genuine and to have been signed or presented by the proper Persons and

2. failure of the Depository to receive any such paper, document, or communication, if prior receipt thereof is required by this Agreement before the Depository is to take or refrain from taking any action;

B. any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request, and any order or resolution of the Board may be sufficiently evidenced by a Board Resolution;

C. whenever in the administration of this Agreement the Depository shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Depository (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

D. the Depository may consult with legal counsel and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Depository hereunder in good faith and in reliance thereon;

E. the Depository shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document, but the Depository, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Depository shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Issuer, personally or by agent or attorney and

F. the Depository may perform any duties hereunder either directly or by or through agents or attorneys, and the Depository shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it hereunder.

SECTION 3.03. *Not Responsible for Recitals or Application of Proceeds.*

The recitals contained herein shall be taken as the statements of the other parties hereto, and the Depository assumes no responsibility for their correctness. The Depository makes no representations as to the amounts held hereunder or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Depository hereunder, or as to the validity or sufficiency of this Agreement.

SECTION 3.04. *Compensation and Reimbursement.*

A. The Issuer shall

1. pay to the Depository from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

2. except as otherwise expressly provided herein, reimburse the Depository upon its request for all reasonable expenses, disbursements and advances incurred or made by the Depository in accordance with any provisions of this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Depository's negligence or bad faith and

3. indemnify, to the extent permitted by applicable law, the Depository for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

B. The Depository shall not have the right to set off against or to appropriate or apply any of the amount deposited pursuant to Section 2.01 or any of the investment income therefrom to any unpaid obligation of the Issuer to the Depository hereunder or as a result of any other matter between the Issuer and the Depository.

SECTION 3.05. *Corporate Depository Required; Eligibility.*

There shall at all times be a Depository hereunder which shall be a bank or trust company organized and doing business under the laws of the United States or of any state, authorized pursuant to such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by federal or State authority, and having a corporate trust office in the City of Phoenix, Arizona. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Depository shall cease to be eligible in accordance with the provisions of this Section, it shall resign

immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 3.06. *Resignation and Removal; Appointment of Successor.*

A. No resignation or removal of the Depository and no appointment of a successor Depository pursuant to this Article shall become effective until the acceptance of appointment by the successor Depository pursuant to Section 3.07.

B. The Depository may resign at any time by giving written notice thereof to the Issuer. If an instrument of acceptance by a successor Depository shall not have been delivered to the Depository within thirty (30) days after the giving of such notice of resignation, the resigning Depository may petition any court of competent jurisdiction for the appointment of a successor Depository.

C. The Depository may be removed at any time by the Issuer by Board Resolution if no event of default by the Issuer hereunder or under the Series 2018 Indenture or the Series 2018 Standby Contribution Agreement has occurred or, with passage of time or giving of notice, shall occur.

D. If at any time:

1. the Depository shall cease to be eligible pursuant to Section 3.05 and shall fail to resign after written request therefor by the Issuer or

2. the Depository shall become incapable of acting or shall be adjudged insolvent or a receiver of the Depository or of its property shall be appointed or any public officer shall take charge or control of the Depository or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in any such case, the Issuer by Board Resolution may remove the Depository.

E. If the Depository shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Depository for any cause, the Issuer by Board Resolution, shall promptly appoint a successor Depository. In case all or substantially all of the amounts held hereunder shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Depository shall be so appointed. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Depository shall be so appointed, then the successor Depository so appointed shall, forthwith upon its acceptance of such appointment, become the successor Depository and supersede the successor Depository appointed by the Issuer or by such receiver or trustee. If no successor Depository shall have been so

appointed and accepted appointment in the manner hereinafter provided, the Issuer may petition any court of competent jurisdiction for the appointment of a successor Depository.

SECTION 3.07. *Acceptance of Appointment by Successor.*

A. Every successor Depository appointed hereunder shall execute, acknowledge and deliver to the Issuer and the retiring Depository an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Depository shall become effective and such successor Depository, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Depository; but, on request of the Issuer or the successor Depository, such retiring Depository shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Depository upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Depository, and shall duly assign, transfer and deliver to such successor Depository all property and money held by such retiring Depository hereunder, subject nevertheless to its lien, if any, provided for in Section 3.04. Upon request of any such successor Depository, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Depository all such estates, properties, rights, powers and trusts.

B. No successor Depository shall accept its appointment unless at the time of such acceptance such successor Depository shall be qualified and eligible pursuant to this Article.

SECTION 3.08. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation into which the Depository may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Depository shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Depository, shall be the successor of the Depository hereunder, provided such corporation shall be otherwise qualified and eligible pursuant to this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

* * *

This instrument may be executed in any number of counter-
parts, each of which so executed shall be deemed to be an original,
but all such counterparts shall together constitute but one and the
same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this
Agreement to be duly executed, and to be effective as of the day and
year first above written, which date shall be deemed the date hereof
for all purposes.

RANCHO SAHUARITA COMMUNITY FACILITIES
DISTRICT

By.....
District Manager

ATTEST:

.....
District Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Depository

By.....
Authorized Officer

**WRITTEN POLICIES AND PROCEDURES
FOR TAX-ADVANTAGED OBLIGATIONS**

Rancho Sahuarita Community Facilities District (the "Issuer"), has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, "tax-advantaged obligations") that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the "Code").

The Issuer has established the policies and procedures contained herein (the "Procedures") as of March 12, 2018, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the "Tax Certificate") executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

A. GENERAL MATTERS.

1. Responsible Officer. The District Treasurer of the Issuer will have overall responsibility for ensuring that the ongoing requirements described in the Procedures are met with respect to tax-advantaged obligations (the "Responsible Officer").
2. Establishment of Procedures. The Procedures will be included with other written procedures of the Issuer.
3. Identify Additional Responsible Employees. The Responsible Officer shall identify any additional persons who will be responsible for each section of the Procedures, notify the current holder of that office of the responsibilities, and provide that person a copy of the Procedures. (For each section of the Procedures, this may be the Responsible Officer or another person who is assigned the particular responsibility.)
 - a. Upon employee or officer transitions, new personnel should be advised of responsibilities under the Procedures and ensure they understand the importance of the Procedures.
 - b. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as

necessary to ensure that all Procedures have been appropriately assigned.

4. Training Required. The Responsible Officer and other responsible persons shall receive appropriate training that includes the review of and familiarity with the contents of the Procedures, review of the requirements contained in the Code applicable to each tax-advantaged obligation, identification of all tax-advantaged obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.
5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the "remedial action" regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service ("IRS") (or successor guidance). Such periodic review shall occur at least annually.
6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

B. IRS INFORMATION RETURN FILING. The Responsible Officer will confirm that bond counsel has filed the applicable information reports (such as Form 8038-G) for such issue with the IRS on a timely basis, and maintain copies of such form including evidence of timely filing as part of the transcript of the issue. The Responsible Officer shall file the IRS Form 8038-T relating to the payment of rebate or yield reduction payments in a timely manner as discussed in Section G.12. below. The Responsible Officer shall also monitor the extent to which the Issuer is eligible to receive a refund of prior rebate payments and provide for the timely filing for such refunds using an IRS Form 8038-R.

C. USE OF PROCEEDS. The Responsible Officer or other responsible person shall:

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.

2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.
3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how proceeds were spent; review requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.
5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than "direct tracing" (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of "direct tracing" is often made to reduce the private business use of bond proceeds that would otherwise result from "direct tracing" of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier).* Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

D. MONITORING PRIVATE BUSINESS USE. The Responsible Officer or other responsible person shall:

1. Identify Financed Facilities. Identify or "map" which outstanding issues financed which facilities and in what amounts.

2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as "private persons") with respect to the financed facilities which could result in private business use of the facilities:
 - a. Sales of financed facilities;
 - b. Leases of financed facilities;
 - c. Management or service contracts relating to financed facilities;
 - d. Research contracts under which a private person sponsors research in financed facilities; and
 - e. Any other contracts involving "special legal entitlements" (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.
3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond counsel to review such amendment or agreement to determine whether it results in private business use.
4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of "unrelated or disproportionate" private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.

7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.

E. LOAN OF BOND PROCEEDS. Consult bond counsel if a loan of proceeds of tax-advantaged obligations is contemplated. If proceeds of tax-advantaged obligations are permitted under the Code to be loaned to other entities and are in fact so loaned, require that the entities receiving a loan of proceeds institute policies and procedures similar to the Procedures to ensure that the proceeds of the loan and the facilities financed with proceeds of the loan comply with the limitations provided in the Code. Require the recipients of such loans to annually report to the Issuer ongoing compliance with the Procedures and the requirements of the Code.

F. ARBITRAGE AND REBATE COMPLIANCE. The Responsible Officer or other responsible person shall:

1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.

2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.

3. Temporary Periods. Review the Tax Certificate to determine the "temporary periods" for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.

4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.

5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid "hedge bond" status.

6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0

percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.

7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.
10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a "bona fide debt service fund," i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.
11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.

12. Rebate and Yield Reduction Payment Compliance. Review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described below, investment earnings on proceeds at a yield in excess of the yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.
- a. Ensure that rebate and yield reduction payment calculations will be timely performed and payment of such amounts, if any, will be timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue, then in succeeding installments every five years. The final rebate payment for an issue is due 60 days after retirement of the last obligation of the issue. The Issuer should hire a rebate consultant if necessary.
 - b. Review the rebate section of the Tax Certificate to determine whether the "small issuer" rebate exception applies to the issue.
 - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Tax Certificate) may apply to the tax-advantaged obligations, ensure that the spending of proceeds is monitored prior to semiannual spending dates for the applicable exception.
 - d. Make rebate and yield reduction payments and file Form 8038-T in a timely manner.
 - e. Even after all other proceeds of a given issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants contained in the Tax Certificate).
13. Maintenance and Retention of Arbitrage and Rebate Records. Maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

G. RECORD RETENTION. The Responsible Officer or other responsible person shall ensure that for each issue of obligations, the transcript and all records and documents described in these Procedures will be maintained while any of the obligations are outstanding and during the three-year period following the final maturity or redemption of that issue, or if the obligations are refunded (or re-refunded), while any of the refunding obligations are outstanding and during the three-year period following the final maturity or redemption of the refunding obligations.

**ATTACHMENT I TO
WRITTEN PROCEDURES**

REMEDIAL ACTION PROCEDURES

Capitalized terms used herein but not defined have the meaning assigned thereto in Section 5 below and in the Written Policies and Procedures for Tax-Advantaged Obligations to which these Remedial Action Procedures are attached. This attachment describes written procedures that may be required to be taken by, or on behalf of, an issuer of Obligations.

1. **Background.** The maintenance of the tax status of the Obligations (e.g., as tax-exempt obligations under federal tax law) depends on the compliance with the requirements set forth in the Internal Revenue Code of 1986, as amended (the "Code"). *The purpose of this attachment is to set forth written procedures to be used in the event that any deliberate actions are taken that are not in compliance with the tax requirements of the Code (each, a "Deliberate Action") with respect to the Obligations, the proceeds thereof, or the property financed or refinanced by the Obligations (the "Financed Property").*

2. **Consultation with bond counsel.** If a Deliberate Action is taken with respect to the Obligations and the Financed Property subsequent to the issuance or execution and delivery of the Obligations, then the Town must consult with Greenberg Traurig, LLP or other nationally recognized bond counsel ("bond counsel") regarding permissible Remedial Actions that may be taken to remediate the effect of any such Deliberate Action upon the federal tax status of the Obligations. Note that remedial actions or corrective actions other than those described in this attachment may be available with respect to the Obligations and the Financed Property, including remedial actions or corrective actions that may be permitted by the Commissioner through the voluntary closing agreement programs (VCAP) provided by the Internal Revenue Service from time to time.

3. **Conditions to Availability of Remedial Actions.** None of the Remedial Actions described in this attachment are available to remediate the effect of any Deliberate Action with respect to the Obligations and the Financed Property unless the following conditions have been satisfied and unless bond counsel advises otherwise:

(a) The issuer of the Obligations reasonably expected on the date the Obligations were originally issued or executed and delivered that the Obligations would meet neither the Private Business Tests nor the Private Loan Financing Test of Section 141 of the Code and the Treasury Regulations thereunder for the entire term of the Obligations (such expectations may be based on the representations and expectations of the applicable conduit borrower, if there is one);

(b) The weighted average maturity of the Obligations did not, as of such date, exceed 120 percent of the Average Economic Life of the Financed Property;

(c) Unless otherwise excepted under the Treasury Regulations, the Town delivers a certificate, instrument, or other written records satisfactory to bond counsel demonstrating that the terms of the arrangement pursuant to which the Deliberate Action is taken is *bona fide* and arm's-length, and that the non-exempt Person using either the Financed Property or the proceeds of the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

(d) Any disposition must be made at fair market value and any Disposition Proceeds actually or constructively received by the Town as a result of the Deliberate Action must be treated as gross proceeds of the Obligations and may not be invested in obligations bearing a yield in excess of the yield on the Obligations subsequent to the date of the Deliberate Action; and

(e) Proceeds of the Obligations affected by the Remedial Action must have been allocated to expenditures for the Financed Property or other allowable governmental purposes before the date on which the Deliberate Action occurs (except to the extent that redemption or defeasance, if permitted, is undertaken, as further described in Section 4(A) below).

4. **Types of Remedial Action.** Subject to the conditions described above, and only if the Town obtains an opinion of bond counsel prior to taking any of the actions below to the effect that such actions will not affect the federal tax status of the Obligations, the following types of Remedial Actions may be available to remediate a Deliberate Action subsequent to the issuance of the Obligations:

(a) Redemption or Defeasance of Obligations.

(i) If the Deliberate Action causing either the Private Business Use Test or the Private Loan Financing Test to be satisfied consists of a fair market value disposition of any portion of the Financed Property exclusively for cash, then the Town may allocate the Disposition Proceeds to the redemption of Nonqualified Obligations pro rata across all of the then-outstanding maturities of the Obligations at the earliest call date of such maturities of the Obligations after the taking of the Deliberate Action. If any of the maturities of the Obligations outstanding at the time of the taking of the Deliberate Action are not callable within 90 days of the date of the Deliberate Action, the Town may (subject generally to the limitations described in (iii) below) allocate the Disposition Proceeds to the establishment of a Defeasance Escrow for any such maturities of the

Obligations within 90 days of the taking of such Deliberate Action.

(ii) If the Deliberate Action consists of a fair market value disposition of any portion of the Financed Property for other than exclusively cash, then the Town may use any funds (other than proceeds of the Obligations or proceeds of any obligation the interest on which is excludable from the gross income of the registered owners thereof for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance Escrow within 90 days of the date of the Deliberate Action for all of the maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

(iii) If a Defeasance Escrow is established for any maturities of Nonqualified Obligations that are not callable within 90 days of the date of the Deliberate Action, written notice must be provided to the Commissioner of Internal Revenue Service at the times and places as may be specified by applicable regulations, rulings, or other guidance issued by the Department of the Treasury or the Internal Revenue Service. Note that the ability to create a Defeasance Escrow applies only if the Obligations to be defeased and redeemed all mature or are callable within ten and one-half (10.5) years of the date the Obligations are originally issued or executed and delivered. If the Obligations are not callable within ten and one-half years, and none of the other remedial actions described below are applicable, the remainder of this attachment is for general information only, and bond counsel must be contacted to discuss other available options.

(b) Alternative Use of Disposition Proceeds. Use of any Disposition Proceeds in accordance with the following requirements may be treated as a Remedial Action with respect to the Obligations:

(i) the Deliberate Action consists of a disposition of all or any portion of the Financed Property for not less than the fair market value thereof for cash;

(ii) the Town reasonably expects to expend the Disposition Proceeds resulting from the Deliberate Action within two years of the date of the Deliberate Action;

(iii) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code

and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;

(iv) no action is taken after the date of the Deliberate Action to cause the Private Activity Bond Tests to be satisfied with respect to the Obligations, the Financed Property, or the Disposition Proceeds (other than any such use that may be permitted in accordance with the Treasury Regulations);

(v) Disposition Proceeds used in a manner that satisfies the Private Activity Bond Tests or that are not expended within two years of the date of the Deliberate Action must be used to redeem or defease Nonqualified Obligations in accordance with the requirements set forth in Section 4(a) hereof; and

(c) Alternative Use of Financed Property. The Town may be considered to have taken sufficient Remedial Actions to cause the Obligations to continue their applicable treatment under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Financed Property:

(i) the portion of the Financed Property subject to the Deliberate Action is used for a purpose that would be permitted for qualified tax-exempt obligations;

(ii) the disposition of the portion of the Financed Property subject to the Deliberate Action is not financed by a person acquiring the Financed Property with proceeds of any obligation the interest on which is exempt from the gross income of the registered owners thereof under Section 103 of the Code for purposes of federal income taxation or an obligation described in Sections 54A-54F, 54AA, or 6431 of the Code; and

(iii) any Disposition Proceeds other than those arising from an agreement to provide services (including Disposition Proceeds arising from an installment sale) resulting from the Deliberate Action are used to pay the debt service on the Obligations on the next available payment date or, within 90 days of receipt thereof, are deposited into an escrow that is restricted as to the investment thereof to the yield on the Obligations to pay debt service on the Obligations on the next available payment date.

Absent an opinion of bond counsel, no Remedial Actions are available to remediate the satisfaction of the Private Security or Payment Test regarding the same with respect to the Obligations.

Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Financed Property.

5. **Additional Defined Terms.** For purposes of this attachment, the following terms have the following meanings:

"*Commissioner*" means the Commissioner of Internal Revenue, including any successor person or body.

"*Defeasance Escrow*" means an irrevocable escrow established to redeem obligations on their earliest call date in an amount that, together with investment earnings thereon, is sufficient to pay the entire principal of, and interest and call premium on, obligations from the date the escrow is established to the earliest call date. A Defeasance Escrow may not be invested in higher yielding investments or in any investment under which the obligor is a user of the proceeds of the obligations.

"*Deliberate Action*" means any action, occurrence, or omission by the Town (or, if applicable, by a conduit borrower) that is within the control of the Town (or, if applicable, by such conduit borrower) that causes either (1) the Private Business Use Test to be satisfied with respect to the Obligations or the Financed Property (without regard to the Private Security or Payment Test), or (2) the Private Loan Financing Test to be satisfied with respect to the Obligations or the proceeds thereof. An action, occurrence, or omission is not a Deliberate Action if (1) the action, occurrence, or omission would be treated as an involuntary or compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence, or omission is in response to a regulatory directive made by the government of the United States.

"*Disposition Proceeds*" means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition of property (other than Investments) financed with the proceeds of the Obligations.

"*Nonqualified Obligations*" means that portion of the Obligations outstanding at the time of a Deliberate Action in an amount that, if the outstanding Obligations were issued or executed and delivered on the date on which the Deliberate Action occurs, the outstanding Obligations would not satisfy the Private Business Use Test or the Private Loan Financing Test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the Deliberate Action.

"*Private Activity Bond Tests*" means, collectively, the Private Business Use Test, the Private Security or Payment Test, and the Private Loan Financing Test.

"*Private Business Tests*" means the Private Business Use Test and the Private Security or Payment Test.

"*Private Business Use Test*" has the meaning set forth in Section 141(b)(1) of the Code.

"*Private Loan Financing Test*" has the meaning set forth in Section 141(c) of the Code.

"*Private Security or Payment Test*" has the meaning set forth in Section 141(b)(2) of the Code.

"*Remedial Action*" means any of the applicable actions described in Section 4 hereof, or such other actions as may be prescribed from time to time by the Department of the Treasury or the Internal Revenue Service, which generally have the effect of rectifying noncompliance by the Town with certain provisions of Section 141 of the Code and the Regulations thereunder and are undertaken by the Town to maintain the federal tax status of the Obligations.

6. **Change in Law.** This attachment is based on law in effect as of this date. Statutory or regulatory changes, including but not limited to clarifying Treasury Regulations, may affect the matters set forth in this attachment.