

PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2010

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS: See "Ratings" herein

The portion of each installment payment made by the County pursuant to the 2010 Purchase Agreement and denominated as and comprising interest pursuant to the 2010 Purchase Agreement with respect to the Taxable 2010A Obligations will not be excludible gross income for federal income tax purpose and will not be exempt from income taxation under the laws of the State of Arizona. See "TAX MATTERS" herein.

In the opinion of Greenberg Traurig, LLP, Special Counsel, assuming compliance with certain tax covenants, the portion of each installment payment made by the County pursuant to the 2010 Purchase Agreement and denominated as and comprising interest pursuant to the 2010 Purchase Agreement with respect to the Tax-Exempt 2010B Obligations (the "Tax-Exempt Interest Portion") and received by the Holders of the Tax-Exempt 2010B Obligations will be excludable from gross income for federal income tax purpose and will not be an item of tax preference for purposes of the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended. The Tax-Exempt Interest Portion received by the Holders of the Tax-Exempt 2010B Obligations will also be exempt from income taxation under the laws of the State of Arizona. See "TAX MATTERS" herein for a description of certain federal tax consequences of ownership of the Tax-Exempt 2010B Obligations. See also "ORIGINAL ISSUE DISCOUNT - TAX-EXEMPT 2010B OBLIGATIONS" and "AMORTIZABLE PREMIUM - TAX-EXEMPT 2010B OBLIGATIONS" herein.

\$165,000,000*

SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010

**Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by**

PIMA COUNTY, ARIZONA,

Pursuant to a Series 2010 Purchase Agreement,

Dated as of May 1, 2010

[\$[PAR-A]*

TAXABLE SERIES 2010A

(QUALIFIED BUILD AMERICA BONDS - DIRECT PAY)

[\$[PAR-B]*

TAX-EXEMPT SERIES 2010B

Dated: Date of Initial Delivery

Due: July 1, as shown on inside cover

The **[\$[PAR-A]** Sewer System Revenue Obligations, Taxable Series 2010A (Qualified Build America Bonds – Direct Payment) (the "Taxable 2010A Obligations") and **[\$[PAR-B]** Sewer System Revenue Obligations, Tax-Exempt Series 2010B (the "Tax-Exempt 2010B Obligations" and, together with the Taxable 2010A Obligations, the "2010 Obligations") are being executed and delivered pursuant to an Obligation Indenture, to be dated as of May 1, 2010, between the Pima County, Arizona (the "County"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest on the 2010 Obligations will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2011. The 2010 Obligations will initially be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), for purposes of the book-entry-only system described herein and will be available to ultimate purchasers in the amounts of \$5,000 of principal represented by the 2010 Obligations of the same series due on a specific maturity date, or any integral multiple thereof, pursuant to the book-entry-only system maintained by DTC. Payments of principal and interest with respect to the 2010 Obligations will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the 2010 Obligations. See Appendix K - "BOOK-ENTRY-ONLY SYSTEM."

The 2010 Obligations are being executed and delivered for the purpose of (i) financing the herein-described 2010 Projects, constituting improvements and extensions to the entire sewer system of the County (the "System"), (ii) funding a debt service reserve fund for the 2010 Obligations, and (iii) paying costs incurred in connection with the execution and delivery of the 2010 Obligations. See "THE 2010 PROJECTS" and "SOURCES AND USES OF FUNDS" herein.

[The scheduled payment of principal of and interest on the 2010 Obligations when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2010 Obligations by _____.]

[Insurer Logo]

MATURITY SCHEDULE AND ADDITIONAL INFORMATION ON INSIDE FRONT COVER PAGE

The 2010 Obligations will be subject to redemption prior to maturity as described herein. See "THE 2010 OBLIGATIONS - Redemption Provisions."

The 2010 Obligations will evidence undivided proportionate interests of the Holders (as defined herein) thereof in the right to receive certain installments of the Purchase Price (as defined herein) pursuant to the Series 2010 Purchase Agreement, to be dated as of May 1, 2010 (the "2010 Purchase Agreement"), between the County and the Trustee. Principal and interest with respect to the 2010 Purchase Agreement, together with principal and premium, if any, and interest on future parity bonds and other obligations, will be payable solely from the "Pledged Revenues", (as defined herein) derived by the County from the operation of the System, subject to the prior pledge thereof and lien thereon for the Prior Obligations (as defined herein). See "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS" herein. The 2010 Obligations will not be general obligations of the County and will not constitute an indebtedness of the County when computing its bonded indebtedness for purposes of debt limitations imposed by constitutional, statutory or charter provisions, a charge against the general credit limitations imposed by constitutional or statutory provisions or against the general credit or taxing power of the County nor a liability of the County for payment of the 2010 Obligations other than from the sources described herein.

The County is offering the Tax-Exempt 2010B Obligations as tax-exempt obligations and the Taxable 2010A Obligations as taxable obligations. The County will elect to treat the Taxable 2010A Obligations as "Build America Bonds" for purposes of the American Recovery and Reinvestment

Act of 2009 and to receive cash subsidy payments from the United States Treasury in connection therewith which will not be pledged as security for payment of the 2010 Obligations. See "BUILD AMERICA BONDS" herein.

The amount of 2010 Obligations issued as taxable or tax-exempt obligations is dependent on market conditions, and the County, in its sole discretion, will determine the amount, if any, of 2010 Obligations issued as Taxable 2010A Obligations or Tax-Exempt 2010B Obligations.

The 2010 Obligations are offered when, as and if executed and delivered by the Trustee and received by the underwriter identified below (the "Underwriter"), subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the 2010 Obligations. Certain legal matters will be passed upon for the Underwriter by its counsel, Squire, Sanders & Dempsey L.L.P. It is expected that the 2010 Obligations will be available for delivery through the facilities of DTC on or about May __, 2010.*

This cover page contains only a brief description of the Obligations and the security therefor. It is not intended to be a summary of material information with respect to the Obligations. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

RBC Capital Markets

Dated: May __, 2010

*Preliminary, subject to change.

DRAFT

MATURITY SCHEDULE*

\$165,000,000*

**SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
PIMA COUNTY, ARIZONA,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of May 1, 2010**

**[\$[PAR-A]
TAXABLE SERIES 2010A
(QUALIFIED BUILD AMERICA BONDS - DIRECT PAY)**

Principal Payment Date (July 1)	Principal Amount	Interest Rate	Yield
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\$ _____ % Term Taxable 2010A Obligation due July 1, 20__ @ a price of [100.00%]

\$ _____ % Term Taxable 2010A Obligation due July 1, 20__ @ a price of [100.00%]

**[\$[PAR-B]
TAX-EXEMPT SERIES 2010B**

Principal Payment Date (July 1)	Principal Amount	Interest Rate	Yield
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* Preliminary, subject to change.

**PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS**

Ramón Valadez, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Richard Eliás

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C. H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

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

This Official Statement, which includes the cover page, the inside cover page and the appendices hereto, does not constitute an offering of any security other than the original offering of the 2010 Obligations identified on the cover hereof. No person has been authorized by Pima County, Arizona (the "County"), to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the County.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. All forecasts, projections, assumptions, opinions or estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

RBC Capital Markets Corporation (the "Underwriter") has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors in accordance with the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The issuance and sale of the 2010 Obligations have not been registered under the Federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities; nor have the issuance and sale of the 2010 Obligations been qualified under the Securities Act of Arizona, in reliance upon various exemptions thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

[_____ makes no representation regarding the 2010 Obligations or the advisability of investing in the Obligations. In addition, _____ has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding _____ supplied by _____ and presented under the heading "OBLIGATION INSURANCE" and Appendix J - "SPECIMEN OF THE MUNICIPAL BOND INSURANCE POLICY."]

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	
THE 2010 OBLIGATIONS	
Authorization and Purpose	
General Provisions	
Redemption Provisions	
SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS	
General	
Source of Purchase Payments	
Debt Service Reserve Account	
Rate Covenant	
Outstanding Prior Obligations; No Future Prior Obligations	
Additional Obligations	
THE 2010 PROJECTS	
SOURCES AND USES OF FUNDS	
DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE	
BUILD AMERICA BONDS	
General Description	
Interest Credit Payments	
The Taxable 2010A Obligations as Build America Bonds	
LITIGATION	
TAX MATTERS	
Taxable 2010A Obligations	
Tax-Exempt 2010B Obligations	
Original Issue Discount - Tax-Exempt 2010B Obligations	
Amortizable Premium - Tax-Exempt 2010B Obligations	
LEGAL MATTERS	
RATINGS	
UNDERWRITING	
CERTIFICATION CONCERNING OFFICIAL STATEMENT	
OBLIGATION INSURANCE	
OBLIGATION INSURANCE RISK FACTORS	
CONTINUING SECONDARY MARKET DISCLOSURE	
FINANCIAL STATEMENTS	
ADDITIONAL INFORMATION	
CONCLUDING STATEMENT	
Appendix A - Pima County, Arizona Regional Wastewater Reclamation Department	
Appendix B - Pima County, Arizona General Economic and Demographic Information	
Appendix C - Pima County, Arizona Financial Information	
Appendix D - Form of Opinion of Special Counsel	
Appendix E - Audited Financial Statements of the Pima County Regional Wastewater Reclamation Enterprise Fund for Fiscal Year Ended June 30, 2009	
Appendix F - Excerpts from Pima County, Arizona Comprehensive Annual Financial Report for The Fiscal Year Ended June 30, 2009	
Appendix G - Senior Resolution Summary	
Appendix H - Obligations Documents Summaries	
Appendix I - Continuing Disclosure Undertaking	
Appendix J - Specimen of the Municipal Bond Insurance Policy	
Appendix K - Book-Entry-Only System	

\$165,000,000*
SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
PIMA COUNTY, ARIZONA,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of May 1, 2010

\$(PAR-A)*
TAXABLE SERIES 2010A
(QUALIFIED BUILD AMERICA BONDS – DIRECT PAY)

\$(PAR-B)*
TAX-EXEMPT SERIES 2010B

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is to provide information in connection with the sale and execution and delivery of the **\$(PAR-A)** Sewer System Revenue Obligations, Taxable Series 2010A (Qualified Build America Bonds – Direct Payment) (the “Taxable 2010A Obligations”) and **\$(PAR-B)** Sewer System Revenue Obligations, Tax-Exempt Series 2010B (the “Tax-Exempt 2010B Obligations”) and, together with the Taxable 2010A Obligations, the “2010 Obligations”), evidencing proportionate interests of the holders thereof in certain installment payments (the “Purchase Payments” and collectively, the “Purchase Price”) to be paid by Pima County, Arizona (the “County”) pursuant to a Series 2010 Purchase Agreement, to be dated as of May 1, 2010 (the “2010 Purchase Agreement”), between The Bank of New York Mellon Trust Company, N.A., (the “Trustee”) in its separate capacity as seller, and the County. The 2010 Obligations will be executed and delivered pursuant to a Series 2010 Obligation Indenture, to be dated as of May 1, 2010 (the “Indenture”), between, the County and the Trustee in its separate capacity as trustee thereunder.

The amount of 2010 Obligations issued as taxable or tax-exempt obligations is dependent on market conditions, and the County, in its sole discretion, will determine the amount, if any, of 2010 Obligations issued as Taxable 2010A Obligations or Tax-Exempt 2010B Obligations.

If Taxable 2010A Obligations are executed and delivered, the County will elect to designate the Taxable 2010A Obligations as Qualified Build America Bonds (Direct Pay) and receive direct subsidy payments from the United States of America (the “United States”), as to such portion of the 2010 Obligations. The owners of beneficial interests in the Taxable 2010A Obligations will not receive any tax credit with respect to the Taxable 2010A Obligations. [The direct subsidy payments from the United States will not be pledged as security for payment of principal of or interest on the 2010 Obligations. See “BUILD AMERICA BONDS.”]

The offering of the 2010 Obligations is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2010 Obligations. Accordingly, prospective purchasers of the 2010 Obligations should read this entire Official Statement before making their investment decision.

All financial and other information presented in this Official Statement with respect to the County has been provided by representatives of the County from its records, except for information expressly attributed to other sources. The presentation of financial and other information, including tables of receipts from utility revenues and other sources, is intended to show recent historical information and, except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

*Preliminary, subject to change.

For definitions of certain capitalized terms used in this Official Statement and not defined before as well as for certain provisions of the 2010 Purchase Agreement and the Indenture and the hereinafter described Senior Resolution, see, respectively, Appendix G - "SENIOR RESOLUTION SUMMARY" and Appendix H - "OBLIGATIONS DOCUMENTS SUMMARIES".

THE 2010 OBLIGATIONS

Authorization and Purpose

The Trustee will be authorized to execute and deliver the 2010 Obligations pursuant to the provisions of the Indenture and a resolution adopted by the Board of Supervisors of the County (the "Board") on March 9, 2010.

The 2010 Obligations are being executed and delivered for the purpose of (i) financing the herein-described 2010 Projects, constituting improvements and extensions to the entire sewer system of the County (the "System"), (ii) providing for a deposit to the Debt Service Reserve Account equal to the Reserve Requirement, and (iii) paying costs incurred in connection with the execution and delivery of the 2010 Obligations. See "THE 2010 PROJECTS" and "SOURCES AND USES OF FUNDS" herein.

General Provisions

The 2010 Obligations will be dated the date of their initial execution and delivery and will bear interest payable semiannually on January 1 and July 1 of each year, commencing January 1, 2011. The 2010 Obligations will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest will be computed on the basis of a year comprised of three hundred sixty (360) days consisting of twelve (12) months of thirty (30) days each. The 2010 Obligations initially will be registered only in the name of Cede & Co., the nominee of Depository Trust Company ("DTC") for purposes of a book-entry-only system. Beneficial ownership interests in the 2010 Obligations may be purchased through direct and indirect participants of DTC in amounts of \$5,000 of principal of the same series due on a specific maturity date or integral multiples thereof. See Appendix K - "BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions

Optional Redemption. The 2010 Obligations maturing on or prior to July 1, 20__, will not be subject to optional redemption prior to maturity. The 2010 Obligations maturing on and after July 1, 20__, will be subject to redemption, as directed by the County, in whole or in part on any interest payment date, in increments of \$5,000 of principal amount of the same series due on a specific maturity date, in any order of maturity, as directed by the County, and by lot within a maturity, on July 1, 20__, and thereafter by payment of the principal amount of each 2010 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

In the event a portion, but not all, of the Taxable 2010A Obligations are to be redeemed pursuant to optional redemption, then the principal amount of any remaining mandatory redemptions applicable to the Taxable 2010A Obligations will be proportionately reduced (subject to the Trustee making such adjustments as it deems necessary to be able to effect future redemptions of the Taxable 2010A Obligations in authorized denominations).

Mandatory Redemption. The 2010 Obligations maturing on July 1, 20__ and July 1, 20__ (collectively, the "Term 2010 Obligations"), will be subject to mandatory redemption and will be redeemed on July 1 in the respective years set forth below, in the amount of the unsatisfied portion of the corresponding mandatory redemption requirement, by payment of the principal amount of such Term 2010 Obligations to be redeemed plus interest accrued to the date fixed for redemption, without premium:

Term 2010 Obligation Payable July 1, 20__

Year	Redemption Amount
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**Final Maturity

Term 2010 Obligations Payable July 1, 20__

Year	Redemption Amount
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**Final Maturity

Extraordinary Optional Redemption of the Taxable 2010A Obligations. The Taxable 2010A Obligations (which are being issued and designated as “Build America Bonds” – see “BUILD AMERICA BONDS” herein) will be subject to redemption prior to maturity at the option of the County in whole or in part on any date during the period from the date of issuance of the Taxable 2010A Obligations until July 1, 20__* in the event that the government of the United States of America evidences, in the sole judgment of the County, by action or failure to act that it will not provide for the Direct Payments (as defined herein) to be made to the County in an amount equal to or greater than thirty-five percent (35%) of the interest payable on such Taxable 2010A Obligations on any Interest Payment Date. The extraordinary redemption price will be the greater of (a) the principal amount of such Taxable 2010A Obligations to be redeemed or (b) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Taxable 2010A Obligations to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable 2010A Obligations are to be redeemed, discounted to the date on which such Taxable 2010A Obligations are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus ____* basis points, plus accrued interest on such Taxable 2010A Obligations to be redeemed to the redemption date.

“Treasury Rate” means, as of the redemption date, the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The redemption price will be determined by an independent accounting firm, investment banking firm or financial consultant retained by the County at the County’s expense and such redemption price shall be conclusive and binding on the owners of the Taxable 2010A Obligations.

In the event a portion, but not all, of the Taxable 2010A Obligations are redeemed pursuant to extraordinary redemption, then the principal amount of any remaining mandatory redemptions applicable to the Taxable 2010A Obligations shall be proportionately reduced (subject to the Trustee making such adjustments as it deems necessary to be able to effect future redemptions of the Taxable 2010A Obligations in authorized denominations).

*Preliminary, subject to change.

Notice of Redemption. When redemption is authorized or required, the Trustee will give DTC notice of the redemption of the 2010 Obligations as described herein in Appendix K - "BOOK-ENTRY-ONLY SYSTEM" not more than 60 days nor less than 30 days prior to the redemption date. Any redemption will be from such maturities as directed by the County.

Notice having been given in the manner provided above, the portions of the 2010 Obligations called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the portions of the 2010 Obligation called for redemption is held by the Trustee on the redemption date, then the portions thereof to be redeemed will not be considered outstanding under the Indenture and will cease to bear interest from and after such redemption date.

SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS

General

For the amounts payable pursuant to the 2010 Purchase Agreement (including the Purchase Price), the Trustee will sell and convey to the County, and the County will purchase from the Trustee, the Series 2010 Property.

The 2010 Obligations represent undivided proportionate interests of the Holders thereof in the right to receive the Purchase Payments to be paid by the County pursuant to the 2010 Purchase Agreement, which includes amounts sufficient to pay when due the principal of and interest on the 2010 Obligations. During the term of the 2010 Purchase Agreement, the Purchase Payments will be required to be made regardless of damage to the Series 2010 Projects or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the County possesses or uses the System. The obligations of the County to make the Purchase Payments will continue until all of the Purchase Payments and all other amounts due under the 2010 Purchase Agreement have been paid. No security interest will be held by the Trustee for the benefit of the Holders of the 2010 Obligations in any portion of the Series 2010 Projects or the System. Remedies available upon a failure of the County to make the Purchase Payments when due will be limited and will not include acceleration of the Purchase Payments or recourse to the 2010 Projects or any portion of the System. For a description of events of default and remedies under the 2010 Purchase Agreement, see Appendix H - "OBLIGATIONS DOCUMENTS SUMMARIES - The 2010 Purchase Agreement - Purchase Events of Default" and "- Remedies on Default by County." For information concerning the System, see Appendix A - "PIMA COUNTY, ARIZONA - REGIONAL WASTEWATER RECLAMATION DEPARTMENT."

Source of Purchase Payments

The obligation of the County to make the Purchase Payments under the 2010 Purchase Agreement will be payable from and secured by a lien on, pledge of, and security interest in the Pledged Revenues. "Pledged Revenues" are Revenues (including any unrestricted fund balances of the System) remaining after deducting Operating Expenses subject to certain additions under certain circumstances as provided in the 2010 Purchase Agreement. "Revenues" are all income, moneys and receipts derived by the County from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding any amounts received which the County is contractually required to pay out as reimbursement for acquisition, construction or installation of the System. "Operating Expenses" when used with regard to the 2010 Obligations and the Additional Obligations are the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, and insurance, but excluding non-cash transactions, including depreciation and loss on disposal or transfer of assets.

Such lien on, pledge of and security interest in the Pledged Revenues is (a) subject to the prior pledge thereof and lien thereon for \$247,477,247 outstanding principal amount of Prior Obligations, which were authorized and issued or incurred pursuant to Resolution No. 1991-138, adopted by the Board on June 18, 1991, as supplemented and amended (collectively, the "Senior Resolution"), and (b) on a parity with any additional Obligations subsequently issued or incurred under separate documentation in accordance with the 2010 Purchase Agreement.

The pledge of, lien on and security interest in the Pledged Revenues will be irrevocably made in the 2010 Purchase Agreement and created for the prompt and punctual payment of the principal of and interest on the 2010 Obligations and the Additional Obligations, according to their terms and to make other payments specified. None of the 2010 Obligations or the Additional Obligations will be entitled to priority or distinction over any of the others in the application of the Pledged Revenues, regardless of the incurrence of any of the Additional Obligations in series or the delivery of any of the Additional Obligations prior to the delivery of any other of the Additional Obligations of that series or regardless of the time or times the 2010 Obligations or the Additional Obligations mature or are called for redemption prior to maturity or otherwise. The 2010 Obligations and the Additional Obligations will be co-equal as to the pledge of and lien on the Pledged Revenues for the payment thereof and will share ratably, without preference, priority or distinction, as to the source or method of payment or security therefore.

See Appendix G - "SENIOR RESOLUTION SUMMARY" and Appendix H - "OBLIGATIONS DOCUMENTS SUMMARIES."

Neither the 2010 Obligations nor the obligations of the County pursuant to the 2010 Purchase Agreement constitute a debt or a pledge of the full faith and credit of the County, the State or any political subdivision thereof for constitutional or statutory purposes. The 2010 Obligations do not obligate the County to levy or pledge any form of ad valorem or other taxes. The 2010 Obligations are a limited obligation of the County secured solely by Pledged Revenues and otherwise as provided in the Authorizing Ordinance and the 2010 Purchase Agreement.

Debt Service Reserve Account

The Indenture establishes the Debt Service Reserve Account within the Obligation Fund for the benefit of the 2010 Obligations, but not Additional Obligations that may be subsequently issued. The County will fund the Debt Service Reserve Account with proceeds from the 2010 Obligations, in an amount equal to the Reserve Requirement (initially \$_____). The Indenture permits the County to substitute a surety bond for any cash on deposit in the Debt Service Reserve Account at any time and vice versa. See Appendix H - "OBLIGATIONS DOCUMENTS SUMMARIES - The Obligation Indenture - Flow of Funds Into the Obligation Fund and - Flow of Funds Out of the Obligation Fund." *No amounts held in debt service reserve funds or accounts established in the future in connection with the issuance or incurrence of any series of Additional Obligations will secure payment of debt service on the 2010 Obligations.*

Rate Covenant

The County has covenanted and agreed in the 2010 Purchase Agreement to establish and maintain rates, fees and charges for all services supplied by the System to provide the Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates to produce (a) Pledged Revenues in each Fiscal Year equal to at least 120 percent of the Principal Requirement and the Interest Requirement on all Outstanding 2010 Obligations, Obligations and Prior Obligations for the corresponding Bond Year (treating any Variable Interest Rate Obligations as bearing interest at the Assumed Interest Rate and treating any Outstanding 2010 Obligations, Obligations and Prior Obligations subject to mandatory redemption as maturing on their respective mandatory redemption dates) and (b) an amount of Pledged Revenues for the then-current Fiscal Year which, net of the aggregate amounts required to be deposited to the Bond Fund established for the Prior Bonds and the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to Policy Costs and any Credit Facility, respectively, due and owing in such Fiscal Year.

Outstanding Prior Obligations; No Future Prior Obligations

As noted above, the County currently has \$242,292,280 principal amount of Prior Obligations outstanding which were issued or incurred pursuant to the Senior Resolution and are payable from and secured by a pledge of and a lien on Net Revenues (being that portion of the Revenues after payment of the Prior Obligation's "Operating Expenses") which is prior and senior to the claim of the 2010 Obligations and any future Obligations issued or incurred in accordance with the 2010 Purchase Agreement. For further information on the Prior Bonds, see APPENDIX C - "PIMA COUNTY, ARIZONA -Financial Information - Sewer Revenue Bonds Outstanding."

In the 2010 Purchase Agreement, the County will covenant that it will not issue or incur, whether pursuant to the Senior Resolution or otherwise, any additional Prior Obligations or other obligations enjoying a lien or claim on Net Revenues or Pledged Revenues prior or senior to the lien and claim made in favor of the Series 2010 Obligations and the Additional Obligations. See Appendix H – “OBLIGATIONS DOCUMENTS SUMMARIES – The 2010 Purchase Agreement – Senior Resolution.”

Additional Obligations

Pursuant to the provisions of the 2010 Purchase Agreement, the County may, in the future, incur Additional Obligations if the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to 120 percent of the Parity Lien Test Debt Service including such Additional Obligations to be Outstanding immediately after incurrence and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year which, net of the aggregate amounts required to be deposited to the Bond Fund established for the Prior Bonds and the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to Policy Costs and any Credit Facility, respectively, due and owing in such Fiscal Year. “Parity Lien Test Debt Service” is the highest aggregate Principal Requirement and Interest Requirement of all Outstanding 2010 Obligations and Additional Obligations and principal and interest requirement for the Prior Obligations to fall due and payable in the current or any future Bond Year.

THE 2010 PROJECTS

A portion of the proceeds of the 2010 Obligations will be used to pay the costs of the 2010 Projects, which are [part of the County’s capital improvement program] [to be completed by County]. Under the 2010 Purchase Agreement, the 2010 Projects [and the portions of the System refinanced with proceeds of the 2010 Obligations] will be conveyed to the Trustee, as assignee of the Seller, in consideration for the execution and delivery of the 2010 Obligations, and repurchased by the County.

Additional System improvements and extensions are planned to be made over the next four fiscal years and are expected by the County to be financed with the issuance of an estimated \$632 million of Additional Obligations. See APPENDIX A - “PIMA COUNTY, ARIZONA REGIONAL WASTEWATER RECLAMATION DEPARTMENT - Capital Improvement Program.”

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2010 Obligations will be applied as follows:

Sources of Funds:

Proceeds of 2010 Obligations	\$
Net Amortizable Premium/ (Discount)	_____
Total Sources	\$ =====

Uses of Funds:

Series 2010 Projects Costs of Issuance ^(a)	\$
Total Uses	\$ =====

^(a) Includes [insurance premium and] fees of Special Counsel, Underwriter’s counsel, Trustee’s counsel, Trustee, Underwriter’s compensation, printing costs, rating agency fees and other costs related to the delivery of the 2010 Obligations.

DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE

The following schedule sets forth (i) the annual debt service requirements of the Prior Obligations, (ii) the annual debt service requirements of the 2010 Obligations, (iii) the combined annual debt service requirements following issuance of the 2010 Obligations, and (iv) the projected debt service coverage based on projected Pledged Revenues.

**Pima County, Arizona
Schedule of Annual Sewer Revenue Obligation Debt Service Requirements
and Projected Debt Service Coverage ^(a)**

Fiscal Year Ending	Projected Pledged Revenues ^(b)	Prior Obligations Debt Service Requirements	2010 Obligations		Prior Obligations & 2010 Obligations Debt Service Requirements *	Prior Obligations & 2010 Obligations Debt Service Coverage *
			Principal*	Interest* ^(c)		
2009						
2010						
2011						
2012						
2013						
2014						
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						

* Preliminary, subject to change.

^(a) Amounts may not add due to rounding.

^(b) Reflects projected Pledged Revenues as provided by the County.

^(c) Interest is estimated at _____% [and does not include Direct Payments received by the County as described under “BUILD AMERICA BONDS – Interest Credit Payments.”]

BUILD AMERICA BONDS

General Description

In February 2009, as part of the American Recovery and Reinvestment Act of 2009, Congress added Sections 54AA and 6431 to the Internal Revenue Code of 1986, as amended (the “Code”) which permit state or local governments to obtain certain tax advantages when issuing taxable obligations that meet certain requirements of the Code and the related Treasury regulations. Such bonds are referred to as “Build America Bonds.” A Build America Bond is a “qualified bond” under Section 54AA(g) of the Code if it meets certain requirements of the Code and the related Treasury Regulations and the issuer has made an irrevocable election to have the special rule for qualified bonds apply. Interest on Build America Bonds is not excluded from gross income of the owners thereof for Federal income tax purposes. Beneficial owners of Taxable 2010A Obligations will not receive any tax credits as a result of ownership of such Taxable 2010A Obligations, since the County will elect to receive Direct Payments if the Taxable 2010A Obligations are issued.

Interest Credit Payments

Under Section 6431 of the Code, an issuer of a Build America Bond may apply for refundable credits (“Direct Payments”) payable in cash directly from the Secretary of the United States Treasury (the “Secretary”). The amount of a Direct Payment is set in Section 6431 of the Code at thirty-five percent (35%) of the corresponding interest payable on the related Build America Bonds. To receive Direct Payments, under currently existing procedures, the County will have to file a tax return (now designated as Form 8038-CP) between 90 and 45 days prior to the corresponding Interest Payment Date for the Taxable 2010A Obligations. Depending on the timing of the filing and other factors, the County should expect to receive the Direct Payments contemporaneously with the Interest Payment Date with respect to the Taxable 2010A Obligations.

The Taxable 2010A Obligations as Build America Bonds

The County will make an irrevocable election to treat the Taxable 2010A Obligations, if issued, as Build America Bonds. As a result of this election, interest on the Taxable 2010A Obligations will be included in gross income of the beneficial owners thereof for federal income tax purposes and the beneficial owners of the Taxable 2010A Obligations will not be entitled to any federal tax credits as a result of either ownership of the Taxable 2010A Obligations or receipt of any interest payments on the Taxable 2010A Obligations. Beneficial owners of the Taxable 2010A Obligations should consult their tax advisors with respect to the inclusion of interest on the Taxable 2010A Obligations in gross income for federal income tax purposes. For a more complete discussion, see “TAX MATTERS – Taxable 2010A Obligations.”

If the Taxable 2010A Obligations are issued, the County will apply for Direct Payments from the Secretary under the “Build America Program” pursuant to Section 6431 of the Code. [Direct Payments, if received by the County, will not constitute Revenues and will not therefore, be pledged to the payment of the Series Taxable 2010A Obligations.]

No assurances are provided that the County will receive the Direct Payments. The amount of any Direct Payments are subject to legislative changes by Congress. Direct Payments will only be made if the Taxable 2010A Obligations are and continue to be Build America Bonds. For the Taxable 2010A Obligations to be and remain Build America Bonds, the County must comply with certain covenants and establish certain facts and expectations with respect to the Taxable 2010A Obligations, the use and investment of proceeds thereof and the use of property financed thereby. There are currently no procedures for requesting a Direct Payment after the 45th day prior to an Interest Payment Date; therefor, if the County fails to file the necessary tax return in a timely fashion, it is possible that the County will not receive such Direct Payment. Also, because the Direct Payments are in the form of refundable credits, they are subject to offset against any amounts that may, for unrelated reasons, be owed by the County to an agency of the United States of America.

LITIGATION

To the knowledge of appropriate representatives of the County, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin: the issuance or delivery of the 2010 Purchase Agreement, the Indenture or the 2010 Obligations, or the pledge and/or collection of Pledged Revenues to pay the principal of, and interest on, the 2010 Obligations; contesting or questioning the proceedings and authority under which the 2010 Purchase Agreement, the Indenture or the 2010 Obligations have been authorized and are to be issued, sold, executed or delivered; or the validity of the 2010 Obligations. The County will deliver a certificate to that effect at the time of the original delivery of the 2010 Obligations.

The County has been named as a defendant in several lawsuits for which appropriate representatives of the County believe either that the County has adequate self-insurance or insurance coverage in the event of liability or that such liability would not otherwise materially and adversely affect the financial condition of the County.

TAX MATTERS

Taxable 2010A Obligations

The portion of each Purchase Payment made by the County pursuant to 2010 Purchase Agreement and denominated as and comprising interest pursuant to the 2010 Purchase Agreement and received by the Holders of the Taxable 2010A Obligations (the "Taxable Interest Portion") will not be excludable from gross income for federal income tax purposes and will not be exempt from income taxation under the laws of the State of Arizona. Special Counsel will express no other opinion regarding any tax consequences resulting from the ownership of, receipt or accrual of the Taxable Interest Portion, or disposition of the Taxable 2010A Obligations. Prospective purchasers of the Taxable 2010A Obligations should consult their tax advisors with respect to any such tax consequences, including, without limitation, the calculation and timing of inclusion of the 2010A Interest Portion as interest income, the tax consequences of dispositions of Taxable 2010A Obligations at a gain or loss and the determination of the amount thereof, rules applicable if Taxable 2010A Obligations are acquired at a premium or discount from their face amount (including, without limitation, the possible treatment of accrued market discount as ordinary income, deferral of certain interest deductions attributable to indebtedness incurred or continued to purchase or hold Taxable 2010A Obligations and the amortization of market premium).

Tax-Exempt 2010B Obligations

Under existing law, the portion of each Purchase Payment made by the County pursuant to 2010 Purchase Agreement and denominated as and comprising interest pursuant to the 2010 Purchase Agreement and received by the Holders of the Tax-Exempt 2010B Obligations (the "Tax-Exempt Interest Portion") will be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code and will not be treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The Tax-Exempt Interest Portion will also be exempt from income taxation under the laws of the State of Arizona so long as the Tax-Exempt Interest Portion is excluded from gross income for federal income tax purposes. Special Counsel expresses no opinion as to the treatment for federal or State of Arizona income tax purposes on the Tax-Exempt Interest Portion as to any other tax consequence relating to the 2010 Obligations.

The Code prescribes a number of qualifications and conditions for such interest to be and remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the County to the federal government, require future or continuing compliance after delivery of the 2010 Obligations in order for the Tax-Exempt Interest Portion to be and to remain so excluded from the date of execution and delivery. Such opinion on such tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain continuing covenants of the County contained in documents which are part of the transcript of proceedings for the 2010 Obligations and which are intended to evidence and assure that the Tax-Exempt Interest Portion will remain excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the certifications and representations, or compliance with the covenants, made by the County. Noncompliance with these requirements could cause the Tax-Exempt Interest

Portion to be included in gross income for federal income tax purposes and to be subject to federal and State of Arizona income taxation retroactive to the date of execution and delivery of the 2010 Obligations. The County has covenanted in the 2010 Purchase Agreement to take all such actions that may be required of them for the Tax-Exempt Interest Portion to be and remain excluded from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion.

Pursuant to provisions of the Code applicable only to corporations (as defined for federal income tax purposes), the Tax-Exempt Interest Portion will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations and may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations. Also, pursuant to the Code, the exclusion of the Tax-Exempt Interest Portion from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income, deductions or credits for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status of the Holders of the 2010 Obligations or other tax-related matters. As noted hereinabove, Special Counsel expresses no opinion regarding these or other consequences.

Original Issue Discount - Tax-Exempt 2010B Obligations

The initial offering prices of the Tax-Exempt 2010B Obligations maturing on July 1, 20__ and July 1, 20__ (referred to in this section as the “Discount Obligations”), are less than the stated principal amounts thereof. Under the Code, the difference between the principal amounts of the Discount Obligations and the initial offering price to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Discount Obligations of the same maturity was sold, constitutes to an initial purchaser “original issue discount.” Original issue discount represents interest that is excluded from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences described above under “TAX MATTERS - TAX-EXEMPT 2010B OBLIGATIONS.” Original issue discount will accrue actuarially over the term of a Discount Obligation at a constant interest rate. A purchaser who acquires a Discount Obligation in the initial offering to the public at an initial offering price thereof as set forth on the inside front cover page of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Obligation and will increase its adjusted basis in such Discount Obligation by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Obligation. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Obligation that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. Prospective purchasers of the Discount Obligations should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Obligations and with respect to the state and local tax consequences of owning and disposing of the Discount Obligations.

Amortizable Premium - Tax-Exempt 2010B Obligations

The difference between the stated principal amounts of the Tax-Exempt 2010B Obligations maturing on July 1, 20__ through and including July 1, 20__, (referred to in this section as the “Premium Obligations”), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Obligations of the same maturity was sold constitutes to an initial purchaser amortizable premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Obligation. For purposes of determining gain or loss on the sale or other disposition of a Premium Obligation, a purchaser who acquires such Premium Obligation in the initial offering to the public at the initial offering price thereof as set forth on the inside front cover page of this Official Statement is required to decrease such purchaser’s adjusted basis in such Premium Obligation annually by the amount of amortizable premium for the taxable year. The amortization of premium may be taken into account as

a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Obligations. Prospective purchasers of the Premium Obligations should consult their own tax advisors with respect to the tax consequences of owning and disposing of the Premium Obligations.

LEGAL MATTERS

Legal matters incident to the execution and delivery of the 2010 Obligations and with regard to the tax-exempt status of the interest portion of the Tax-Exempt 2010B Obligations are subject to the legal opinion of Special Counsel, whose services have been retained by the County. The signed legal opinion of Special Counsel, dated and premised on the law in effect as of the date of the 2010 Obligations, will be delivered to the Underwriter at the time of original delivery of the 2010 Obligations.

The proposed text of the legal opinion is set forth as Appendix D - "FORM OF OPINION OF SPECIAL COUNSEL." The legal opinion to be delivered may vary from the text of Appendix D if necessary to reflect the facts and law existing on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Special Counsel has reviewed or expressed any opinion concerning any matters relating to the 2010 Obligations subsequent to the original delivery of the 2010 Obligations.

Certain legal matters will be passed upon for the Underwriter by Squire, Sanders & Dempsey L.L.P., as Counsel to the Underwriter.

RATINGS

The 2010 Obligations have been rated "___" by Fitch Ratings ("Fitch") and "___" by Standard & Poor's Rating Services ("S&P"). Such ratings reflect only the views of Fitch and S&P, and any desired explanation of the significance of these ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch Ratings at One State Street Plaza, New York, New York 10004 and Standard & Poor's Ratings Services at 55 Water Street, 38th Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings may subsequently be revised downward or withdrawn entirely by Fitch and S&P, respectively, if in their respective judgment, circumstances warrant. Any subsequent downward revision or withdrawal of such ratings may have an adverse effect on the market price and marketability of the 2010 Obligations.

UNDERWRITING

RBC Capital Markets Corporation (the "Underwriter") has agreed to purchase the 2010 Obligations, subject to certain conditions, at a purchase price of \$_____. If the 2010 Obligations are sold to produce the yields shown on the inside front cover page hereof, the Underwriter's compensation will be \$_____. The Underwriter will be obligated to accept delivery and pay for all of the 2010 Obligations if any are delivered. The Underwriter may offer and sell the 2010 Obligations to certain dealers (including dealers depositing 2010 Obligations into unit investment trusts) and others at prices lower than the public offering prices reflected on the inside front cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the County's Finance Director, the descriptions and statements contained in this Official Statement relating to the County and its operation and properties were at the time of the sale of the 2010 Obligations, and are at the time of the delivery thereof, true, correct and complete in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended prior to the date of delivery of the 2010 Obligations, the foregoing confirmation will also encompass such supplements or amendments. All financial and other information presented

in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

[OBLIGATION INSURANCE]

[The following information is not complete and reference is made to Appendix J for a specimen of the Municipal Bond Insurance Policy (the "Policy") of _____ ("_____ " or the "Insurer").]

[OBLIGATION INSURANCE RISK FACTORS]

[In the event of default of the payment of principal or interest with respect to the 2010 Obligations when all or some becomes due, any owner of the 2010 Obligations will have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of extraordinary, mandatory or optional redemption other than any advancement of maturity pursuant to a mandatory redemption in lieu of a sinking fund, the payments will be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with extraordinary, mandatory or optional prepayment of the 2010 Obligations by the County which is recovered by the County from the obligation owner as a voidable preference under applicable bankruptcy law will be covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the County unless the Insurer chooses to pay such amounts at an earlier date.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the 2010 Obligations will be payable solely from the moneys received by the Trustee pursuant to the 2010 Purchase Agreement. In the event the Insurer becomes obligated to make payments with respect to the 2010 Obligations, no assurance is given that such event will not adversely affect the market price of the 2010 Obligations or the marketability (liquidity) for the 2010 Obligations.

The long-term ratings on the 2010 Obligations are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the 2010 Obligations insured by the Insurer will not be subject to downgrade, and such event could adversely affect the market price of the 2010 Obligations or the marketability (liquidity) for the 2010 Obligations. See "RATINGS" herein.

None of the County, Special Counsel, the Underwriter, or counsel to the Underwriter have made independent investigation into the claims paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to pay principal and interest on the 2010 Obligations and the claims paying ability of the Insurer, particularly over the life of the investment. See "OBLIGATION INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.]

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the 2010 Obligations to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2011 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if

material (the “Notices of Material Events”). The Annual Reports and the Notices of Material Events will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system (“EMMA”) as described in Appendix I - “CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices of Material Events is set forth in Appendix I “CONTINUING DISCLOSURE UNDERTAKING.”

These covenants have been made in order to assist the underwriter of the 2010 Obligations in complying with S.E.C. Rule 15c2 12(b)(5) (the “Rule”). Pursuant to Arizona law, the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to, among other things, cover the costs of preparing and disseminating the Annual Reports and the Notices of Material Events. A failure by the County to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2010 Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2010 Obligations and their market price.

The County has complied with all existing continuing disclosure undertakings relating to the County in all material respects.

FINANCIAL STATEMENTS

The financial statements of the Pima County Regional Wastewater Reclamation Enterprise Fund and excerpts of the County’s Comprehensive Annual Financial Report as of June 30, 2009 and for the fiscal year then ended, which are included as Appendices E and F of this Official Statement, respectively, have been audited by Heinfeld & Meech and the Office of the Auditor General, State of Arizona, respectively, as stated in their respective opinions which appear in Appendices E and F. The County neither requested nor obtained the consent of Heinfeld & Meech or the Office of the Auditor General to include their reports and Heinfeld & Meech and the Office of the Auditor General have performed no procedures subsequent to rendering their opinions on the financial statements.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement, the 2010 Purchase Agreement and the Indenture may be obtained from RBC Capital Markets Corporation, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016 (telephone 602-381-5368).

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the County from official and other sources and is believed by the County to be accurate and reliable. Information other than that obtained from official records of the County has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as a part of a contract with the original purchasers or subsequent owners of the 2010 Obligations.

By: _____
Chairman, Board of Supervisors

By: _____
County Administrator

**PIMA COUNTY, ARIZONA
REGIONAL WASTEWATER RECLAMATION DEPARTMENT
Disclosure for Fiscal Year 2008-09**

Organization and Administration

The County operates its Regional Wastewater Reclamation Department (the “Department”) as a separate enterprise fund (the “Fund”) of Pima County, Arizona (the “County”). The County is authorized to operate and maintain the sewer system (the “System”) under Title 11, Chapter 2, Article 4 of the Arizona Revised Statutes. The wastewater treatment facilities of the System operate under the National Pollutant Discharge Elimination System where needed. The County provides wastewater collection and treatment service to the Tucson metropolitan area and separate outlying service areas located in the eastern portion of the County. The Roger Road Wastewater Reclamation Facility, the Ina Road Wastewater Reclamation Facility, and the Randolph Park Wastewater Reclamation Facility serve Metropolitan Pima County. Together, the three metropolitan facilities have a combined, current treatment capacity of approximately 82.0 million gallons per day (MGD). The non-metropolitan Pima County areas are served by separate wastewater reclamation facilities: Green Valley, Avra Valley, Corona de Tucson, Arivaca Junction, Marana, Rillito Vista, Mt. Lemmon, KERP, and the Pima County Fairgrounds. These non-metropolitan facilities have a current treatment capacity of approximately 12.3 MGD, for a total capacity for all facilities of approximately 94.3 MGD.

The County Administrator appoints the Director of the Department. The County Board of Supervisors (the “Board”) adopts the Department’s annual operating budget, establishes wastewater rates and fee structures and provides overall policy direction to the Department through the County Administrator and Deputy County Administrator of Public Works. In addition, the Board has established a thirteen member advisory committee to review, evaluate and make recommendations on short and long-range capital improvement needs and revenue requirements of the Department.

The Department has been under the direction of Michael Gritzuk P.E. since he was appointed as Director in July 2005. During the past 30 years, Mr. Gritzuk has held director positions involving the development and management of major water and wastewater systems in Arizona, Florida, Massachusetts, and New Jersey. In addition, he was an engineering manager with the U.S. Environmental Protection Agency for six years. He served as the Director in the City of Phoenix’s Water Services Department for seventeen years. Mr. Gritzuk holds a Bachelor of Engineering degree in Civil Engineering and Master Degrees in Engineering and Environmental Sciences from New York University. He is a professional engineer in the state of Arizona. He is a member as well as the past President of the National Water Reuse Association.

The Finance and Risk Management Department operates under the direction of Thomas Burke. Mr. Burke was appointed Finance Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County’s Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments including the County Assessor, County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima County’s Real Property Services and from 1994 to 1998 also served as the County’s Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with the County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Wastewater Fees and Revenues

The County's structure of rates, fees and other charges for the System is reviewed annually by the Board and may be revised by a resolution adopted by the Board, which has the ultimate responsibility for setting System rates, fees and charges. The principal sources of revenue for the Fund are derived from user fees charged for services provided and a one-time connection fee charged to new users for connecting to the System. The County also receives System revenues from turn-on fees, engineering review and inspection fees, interest earnings and other miscellaneous income.

User Fees

The present schedule of user fees includes a monthly service charge and a monthly commodity usage charge. The service charge is a flat fee assessed monthly to each user to offset administrative expenses and certain other fixed costs of the County and was set at \$9.82 effective January 1, 2010. The commodity usage charge is based on each user's monthly sewage flow contribution to the System. On March 9, 2010, the Board of Supervisors adopted Ordinance 2010-11, setting forth a series of automatic rate increases. Beginning July 1, 2010, and on July 1 of each of the subsequent three years, the monthly service charge will increase by 6.5% as of each of these dates.

The monthly sewage flow contribution is equal to a user's monthly-metered water consumption, provided that the monthly consumption figure used in calculating a user's commodity usage charge does not exceed the user's average monthly-metered water consumption for the months of December through February. A user fee rate is then multiplied by the monthly sewage flow contribution to calculate the user's commodity usage charge. As of January 1, 2010, the user fee rate, charged for what is considered to be normal, domestic strength sewage for a residential user, was set at \$2.41 per hundred cubic feet (ccf), based on water consumption. On March 9, 2010, the Board of Supervisors adopted Ordinance 2010-11, setting forth a series of automatic rate increases. Beginning July 1, 2010, and on July 1 of each subsequent three years, the user fee rate will increase by 10% as of each of these dates. Higher user fee rates are charged to various commercial and industrial users whose sewage flow contributions are determined by the Department to be in excess of normal, domestic strength sewage.

The following table summarizes the monthly service charges and user fee rates for the last ten fiscal years.

SUMMARY OF WASTEWATER USER FEES

Fiscal Year	Date User Fee Charges Adopted ^(a)	Monthly Service Charge	User Fee Rates (\$ per ccf)	
			Residential	Comm/Industrial ^(b)
1999-00	January 18, 2000	\$2.29	\$0.91	0.91-3.27
2000-01	February 13, 2001	2.40	0.96	0.96-3.43
2001-02	March 19, 2002	2.49	1.00	1.00-3.63
2002-03	March 11, 2003	2.61	1.05	1.05-3.81
2003-04		2.61	1.05	1.05-3.81
2004-05	April 13, 2004	2.71	1.09	1.09-3.96
2005-06	June 21, 2005	5.72	1.18	1.18-4.27
2006-07	July 11, 2006 ^(c)	5.72	1.25	1.25-4.54
2006-07	July 11, 2006 ^(c)	5.72	1.33	1.33-4.81
2006-07	February 13, 2007	5.72	1.41	1.41-5.10
2007-08	December 11, 2007 ^(d)	6.23	1.53	1.53-5.57
2007-08	December 11, 2007 ^(d)	6.82	1.68	1.68-6.10
2008-09	February 17, 2009 ^(e)	8.32	1.89	1.89-6.87
2008-09	February 17, 2009 ^(e)	8.32	2.13	2.13-7.75
2008-09	February 17, 2009 ^(e)	9.82	2.41	2.41-8.74
2009-10	March 9, 2010 ^(f)	10.46	2.65	2.65-9.61
2009-10	March 9, 2010 ^(f)	11.14	2.91	2.92-10.57
2009-10	March 9, 2010 ^(f)	11.86	3.20	3.20-11.63
2009-10	March 9, 2010 ^(f)	12.63	3.52	3.52-12.79

- (a) The dates shown reflect the date the User Fee increases were adopted by the Board and does not directly correspond to the effective date of the various increases.
- (b) Indicates the range of user fee rates applied to various commercial/industrial users whose sewage flow contributions are in excess of normal, domestic strength sewage.
- (c) During the fiscal year 2006-07, two rate increases were approved. The first 6% rate increase was effective on August 11, 2006 and the second 6% rate increase was effective on January 1, 2007.
- (d) At the Board of Supervisors meeting on December 11, 2007, two rate increases were approved. The first rate increase of 9% was effective January 1, 2008 and the second rate increase of 9.5% was effective beginning July 1, 2008.
- (e) At the Board of Supervisors meeting on February 17, 2009, three rate increases were approved. The first rate increase of \$1.50 for the monthly service charge and 12.75% for user fee rates was effective March 20, 2009; the second rate increase of 12.75% for user fee rates was effective July 1, 2009; and the third rate increase of \$1.50 for the monthly service charge and 12.75% for user fee rates was effective January 1, 2010.
- (f) At the Board of Supervisors meeting on March 9, 2010, four rate increases were approved. The first rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2010; the second rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2011; the third rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2012; and the fourth rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2013.

Source: Pima County User Fee Ordinance for the applicable year.

Based on the residential user fee rate changes adopted by the board, the following table summarizes the fiscal year percentage changes in user fee rates.

**SUMMARY OF PERCENTAGE INCREASES IN
RESIDENTIAL USER FEE RATES**

<u>Fiscal Year</u>	<u>User Fee Percentage Rate Increases</u>
1999-00	5.30%
2000-01	5.00
2001-02	3.80
2002-03	5.00
2003-04	0.00
2004-05	4.00
2005-06	8.00
2006-07 ^(a)	12.00
2007-08 ^(b)	15.00
2008-09 ^(c)	22.25
2009-10 ^(d)	25.50
2010-11	10.00
2011-12	10.00
2012-13	10.00
2013-14	10.00

- (a) The 12% rate increase represents two 6% rate increases that occurred during the fiscal year.
- (b) The 15% rate increase represents two rate increases that occurred during the fiscal year. The first on July 1, 2007 for 6% and the second on January 1, 2008 for 9%.

- (c) The 22.25% rate increase represents two rate increases that occurred during the fiscal year. The first on July 1, 2008 for 9.5% and the second on March 20, 2009 for 12.75%
- (d) The 25.50% rate increase represents two rate increases that occurred during the fiscal year. The first on July 1, 2009 for 12.75% and the second on January 1, 2010 for 12.75%

Source: Pima County User Fee Ordinance for the applicable year.

The following table shows the revenues derived by the Department from user fees for the past ten fiscal years, broken down between residential users and commercial/industrial users.

SUMMARY OF USER FEE REVENUES

Fiscal Year	Billed User Fee Revenue			Percent of User Fee Revenue		Percent User Fee Revenue Increase ^(*)
	Residential	Comm./Indl.	Total	Residential	Comm./Indl.	
1999-00	\$23,854,489	\$14,620,493	\$38,474,982	62.0%	38.0%	11.8%
2000-01	24,624,900	16,212,414	40,837,314	60.3	39.7	6.1
2001-02	24,561,202	16,374,134	40,935,336	60.0	40.0	0.2
2002-03	26,570,168	18,748,573	45,318,741	58.6	41.4	10.7
2003-04	30,280,270	17,405,195	47,685,465	63.5	36.5	5.2
2004-05	32,402,896	17,990,410	50,393,306	64.3	35.7	5.7
2005-06	37,781,910	23,953,237	61,735,147	61.2	38.8	22.5
2006-07	46,565,701	22,728,497	69,294,198	67.2	32.8	12.2
2007-08	49,859,517	24,776,838	74,636,355	66.8	33.2	7.7
2008-09	63,057,426	23,681,043	86,738,649	72.7	27.3	16.2

* Changes in Total Billed User Fee Revenue.

Source: Pima County Regional Wastewater Reclamation Department

Connection Fees

Connection fees are charged for each new connection made to the System as a condition of service to the property. Two user classes are delineated for connection fee purposes: residential and commercial/industrial. The construction of a qualifying public sewer improvement qualifies a developer for a discount against the connection fee otherwise due per dwelling unit or per ten commercial fixture units. The amount of discount from each eligible connection fee is currently \$1,100 for the construction of a qualifying public sewer collection improvement and \$250 for the construction of a qualifying public sewer treatment improvement. The aggregate discounts received may not exceed the net construction cost of the qualifying public sewer improvements.

The connection fee charged to a user is based on the number of fixture units in the building or structure connecting to the System. On July 1, 2008, the residential connection fee was increased to \$233.30 and the commercial and industrial connection fee was increased to \$466.71.

On March 9, 2010, the Board of Supervisors adopted Ordinance 2010-11, setting forth a series of automatic rate increases. Beginning July 1, 2010, and on July 1 of each of the subsequent three years, the connection fee rate will increase by 6.5% as of each of these dates.

The following table summarizes connection fee revenues received by the Department for the past ten fiscal years.

CONNECTION FEE REVENUES

<u>Fiscal Year</u>	<u>Revenues</u>
1999-00	\$16,669,833
2000-01	16,768,587
2001-02	17,479,914
2002-03	20,279,607
2003-04	29,404,130
2004-05	36,906,421
2005-06	42,219,962
2006-07	30,756,891
2007-08	31,036,931
2008-09	18,283,654

Source: Pima County Regional Wastewater Reclamation Department

Other Fees and Charges

The Department receives additional revenue from various other fees and charges. These fees and charges include turn-on fees, engineering review and inspection fees, interest earnings and miscellaneous other income. A summary of the revenues received by the Department from these sources in recent fiscal years follows:

REVENUES FROM OTHER FEES AND CHARGES

<u>Fiscal Year</u>	<u>Engineering Review and Inspection Fees</u>	<u>Interest Earnings^(a)</u>	<u>Other Revenues^(b)</u>	<u>Total</u>
1999-00	\$414,618	\$3,888,599	\$1,029,165	\$5,332,382
2000-01	15,064	4,493,386	1,025,713	5,534,163
2001-02	61,564	1,631,580	543,727	2,236,871
2002-03	245,820	977,985	911,057	2,134,862
2003-04	104,062	213,288	1,199,727	1,517,077
2004-05	70,754	498,130	1,397,749	1,966,633
2005-06	29,005	1,783,873	456,248	2,269,126
2006-07	80,912	3,683,552	406,717	4,171,181
2007-08	65,769	3,759,650	131,550	3,956,969
2008-09	91,822	1,164,397	83,575	1,339,794

(a) Under the terms of the Sewer Resolution (Pima County Resolution 1991-138), interest earnings on deposits to the System Development Fund will be included in the definition of Net Revenues only if, and to the extent, they are transferred to and deposited in the Revenue Fund.

(b) Other revenues include licenses, permits, fines, and other miscellaneous income.

Source: Pima County Regional Wastewater Reclamation Department

Accounting and Billing

The Regional Wastewater Reclamation Department is accounted for as an enterprise fund of Pima County, Arizona and the ultimate financial accountability for this fund remains with Pima County. For the fiscal year ended June 30, 2009, the Department's financial statements were audited by Heinfeld, Meech & Co., P.C.

Billing and collection services for user fees and turn-on fees are primarily provided by the City of Tucson, through its agency Tucson Water, the Metropolitan Domestic Water Improvement District (MDWID), Oro Valley Water Utility, and the Town of Marana. For fiscal year 2008-09, the average number of customers through Tucson Water was approximately 225,294. On average, MDWID bills approximately 16,329 customers, Oro Valley bills approximately 16,559 customers, and Marana bills approximately 3,767 customers. The Department directly bills those sewer customers served by the numerous smaller water companies and private wells in the other parts of the County.

Delinquent user accounts are managed by Tucson Water, MDWID, Oro Valley, Marana or the Department, depending on the source of water for the user. An account becomes delinquent when payment has not been received within 30 days of the "service to" date on the bill. For the water companies listed above, a notice is mailed advising that water service will be terminated, unless payment is received. If the user does not respond during this period, the service is discontinued, the account remains in a delinquent status. The account is then held as a delinquent account until it is collected or written off.

For users receiving water utility service from either a private water company or a private well, the Department handles the delinquencies. Delinquency billing notices are sent at 30, 60 and 90 days. If the user fails to respond, a certified letter is mailed advising that the account is being referred to the County Collection Division for further processing. Collectively for the System, the percentage of delinquent accounts is estimated to be 0.9 percent of annually billed user fee revenue.

Department records show that the number of customers to the sanitary sewer system has been increasing every year. Since fiscal year 1999-00, the average number of customers being served by the System has been:

<u>Fiscal Year</u>	<u>Average # of Customers</u>	<u>% Increase</u>
1999-00	199,090	4.2%
2000-01	207,840	4.4
2001-02	218,995	5.4
2002-03	226,772	3.6
2003-04	228,459	0.7
2004-05	240,306	5.2
2005-06	246,821	2.7
2006-07	255,555	3.5
2007-08	260,007	1.7
2008-09	261,949	0.7

Source: Pima County Regional Wastewater Reclamation Department

Litigation and Administrative Actions

On October 17, 2007, the Town of Marana, Arizona (the "Town"), filed a lawsuit against the County after negotiations over the transfer to the Town of the sewer treatment facilities and conveyance system within the Town, failed to produce an agreement. The town later rescinded a 1979 agreement with the County to operate and supply sewer services to the town. On June 11, 2008, the Superior Court of Maricopa County, Arizona ruled in part that, as a result of the rescission of the 1979 agreement, the Town has the right to own and operate the non-flow through

portion of the sewer system within the town that serves its residents. The Court also determined that the County does not have the right to provide sewer service within the Town without the Town's permission. The Court made no determination with regard to the ownership of the Marana Wastewater Reclamation Facility which remains under the control of the County. The liability and future outcome of this litigation is unknown at this time. However, the sewer treatment facilities which are the subject of the dispute currently constitute only 700,000 gallons per day capacity, which represents approximately 0.8% of the entire System. Therefore, the impact of the lawsuit on System revenues is not expected to be significant.

Capital Improvements

The Department maintains a Capital Improvement Program (CIP), originally based on a 20-year Metropolitan Area Facility Plan Update (the "Facility Plan") which was adopted by the Board in 1990. The Facility Plan was subsequently revised and the revised Facility Plan was approved by the Board of Supervisors on March 21, 2006. The Facility Plan forecasts when capital expenditures may be required for treatment plant expansions and interceptor construction. The Department's CIP has been revised each year to reflect changes in anticipated needs and project priority. CIP projects include System expansions that are determined by the County to be necessary to meet the sewage needs of the projected population growth and planned future development, as well as needed rehabilitations.

The Department also completed a Regional Optimization Master Planning (ROMP) effort in November 2007 related to the reduction of nutrients (ammonia and nitrogen) from the effluent discharged into the Santa Cruz River from two of its metropolitan wastewater facilities, Ina and Roger Roads. This effort will require significant upgrades, modifications and treatment capacity increases at the Ina Road facility, a new wastewater reclamation campus in the vicinity of the present Roger Road Wastewater Treatment site and a plant inter-connect adjoining the two.

The Department has budgeted approximately \$87 million for the CIP for fiscal year 2009-10 and has a 5-year plan totaling \$805 million. Highlights of the CIP projects under construction and planning efforts underway in fiscal year 2009-10 include:

- Ina Road ROMP Project – CH2Mhill delivered the 60% design submittal for the Upgrade Project and the 95% design submittal for the IBS Digester Complex. MWH Constructors (CMAR) continued work on their Preconstruction Services Contract. The CMAR process is a joint effort between the designer, contractor, and department to provide the most cost effective product which will meet both effluent standards, and equipment and structures life cycle criteria. Currently negotiating the GMP for the Interim Biosolids Digester Complex. Current economic conditions have provided favorable pricing so procurement for some commodities such as concrete and reinforcing steel are underway. The earthwork has been expedited, and a notice to proceed has been issued.
- Plant Interconnect (Santa Cruz Interceptor Phase III) – Design is complete and procurement is preparing to advertise for construction bids January 2010.
- ROMP Plant Interconnect – Construction commenced June 2009. To date, more than 23,000 feet of pipe, 35 manhole fittings, and 800 feet of siphon pipeline have been installed and the 2 siphon structures are under construction. Anticipated completion October 2010.
- Roger Road 32MGD Reclamation Campus – Board of Supervisors approved proceeding with the DBO project delivery method on October 20, 2009. The RFP has been issued to the shortlisted firms and Preliminary Technical Proposals will be submitted by the shortlisted firms on February 15, 2010.
- Mission View Wash – Construction commenced July 2009 and the expected completion date is May 2010.

Financial Data

The following table depicts audited financial information for the past five years.

**Pima County Regional Wastewater Reclamation Department
Comparative Statements of System Gross Revenues, Operation and Maintenance Expenditures and
Net Revenues Available for Debt Service**

	<u>2005-2006</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-09^(b)</u>	<u>Projected 2009-10</u>
REVENUES:					
Sewer Utility Service	\$ 61,735,147	\$ 69,294,198	\$ 74,636,355	\$ 86,738,469	
Sewer Connection Revenue	42,219,962	30,756,891	31,036,931	18,283,654	
Engineering Review & Inspection Fees	29,005	80,912	65,769	91,822	
Other Income ^(a)	<u>1,843,295</u>	<u>3,826,947</u>	<u>3,525,367</u>	<u>873,247</u>	
Gross Revenues	105,827,409	103,958,948	109,264,422	105,987,192	
MAINTENANCE AND OPERATIONS COSTS:					
Employees Compensation	27,541,776	29,627,566	34,526,659	33,947,157	
Consultants and Outside Services	5,113,446	6,788,680	9,515,947	6,943,746	
Treatment Supplies and Chemicals	7,616,054	10,221,597	9,789,655	9,845,204	
Repairs & Maintenance	4,291,962	5,610,027	3,877,604	5,478,004	
General and Administrative	11,735,333	14,943,334	18,123,891	15,892,212	
Capital Expenses	<u>1,072,669</u>	<u>2,405,380</u>	<u>2,687,020</u>	<u>1,079,718</u>	
Maintenance and Operations Cost	57,371,240	69,596,584	78,520,776	73,186,041	
Net Revenues	48,456,169	34,362,364	30,743,646	32,801,151	
REVENUE BONDED DEBT SERVICE:					
Principal	9,500,734	13,737,957	13,071,589	5,974,466	
Interest	<u>5,709,880</u>	<u>6,409,007</u>	<u>7,314,555</u>	<u>5,990,443</u>	
Total Debt Service Payments	15,210,614	20,146,964	20,386,144	11,964,909	
Debt Service Coverage	3.19X	1.71X	1.51X	2.74X	
Net Revenue Remaining After Debt Service	<u>\$ 33,245,555</u>	<u>\$ 14,215,400</u>	<u>\$ 10,357,502</u>	<u>\$ 20,836,242</u>	

(a) Other income includes revenues generated from licenses, permits and fines, net interest income, and other miscellaneous income.

(b) For Fiscal Year 2008-09, there was a change in how the July 1, 2009 Sewer Revenue Bond payment was processed. All July 1, 2009, Sewer Revenue Bond principal and interest payments were paid on July 1st as opposed to June 30th as in the prior years.

Source: Fiscal years 2005-06 through 2008-09: Annual audited financial statements for the Pima County Regional Wastewater Reclamation Department, excluding all grant activity. Projected fiscal year 2009-10 provided by the County's Finance Department.

**PIMA COUNTY, ARIZONA
General Economic and Demographic Information**

General Information

Pima County, Arizona (the “County”) is located in the southern portion of the State of Arizona (“Arizona” or the “State”), with a section of its southern boundary bordering Mexico. The boundaries of the County encompass an area of approximately 9,184 square miles. Organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties, the County is today the second most populous county in Arizona with an estimated 2009 population of 1,018,012. Approximately 53% of the County’s population resides in the City of Tucson, Arizona (“Tucson”), the County seat of government and southern Arizona’s largest city.

**TABLE 1
Population Statistics For Pima County,
the City of Tucson and the State of Arizona**

	Pima County	City of Tucson	State of Arizona
2009 Estimate (a)	1,018,012	543,566	6,683,129
2000 Census	843,746	486,699	5,130,632
1990 Census	666,880	405,390	3,665,228
1980 Census	531,443	330,537	2,716,546
1970 Census	351,667	262,933	1,775,399
1960 Census	265,660	212,892	1,302,161

(a) Population estimate as of July 1, 2009.

Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Commerce, Population Statistics.

Organization

The County is governed by a five-member Board, each of whom is elected for a four-year term to represent one of the designated districts within the County. The chairman is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints a County Administrator who is responsible for the general administration and overall operations of the various departments of the County.

Mr. Charles H. Huckelberry was appointed County Administrator in December 1993. From 1987 to 1993, Mr. Huckelberry served as an Assistant County Manager with responsibility for the administration of public works. He served as the Director of Pima County's Department of Transportation and the Flood Control District (the “District”) from 1979 to 1987; as Deputy Director of the Department from 1976 to 1979; and as the Department's Manager of Field Engineering from 1974 to 1976. He was self employed as a civil engineering and land surveying consultant for one year. From 1972 to 1973, Mr. Huckelberry was employed as a Research and Development Engineer for the Shell Oil Company. He holds both a Bachelor of Science Degree in Mining Engineering and a Master of Science Degree in Civil Engineering from the University of Arizona and is a registered professional engineer and land surveyor as well as a member of numerous professional organizations.

Mr. Thomas Burke was appointed Finance and Risk Management Director in January 2005 and had served as Deputy Director of Finance from May 2004. Prior to his move to Finance, Mr. Burke served as Deputy Director of Pima County's Department of Natural Resources, Parks and Recreation from 2003 to 2004. From 2000 to 2003, he was a Deputy County Attorney representing various Pima County departments including the County Assessor, County Treasurer and Public Works departments. From 1989 to 1998, Mr. Burke served as the Manager of Pima County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets

overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with Pima County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Transportation

Tucson is the economic and transportation center of the County, as well as southern Arizona. Tucson is traversed by Interstates 10 and 19, as well as State Highways 77, 83, 85 and 86. Interstate 10 passes through Tucson and connects Tucson with the City of Phoenix, Arizona, to the north and Los Angeles, California, to the west and New Mexico and Texas to the east. Interstate 19 provides access to the City of Nogales, Arizona and Mexico to the south, while U.S. Highway 86 connects with a direct route to the Gulf of California vacation areas. The main line of the Union Pacific Railroad extends across Tucson to the eastern portion of the County. Tucson International Airport, located approximately 20 minutes from Tucson's downtown business area, provides local, regional, national and international air service through several airlines. The airport has an 11,000-ft. lighted, paved primary runway, a 9,100-ft. paved secondary runway and a 7,000-ft paved runway, all of which can accommodate all major types of carriers. The County is also served by Greyhound bus lines and Amtrak.

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Commerce indicate that 361,900 persons were employed, on average (not including the agricultural industry), in the County in 2009. The following table presents the County's average annual total employment by industry for the periods indicated:

TABLE 2
Pima County
Average Annual Employment
Number of Persons Employed 2004-2009

Industry	2004	2005	2006	2007	2008	2009
Goods Producing						
Natural Resources and Mining	1,300	1,400	1,600	1,800	1,900	1,700
Construction	24,000	25,700	27,900	26,500	22,800	16,500
Manufacturing	28,400	28,300	28,100	27,500	27,200	25,100
Service Producing						
Trade, Transportation and Utilities	57,900	59,600	62,700	64,300	62,700	58,200
Information	7,600	7,200	6,800	5,900	5,300	4,800
Financial Activities	15,900	16,500	17,600	18,200	17,200	17,400
Professional and Business Services	43,400	45,900	49,700	52,600	51,400	47,300
Education and Health Services	47,800	50,500	52,600	54,700	57,100	58,600
Leisure and Hospitality	39,100	39,800	40,600	40,200	40,400	38,700
Other Services	14,700	14,700	15,800	15,800	15,700	14,700
Government						
Total Wage & Salary Employment	<u>357,000</u>	<u>366,700</u>	<u>379,700</u>	<u>385,400</u>	<u>381,500</u>	<u>361,900</u>

Source: Arizona Department of Commerce.

The average unemployment rate for the County in 2009 was 8.3%. The average annual unemployment rate for 2008 and 2007 was 5.1% and 3.6%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States for the periods indicated.

TABLE 3

**Pima County
Comparative Employment Statistics**

Calendar Year	Pima County		Unemployment Rate		
	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2009	448,700	40,500	8.3%	9.0%	9.3%
2008	454,122	24,565	5.1%	5.9%	5.8%
2007	442,498	16,774	3.6%	3.8%	4.6%
2006	431,585	17,773	4.0%	4.1%	4.6%
2005	419,846	19,519	4.4%	4.7%	5.1%
2004	417,753	20,278	4.6%	5.0%	5.5%

Source: Arizona Department of Commerce.

The following table indicates the major employers in southern Arizona, which includes Pima County, as reported in March, 2009.

TABLE 4

**Southern Arizona
Major Employers**

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Missile Manufacturing	11,539
University of Arizona	Education	10,575
State of Arizona	Government	9,329
Davis-Monthan Air Force Base	Military	7,509
Tucson Unified School District	Education	7,227
Wal-Mart Stores Inc.	Retail	6,715
U.S. Army Intelligence Center & Fort Huachuca	Military	6,463
Pima County	Government	6,235
Freeport-McMoRan Copper & Gold Inc.	Mining	5,987
City of Tucson	Government	5,635
Carondelet Health Network	Health Care	4,570
Tohono O'Odham Nation	Tribal Government	4,553
University Medical Center Corp.	Health Care	3,552
U.S. Border Patrol	Government	3,468
TMC HealthCare	Health Care	3,184
Asarco LLC	Mining	2,575
Corrections Corp. of America	Detention Centers	2,468
Pinal County	Government	2,450
Citi	Financial Services	2,400
Sunnyside Unified School District	Education	2,358

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2009).

Non-Governmental Employment

Average overall wage and salary employment in the County, excluding government employment, increased in each of the calendar years from 2004 through 2008. For calendar year 2009, average employment across all categories with the exception of education and health services declined compared to average employment levels in calendar year 2008. Overall, the decrease in average non-governmental employment in the County fell by approximately 19,600 jobs, or approximately 5.1%, with non-governmental employment levels on average returning to pre-2006 employment levels. The most significant decline for this period occurred in construction employment which decreased by 27.6% between calendar year 2008 and 2009.

The average annual employment in service-providing categories in 2009 was 239,700. It is anticipated that as the County continues to grow in population and economic activity, service-providing employment will continue to provide the primary source of jobs in the County. As detailed above, Health Care and Education were a dominating force in the service-providing industry.

Government

Government employment plays an important role in the County with Federal, State and local government employees numbering approximately 78,900 in 2009. The State of Arizona and the Davis-Monthan Air Force Base are significant contributors to government employment in the County (see "Pima County - Major Employers" listed in the above table). The Davis-Monthan Air Force Base is a major training ground for active duty members on the A-10 "Warthog" aircraft. The facility is also responsible for the education of tactical missile crews. Its storage capacity of 2,500 aircraft is the largest in the world. In the past, Davis-Monthan Air Force Base has been included reportedly on lists of installations considered for closure or realignment by the Defense Base Closure and Realignment Commission. There can be no assurances that Davis-Monthan Air Force Base will not be included on similar lists in the future. Any such closure or realignment would most likely be subject to review and approval by, among others, the Department of Defense and the President of the United States and would have a negative but unquantifiable effect on the County.

Manufacturing

The manufacturing sector continues to be dominated by the high technology industries of aerospace and electronics. Raytheon Missile Systems, the largest manufacturing company and largest employer in the County, is a major supplier of advanced munitions. Civilian aviation products and services are provided by Bombardier, which has an aircraft maintenance facility in Tucson, and Universal Avionics Systems Corp., which builds and installs advanced instrumentation, communication and navigation systems for civil aircrafts. Texas Instruments manufactures electronic circuitry and data storage devices. Ventana Medical Systems provides computerized medical laboratory equipment.

Average annual employment in the manufacturing sector within the County in 2009 was 25,100, representing 6.9% of the County's total wage and salary employment base. Manufacturing employment during 2008 and 2007 averaged 27,200 and 27,500, respectively.

The following table presents the major manufacturers in the County and Tucson metropolitan area:

TABLE 5
Southern Arizona
Major Manufacturers

<u>Company</u>	<u>Type of Business</u>	<u>Approximate 2009 Employment</u>
Raytheon Missile Systems	Missile Manufacturing	11,539
IBM	Business & Technology Products	1,432
Northrop Grumman Corp.	Military Aircraft Modification	1,000
Ventana Medical Systems Inc.	Medical Equipment	788
Honeywell Aerospace	Aircraft Electronic Systems	754
Texas Instruments	Operation Amplifiers	620
Bombardier Aerospace	Aircraft Maintenance	591
B/E Aerospace	Aircraft Passenger Cabin Interior Products	387
NewTec	Manufacturing and Research	340
Universal Avionics Systems Corp.	Avionics Systems	260

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2009).

The County's proximity to Mexico makes twin plant "maquiladora" operations practical. Components are manufactured in Tucson and transported duty-free to Nogales, Sonora, Mexico, 65 miles south of Tucson, for assembly. Among the companies operating "twin plants" in Tucson and Nogales are General Electric, Samsonite, Motorola, Acco, Moen Faucets and Masterlock. These manufacturers contribute to the County's economy in many ways including the support of numerous suppliers and peripheral industries. The proximity of the Mexican border is more significant to manufacturing concerns given the existence of the North American Free Trade Agreement between Canada, the United States and Mexico. However, the uncertainty of the U.S. and Mexican economies may negatively impact the growth of the previously described manufacturing concerns.

Tourism

Tourism is an important economic mainstay in the County and the Tucson area. The County's climate, historical and cultural sites, location and proximity to vacation areas in California, Mexico, and other Southwest destinations attract vacationers, conventioners and other visitors. The Metropolitan Tucson Convention and Visitors Bureau estimated that over 757 convention bookings with 264,988 convention delegates visited the Tucson area in fiscal year 2007-08, the most recent year for which data was available. In the Tucson area, the Bureau estimates that there are approximately 192 hotels and resorts with 16,227 rooms. Points of interest, recreational sites and sight-seeing attractions include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Pima Air and Space Museum, Titan Missile Museum, Saguaro National Monument, Mission San Xavier del Bac, Mount Lemmon, Sabino Canyon, Biosphere 2, and numerous resorts and golf courses. In addition, the Tucson metropolitan area is the home of spring training for Major League Baseball's Arizona Diamondbacks and Colorado Rockies.

According to the Arizona Hospitality Research & Resource Center, nearly \$1.8 billion was spent by tourists in the County in 2009, a slight decrease from estimated tourism-related expenditures in calendar years 2008. [It is expected, given the condition of global and domestic economies, that tourism-related expenditures will continue to decrease in 2010.] These figures include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies between 2004 and 2009.

**Total Tourist Expenditures
(\$ in millions)**

<u>Year</u>	<u>Pima County</u>	<u>State of Arizona</u>
2009	\$1,797	\$11,869
2008	1,896	12,788
2007	1,979	13,383
2006	1,928	13,119
2005	1,782	12,002
2004	1,602	10,641

Source: Arizona Hospitality Research & Resources Center.

Education

The University of Arizona (the “University”) provides approximately 10,575 jobs to the area and is an important link to the economic growth of the County. Its presence as a research university has assisted in attracting new business enterprises. The academic organization of the University is comprised of ten undergraduate colleges, five graduate colleges and a number of interdisciplinary programs. Enrollment figures for the fall semester of 2008 were estimated at 38,057 undergraduate and graduate full-time students. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Pima County Community College offers two-year programs in vocational and technical education. Total student enrollment for Pima County Community College for 2008-09 was estimated at 71,070 students.

Source: The University of Arizona and Pima County Community College.

Wholesale and Retail Trade

Wholesale and retail trade includes restaurants, hotels, taverns, service stations, automobile repair shops, shopping malls and wholesale dealers. The largest individual employers in the retail sector (companies with more than 1,000 employees) are Wal-Mart Stores, Bashes’ Inc., Safeway Stores Inc., Fry’s Food and Drug Stores, Walgreen Co., Home Depot, Albertsons-Osco and Crosstown Traders.

The retail sales figures set forth below are based on the sales tax collections within the County excluding penalties, late charges and nontaxable items. The sales tax rate levied by the State on retail sales within the County is 5.6%. In addition, cities and towns within Pima County generally levy a 2% to 4% sales tax. The Pima County Regional Transportation Authority levies a county-wide 0.5% sales tax.

The following table sets forth retail sales figures in the County for the periods indicated. After many years of continued growth, retail sales in the County decreased by 7.14% in calendar year 2008 and continued to decrease by 9.86% in 2009.

TABLE 6

Pima County Retail Sales (a)

<u>Year</u>	<u>Amount</u>	<u>% Change</u>
2009	\$6,547,084,057	(9.86%)
2008	7,263,583,414	(7.14%)
2007	7,822,497,932	1.05%
2006	7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%

(a) Excludes food and gasoline sales.

Source: Arizona Department of Revenue.

Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC-insured institutions within the County for the past five fiscal years. As of June 30, 2009, there were 21 institutions with 196 offices in the County, with a deposit balance of \$11,502 million.

TABLE 7
Pima County
Bank Deposits

<u>Year (a)</u>	<u>Amount</u>
2009	\$11,502,000,000
2008	11,215,000,000
2007	11,643,000,000
2006	11,151,000,000
2005	10,250,000,000
2004	8,941,000,000

Source: Federal Deposit Insurance Corporation.

Mining

According to the Arizona Mining Association, Arizona leads the nation in copper production, accounting for 65% of the total U.S. mine production. However, the cyclical nature of this industry has caused some consolidation of its resources to improve production. In the early 1980's, the Arizona copper industry's direct economic impact on the Arizona economy regularly exceeded \$1.0 billion, peaking in 1981 at approximately \$1.612 billion when the industry employed roughly 25,000 persons. Since that time, employment in this sector has significantly decreased, with employment in the mining industry within the County being approximately 1,900 in 2008, 1,800 in 2007 and 1,600 in 2006.

Agriculture

Agriculture plays a less significant role in the economy of the County as a whole, but a small portion of the County relies on agriculture as its leading economic source. Principal crops harvested are cotton, wheat and hay, as well as vegetables. The following table sets forth the total cash receipts for all crops and livestock products in the County for the most recent five years for which reports are available.

TABLE 8
Cash Receipts From Agricultural Marketing
(Total Crops and Livestock)
Pima County

<u>Year</u>	<u>Receipts</u>
2008	\$71,209,000
2007	73,400,000
2006	78,083,000
2005	84,452,000
2004	80,103,000

Source: *Arizona Agricultural Statistics*, September 2009.

Building Permits

The following tables were obtained from the *Greater Phoenix Real Estate Market Update*, compiled by the Realty Studies division of the Morrison School, Arizona State University Polytechnic Campus. Construction is valued on the basis of estimated cost of a project, not on market price or the value of construction at the time the permit is issued. The date at which the permit is issued should not be construed as the date of construction.

The information provided through March 2009 in each of the following tables is the most current data available. The County’s expectation is that the value of building permits and number of new housing starts for 2009 will continue to show declines from prior years.

TABLE 9
Pima County
Value of Building Permits

Year	Residential	Commercial	Industrial	Other	Total
2009	\$ 399,714,000	\$106,445,000	\$11,851,000	\$ 46,646,000	\$ 564,656,000
2008	598,774,000	290,225,000	17,799,000	114,784,000	1,021,582,000
2007	864,602,000	420,297,000	18,580,000	89,391,000	1,392,870,000
2006	1,562,755,000	199,629,000	16,736,000	129,928,000	1,909,048,000
2005	2,180,381,000	315,946,000	8,546,000	150,686,000	2,655,559,000
2004	1,680,800,000	284,275,000	16,206,000	117,220,000	2,098,501,000

Source: Realty Studies, Morrison School, Arizona State University Polytechnic Campus.

TABLE 10
Pima County
New Housing Starts

Year	Total Housing Units Permitted
2009	2,179
2008	3,207
2007	4,629
2006	9,082
2005	12,272
2004	11,452

Source: Realty Studies, Morrison School, Arizona State University Polytechnic Campus.

Counties are required to adopt a Comprehensive Plan, and cities and towns a General Plan, under Arizona laws adopted in 1998 and 2000. All subsequent rezoning activity must conform to the plan. Most cities and towns and each of the larger counties, including Pima, are required to plan for growth areas and identify the means to provide necessary public services in the future. In addition to environmental and infrastructure elements, an analysis of available water is also required. Pima County’s Comprehensive Plan was updated and adopted in 2001. State law requires that every 10 years the plan be redone or updated and approved by the voters. Also, as a result of these laws, counties have broader authority to adopt development impact fees and review lot splitting. Pima County has been implementing the policies of the Comprehensive Plan since its adoption.

PIMA COUNTY, ARIZONA
Financial Information

Introduction

The fiscal year for the County is from July 1 through June 30. The County's budget process is an ongoing function. Each fiscal year's process starts with the issuance in December of guidelines to all departments within which budgets must be developed. Department budget requests are submitted in February. A review process then takes place culminating with the County Administrator's submission of a proposed budget to the Board in time for budget hearings in mid-June. State statutes require that a tentative budget be adopted by the Board no later than the third Monday in July. At the time the final budget is adopted, which can be no later than the first Monday in August of each year, the Board of Supervisors holds a public hearing and meeting to determine the tax levy needed to support the budget. Taxes are then assessed and levied no later than the third Monday in August.

Expenditure Limitation

Beginning in fiscal year 1981-82, the County became subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County's annual expenditures for fiscal year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitution provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation.

The County's expenditure limitation for the 2008-09 fiscal year was \$489,886,802. The County's expenditures for the 2008-09 fiscal year were under the limit. The County's preliminary 2009-10 fiscal year expenditure limitation is \$506,866,953.

Ad Valorem Taxes**General**

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

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

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on bonds, school district voter-approved budget overrides and special district taxes and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. See "Debt Limitation" herein. Under the secondary system, there is no limitation on annual increases in full cash value of any

property. In addition, annual tax levies for voter-approved bonded indebtedness, overrides and special district taxes are unlimited.

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

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

Tax Procedures

The tax year in Arizona is defined as the calendar year, although tax procedures begin prior to January 1 of each tax year and continue through May of the succeeding calendar year. The first step in the tax process, for taxing entities other than certain special districts, is the determination of the full cash value of each individually-owned parcel of land within the State. Property valuations are established on most property by the individual county assessors, with the State Department of Revenue determining the valuation of centrally assessed properties such as gas, water and electrical utilities, railroads, mines and pipelines. The appropriate property classification assessment ratio is then applied to the full cash value to determine the assessed valuation for such parcel. The assessment ratios utilized over the five-year period 2005-06 through 2009-10 for each class of property are set forth below.

Property Tax Assessment Ratios 2005-06 through 2009-10

Classification (a)	2005-06	2006-07	2007-08	2008-09	2009-10
Mining, Utility, Commercial and Industrial (b)(c)	25%	24.5%	24%	23%	22%
Agriculture and Vacant Land (c)	16%	16%	16%	16%	16%
Owner Occupied Residential	10%	10%	10%	10%	10%
Leased or Rented Residential	10%	10%	10%	10%	10%
Railroad, Private Car Company and Airline Flight Property (d)	21%	22%	21%	20%	18%

- (a) Additional classes of property exist, but seldom amount to a significant portion of a governmental entity’s total valuation.
- (b) The first \$65,013 of full cash value of commercial, industrial and agricultural personal property is exempt from tax for fiscal year 2008-09. This amount is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 22% or 16% as applicable.
- (c) Effective January 1, 2009, the assessment ratio for Mining, Utility, Commercial and Industrial property was decreased to 22%. Additionally, this rate will be decreased by one percent annually through 2010, resulting in an assessment ratio of 20% after December 31, 2010.
- (d) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties and agricultural personal property to (ii) the total full cash (market) value of such properties.

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or future legislative sessions. The County cannot determine whether any such measures will become law or how they might affect property tax collections for the County.

Delinquent Tax Procedures

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

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

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

It cannot be determined what impact any deterioration of the financial condition of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. No representative of the County, Special Counsel, the Underwriter or Underwriter's Counsel have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

Property Valuations

The following table lists the various property valuations for the County for the current year.

Valuations for Fiscal Year 2009-10

Estimated Actual Valuation (a)	\$80,653,625,457
Net Secondary Assessed Valuation	9,860,980,900
Net Primary Assessed Valuation	8,985,711,830

Valuations for 2010-11 Fiscal Year (b)

Net Secondary Assessed Valuation	\$9,345,594,118
Net Primary Assessed Valuation	8,939,623,680

- (a) Actual full cash value net of estimated value of property exempt from taxation.
- (b) Estimated valuations for the 2010-11 Fiscal Year, provided by the Pima County Assessor. Valuations for the 2010-11 Fiscal Year are not official until approved by the Board of Supervisors on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.

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

Net Secondary Assessed Valuation Comparisons and Trends

The information set forth below is shown to indicate the ratio between assessed values and estimated actual values for the County, as well as changes in the secondary assessed valuations of the County and overlapping municipal units on a comparative basis. The basis of property assessment for these years is shown under “Ad Valorem Taxes - Tax Procedures”.

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation (a)	Net Secondary Assessed Valuation as a Percentage of the Estimated Actual Valuation
2009-10	\$9,860,980,900	\$80,653,625,457	12.23%
2008-09	9,594,861,519	79,245,821,370	12.11%
2007-08	8,220,395,835	66,494,590,856	12.36%
2006-07	6,869,955,457	59,890,228,997	11.47%
2005-06	6,050,950,040	47,971,147,096	12.61%

- (a) Actual full cash value net of estimated value of property exempt from taxation.

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

Net Secondary Assessed Valuation Comparisons

Fiscal Year	City of Tucson	Percent Change	Pima County	Percent Change	State of Arizona	Percent Change
2009-10	\$4,030,242,132	3.46%	\$9,860,980,900	2.77%	\$86,504,734,898	0.48%
2008-09	3,895,581,900	11.80%	9,594,861,519	16.72%	86,090,579,647	19.84%
2007-08	3,484,462,013	15.52%	8,220,395,835	19.66%	71,837,099,233	32.07%
2006-07	3,016,230,759	10.77%	6,869,955,457	13.54%	54,394,761,521	11.16%
2005-06	2,722,915,853	6.44%	6,050,950,040	7.67%	48,931,946,145	10.05%

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

Net Secondary Assessed Valuations of Major Taxpayers

Shown below are the major property taxpayers located within the County, an estimate of their current assessed value and their relative proportion of the County’s net secondary assessed value.

Taxpayer (a)	Estimated 2009-10 Net Secondary Assessed Valuation	As Percent of County's 2009-10 Net Secondary Assessed Valuation
Phelps Dodge Sierrita Inc	\$198,694,143	2.01%
Unisource Energy Corp	158,763,946	1.61%
Qwest Communications Corp	74,646,105	0.76%
Southwest Gas Corp	64,774,986	0.66%
Asarco Inc	63,572,110	0.64%
Arizona Portland Cement Co	27,560,619	0.28%
Trico Electric Co-op Inc	21,029,473	0.21%
Asarco LLC	20,042,002	0.20%
Starr Pass Resort Development LLC	19,383,738	0.20%
DND Neffson Co	18,887,463	0.19%
	<u>\$667,354,585</u>	<u>6.76%</u>

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”). Such reports, proxy statements and other information (collectively, the “Filings”) may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission’s regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission’s EDGAR data base at <http://www.sec.gov>. No representative of the County, Bond Counsel, the Underwriter or Underwriter’s Counsel have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.

Source: Pima County Assessor.

Record of Real and Secured Personal Property Taxes Levied and Collected

Property taxes are levied and collected on all taxable property within the County and are certified to by the County Treasurer. The following table sets forth the real and secured personal property tax collection of the County for the current and past five fiscal years.

Fiscal Year	Real and Secured Personal Property Tax Levy	Fiscal Year Collections (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2009-10	\$353,593,620	(c)	N/A	\$169,015,462	47.80%
2008-09	322,901,974	\$309,375,563	95.81%	316,348,290	97.97
2007-08	305,699,225	294,220,625	96.25	304,518,188	99.61
2006-07	283,253,437	273,299,741	96.49	282,608,757	99.77
2005-06	267,378,750	258,490,790	96.68	266,960,200	99.84
2004-05	252,420,350	244,086,254	96.70	252,261,834	99.94

- (a) Reflects collections made through June 30th, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.
- (b) Reflects collections made through November 30, 2009 against the current and prior levies.
- (c) In the process of collection.

Source: Pima County Treasurer.

Tax Rate Data

The tax rates provided below reflect the total property tax rate levied by the County. As such, the rates are the sum of the primary tax rate, which is levied against the primary assessed value within the County, and the secondary tax rate for debt service payments, the County Library District, the County Fire District Assistance Tax and the County Flood Control District, all of which are levied against the County's secondary assessed value (except in the case of the Flood Control District, which is levied against the District's secondary assessed value, excluding the value of personal property).

Fiscal Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2009-10	\$3.3133	\$1.2784	\$4.5917
2008-09	3.3913	1.2789	4.6702
2007-08	3.6020	1.4654	5.0674
2006-07	3.8420	1.4986	5.3406
2005-06	4.0720	1.3891	5.4611
2004-05	4.0720	1.4247	5.4967

Source: *Property Tax Rates and Assessed Values*, The Arizona Tax Research Foundation and Pima County Finance and Risk Management Department.

Debt Limitation

Pursuant to the Arizona Constitution, outstanding general obligation debt for County purposes may not exceed 15% of a County’s net secondary assessed valuation. The following indicates the County’s current bonding capacity.

Net Secondary Assessed Valuation (FY 2009-10)	\$9,860,980,900
15% Constitutional Limitation	1,479,147,135
Net Direct General Obligation Bonds Outstanding	<u>471,090,000</u>
Unused 15% Limitation	<u><u>\$1,008,057,135</u></u>

General Obligation Bonded Debt Outstanding

The following chart lists the outstanding general obligation bonded debt of the County.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Original Purpose</u>	<u>Maturity Dates</u>	<u>Average Int. Rates</u>	<u>Remaining Balance Outstanding</u>
05-01-98	\$42,420,000	Various Improvements	7-1-99/13	4.620%	\$ 2,305,000
10-01-99	50,000,000	Various Improvements	7-1-00/10	5.040%	3,115,000
08-01-00	50,000,000	Various Improvements	7-1-01/14	4.760%	3,000,000
01-01-02	20,000,000	Various Improvements	7-1-02/16	4.000%	2,000,000
01-15-03	50,000,000	Various Improvements	7-1-03/17	3.900%	30,350,000
06-01-04	65,000,000	Various Improvements	7-1-05/19	4.207%	43,740,000
05-01-05	65,000,000	Various Improvements	7-1-06/20	4.016%	46,080,000
01-01-07	95,000,000	Various Improvements	7-1-07/21	4.028%	78,965,000
02-15-08	100,000,000	Various Improvements	7-1-08/22	3.934%	82,000,000
04-22-09	75,000,000	Various Improvements	7-1-09/23	3.913%	66,000,000
12-02-09	113,535,000	Various Improvements	7-1-10/24	3.579%	113,535,000
Total General Obligation Bonded Debt Outstanding					<u><u>\$ 471,090,000</u></u>

Estimated Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

The following chart indicates the general obligation debt service requirements of the County.

Fiscal Year June 30	Existing General Obligation Bonded Debt Outstanding		Total Debt Service Requirement
	Principal	Interest	
2010	\$53,095,000	\$16,657,854	\$69,752,854
2011	40,245,000	16,173,681	56,418,681
2012	34,055,000	14,636,981	48,691,981
2013	34,025,000	13,358,281	47,383,281
2014	32,465,000	12,050,731	44,515,731
2015	31,690,000	10,711,231	42,401,231
2016	32,420,000	9,441,613	41,861,613
2017	33,625,000	8,144,119	41,769,119
2018	31,075,000	6,802,944	37,877,944
2019	34,185,000	5,621,119	39,806,119
2020	32,180,000	4,347,531	36,527,531
2021	28,245,000	3,204,306	31,449,306
2022	29,420,000	2,146,206	31,566,206
2023	16,880,000	986,706	17,866,706
2024	7,485,000	299,400	7,784,400

Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the County Treasurer's Office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per \$100 assessed valuation follows.

Jurisdiction	2009-10 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Portion Applicable to the County		Combined Tax Rate Per \$100 Assessed Valuation (e)
			Percent	Net Debt Amount	
State of Arizona	\$86,504,734,898	None	100%	None	\$0.0000
Pima County	9,860,980,900	\$471,090,000	100%	\$471,090,000	4.7588 (b)
Pima County Flood Control District (c)	8,885,189,956	None	100%	None	0.2635
Elementary School Districts	431,664,134	1,470,000	100%	1,470,000	2.1342 (d)
Unified School Districts	9,412,479,218	546,430,000	100%	546,430,000	5.5006 (d)
Cities and Towns	5,513,702,551	254,075,610	100%	254,075,610	0.6840 (d)
Pima County Community College District	9,860,980,900	27,335,000	100%	27,335,000	1.0770
Total				\$1,300,400,610	

Jurisdiction	2009-10 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)(f)	Combined Tax Rate Per \$100 Assessed Valuation (e)
State of Arizona	\$86,504,734,898	None	None
Pima County	9,860,980,900	\$471,090,000	\$4.7588 (b)
Pima County Flood Control District (c)	8,885,189,956	None	0.2635
Pima County Community College District	9,860,980,900	27,335,000	1.0770
Elementary School Districts:			
San Fernando ESD #35	1,124,531	None	4.5954
Empire ESD #37	7,522,610	None	2.9383
Continental ESD #39	375,805,866	1,470,000	1.6122
Redington ESD #44	1,542,334	None	7.6340
Altar Valley ESD #51	45,668,793	None	6.0506
Unified School Districts:			
Tucson USD #1	3,975,386,598	292,045,000	6.0701
Marana USD #6	948,760,083	45,050,000	4.9286
Flowing Wells USD #8	242,759,039	17,330,000	6.1239
Amphitheater USD #10	1,758,160,730	75,705,000	4.6112
Sunnyside USD #12	521,691,615	24,490,000	7.0899
Tanque Verde USD #13	238,860,720	1,160,000	3.1837
Ajo USD #15	19,487,983	None	4.3158
Catalina Foothills USD #16	720,102,657	28,215,000	4.9970
Vail USD #20	523,748,498	38,085,000	5.2016
Sahuarita USD #30	462,349,957	24,350,000	5.4230
Indian Oasis USD #40	1,171,338	None	0.0000
Cities and Towns:			
City of Tucson	4,030,242,132	254,075,610	0.9344
City of South Tucson	27,636,918	None	0.2035
Town of Marana	533,455,685	None	0.0000
Town of Oro Valley	695,244,213	None	0.0000
Town of Sahuarita	227,123,603	None	0.0000

- (a) Includes general obligation bonds outstanding. Does not include outstanding principal amount of various cities and towns improvement districts' bonded debt and outstanding principal amount of various County improvement districts' bonded debt, as the indebtedness of these districts is presently being paid from special assessments levied against property owners residing within the various improvement districts. Also does not include various fire districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States of America, Department of the Interior, for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April of 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the

agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State legislation. Federal authorizing legislation was enacted in 2004. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the U.S. District Court to terminate the agreement and resume litigation. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents per \$100 of secondary assessed valuation, of which twelve cents is being currently levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

- (b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the State equalization tax rate of \$0.3306, the \$0.2643 tax rate of the Free Library District, the \$0.1000 tax rate of the Central Arizona Project and the \$0.0406 tax rate of the Fire District Assistance Tax.
- (c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.
- (d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.
- (e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.
- (f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County.

<u>Jurisdiction (g)</u>	<u>Authorized But Unissued General Obligation Bonds</u>
Pima County	\$213,681,000
Tucson Unified School District No. 1	74,000,000
City of Tucson	None**

** Does not include the \$5,600,000 aggregate principal amount of general obligation bond authorization from the 1984 bond election which can be sold only to establish reserve funds.

- (g) Additional general obligation bonds may be authorized by these and other jurisdictions within the County at future elections.

Net Direct and Overlapping General Obligation Bonded Debt Ratios

The County's direct and overlapping general obligation bonded debt is shown below on a per capita basis and as a percent of the County's net secondary assessed valuation and estimated actual valuation.

	Per Capita Net Debt (Pop. @ 1,018,012) (a)	As Percent of County's 2009-10	
		Secondary Assessed Valuation (\$9,860,980,900)	Est. Actual Valuation (\$80,653,625,457)
Net Direct General Obligation Bonded Debt (\$471,090,000)	\$ 462.75	4.77%	0.58%
Net Direct and Overlapping General Obligation Bonded Debt (\$1,300,400,610)	\$1,277.39	13.18%	1.61%

(a) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Commerce, Population Statistics, July 2009.

Street and Highway Revenue Bonded Debt Outstanding

The following chart indicates the outstanding street and highway bonds of the County.

Date of Issue	Original Amount	Purpose	Original Maturity Dates	Remaining Balance Outstanding
1-01-02	\$55,000,000	Street & Highway Improvements	7-1-03/12	\$ 10,755,000
1-15-03	35,000,000	Street & Highway Improvements	7-1-04/18	25,325,000
5-01-05	51,200,000	Street & Highway Improvements	7-1-09/20	47,810,000
1-01-07	21,000,000	Street & Highway Improvements	7-1-09/22	20,250,000
2-15-08	25,000,000	Street & Highway Improvements	7-1-09/22	24,850,000
12-02-09	23,420,000	Street & Highway Improvements	7-1-13/24	23,420,000
Total Street and Highway Revenue Bonds Outstanding				\$152,410,000

Sewer Revenue Debt Outstanding

The following chart lists the outstanding sewer revenue bonds of the County.

Date of Issue	Original Amount	Purpose	Remaining Maturity Dates	Balance Outstanding
03-01-96	\$11,313,350	Refunding (a)	7-1-97/12	\$ 4,284,485
08-06-97	7,500,000	Sewer Improvements (a)	7-1-00/11	1,295,069
05-01-98	29,185,000	Sewer Improvements	7-1-99/15	11,055,000
10-27-00	61,180,286	Sewer Improvements (a)(b)	7-1-02-16	35,323,967
04-01-01	19,440,000	Refunding	7-1-02/15	11,415,000
05-01-04	25,770,000	Refunding	7-1-05/15	15,660,000
05-11-04	19,967,331	Sewer Improvements (a)(c)	7-1-05/24	17,377,076
01-01-07	50,000,000	Sewer Improvements	7-1-07/26	44,160,000
05-01-08	75,000,000	Sewer Improvements	7-1-09/23	74,780,000
05-06-09	18,940,000	Sewer Improvements	7-1-10/24	18,940,000
10-09-09	10,002,383	Sewer Improvements (a)	7-1-10/24	8,002,383
Total Sewer Revenue Bonds Outstanding				\$242,292,980

- (a) Represents funds borrowed under separate Loan Agreements with the Water Infrastructure Finance Authority of Arizona (“WIFA”).
- (b) On October 27, 2000, the County entered into certain Loan Agreements with WIFA totaling \$40,000,000. In December 2001, the County amended those Loan Agreements and added an additional \$21,180,286.
- (c) May 11, 2004, the County entered into certain Loan Agreements with WIFA totaling \$18,015,219. In September 2005, the County amended those Loan Agreements and added an additional \$1,952,112.

Lease, Lease-Purchase and Purchase Agreements

The County has various lease purchase agreements outstanding. A list of the County departments benefited by these agreements and the scheduled payments on these agreements over the past four fiscal years appears below.

County Department	Fiscal Year (in Thousands)			
	2005-06	2006-07	2007-08	2008-09
Clerk of Superior Court	\$31	\$ 82	\$82	\$131
Sheriff	42	21	0	0
Fiscal Year Total	\$74	\$103	\$82	\$131

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

The following chart indicates the outstanding certificates of participation of the County.

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Original Maturity Dates</u>	<u>Remaining Balance Outstanding</u>
09-01-99	\$ 4,875,000	Refunding	1-1-13/14	\$ 4,000,000
10-01-03	27,525,000	Refunding	1-1-05/18	18,715,000
05-01-07	30,320,000	New Money	7-1-08/22	27,530,000
06-26-08	50,000,000	New Money	6-1-09/11	10,000,000
06-10-09	34,400,000	New Money	6-1-10/12	14,400,000
02-04-10	20,000,000	New Money	6-1-11/19	20,000,000
Total Certificates of Participation Outstanding				<u>\$94,645,000</u>

Retirement Plans

A brief description of the various retirement programs in which County employees participate is located in Footnote 9 in the excerpts from the County's Comprehensive Annual Financial Report in Appendix E.

Other Post Employment Benefits

In fiscal year 2007-08, the County implemented Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), which requires reporting the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. Plan benefits covered by GASB 45 must be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, the reporting of such costs as a financial statement liability.

The County currently offers its retired employees, their spouses and survivors continuing access to health care insurance through the County's health plan until they reach an age covered by Medicare. Participating retirees must pay 100% of applicable health care insurance premiums. The County makes no payments for OPEB costs for such retirees, but for fiscal year 2007-08 the County reported an implicit rate subsidy described in Note 10 of the 2007-08 Comprehensive Annual Financial Report.

For fiscal year 2008-09, the County is not reporting any OPEB liability because, to the degree GASB 45 might apply, the County has determined that any OPEB liability would not be material.

Management Commentary on Financial Condition

The County's revenues for Fiscal Year 2009-10 are expected to be near the budgeted amounts. As of September 2009, however, the County is projecting a decrease in State-shared sales revenues of approximately \$4 million, or five percent. The State of Arizona is facing a budget deficit for Fiscal Year 2009-10, currently estimated at between approximately \$1.5 billion and \$2.0 billion, because of lower than expected revenues. Depending on State revenue receipts, additional measures may be enacted by the Legislature for Fiscal Year 2009-10. In past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The County cannot determine whether any such provisions will be enacted or how they may affect the County or its financial position. The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the 2009-10 fiscal year that are designed to address any additional reduction in State-shared revenues and any potential increased cost shifting from the State to cities, towns and counties. The County has budgeted for an ending General Fund balance for Fiscal Year 2009-10 of at least five percent of annual General Fund revenues.

In 2004, the County closed the County-operated Kino Community Hospital and leased the hospital ground and buildings to University Physicians Healthcare (UPH), a private nonprofit corporation, which opened a privately owned and operated hospital on the site. The original lease agreement between the County and UPH required \$127 million of fees to be paid to UPH by the County over the first 10 years of the lease, in decreasing amounts, for the transition to a new hospital. At the request of UPH, the County amended its contract with UPH to accelerate, but not increase, the payments required by the lease. UPH is continuing efforts to make the hospital financially self sufficient. To date, the County has paid UPH \$120.5 million of the total \$127 million pledged and is scheduled to pay \$6.5 million in Fiscal Year 2010-11. UPH has requested the County to provide additional long-term funding for its operations due to ongoing operating deficits and has requested an additional \$30 million in funding per year. In the County's fiscal year 2009-10 budget, the County has set aside \$15 million, in addition to the \$10 million already paid for this fiscal year, for a total of \$25 million should the County Board decide to increase funding. The County Board has not taken action on this matter. Any future decision by the County to alter the agreement with UPH would be made with full consideration of the impact it would have on other operations of the County and the need for the County to continue to maintain a balanced budget.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF ALL
GOVERNMENTAL FUND TYPES (a)
(In \$000)

	Actual				
	2004-05	2005-06	2006-07	2007-08	2008-09
Revenues by Source:					
Taxes	\$300,972	\$321,474	\$348,700	\$381,862	\$396,241
Special Assessments	244	215	521	556	441
Licenses and Permits	7,265	7,452	7,132	7,710	6,989
Intergovernmental	278,414	291,059	303,392	312,634	292,236
Charges for Services	53,568	63,582	63,508	58,890	55,346
Fines and Forfeits	5,967	6,014	6,550	6,480	6,283
Interest Income	5,181	11,379	13,988	14,218	5,335
Miscellaneous	14,806	13,165	17,544	21,752	22,414
Total Revenues	<u>666,417</u>	<u>714,340</u>	<u>761,335</u>	<u>804,102</u>	<u>785,285</u>
Expenditures by Fund:					
General	372,899	402,811	421,486	460,537	462,276
Special Revenues	160,407	170,562	199,498	218,307	196,677
Debt Service	56,274	66,963	69,689	76,764	121,091
Capital Projects	127,632	121,007	202,659	139,539	146,334
Total Expenditures	<u>717,212</u>	<u>761,343</u>	<u>893,332</u>	<u>895,147</u>	<u>926,378</u>
Excess of Revenues Over (Under)					
Expenditures	(50,795)	(47,003)	(131,997)	(91,045)	(141,093)
Other Financing Sources (Uses):					
Premium on bonds	0	0	1,429	1,964	675
Proceeds of Long-Term Debt	116,450	4,836	146,320	175,000	109,400
Proceeds of Refunding Bonds	0	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0	0
Gain on Investment	0	3	0	312	0
Operating Transfers In (Out)	3,046	3,685	(599)	714	4,867
Capital Leases	0	231	0	0	0
Sale of General Fixed Assets	27	416	1,426	27	876
Total Other Financing Sources (Uses)	<u>119,523</u>	<u>9,171</u>	<u>148,576</u>	<u>178,017</u>	<u>115,818</u>
Extraordinary item:					
Loss From State Treasurer's Local Government Investment Pool	0	0	0	0	0
Net Change in Fund Balance	68,728	(37,832)	16,579	86,972	(25,275)
Beginning Fund Balance, as restated	182,894	252,007	214,292	230,660	317,577
Changes in Reserve for Inventory	398	(188)	(209)	(55)	(55)
Changes in Reserve for Prepaids	(13)	11	(2)	0	0
Ending Fund Balance	<u>\$252,007</u>	<u>\$213,998</u>	<u>\$230,660</u>	<u>\$317,577</u>	<u>\$292,247</u>

Source: Pima County Finance and Risk Management Department.

(a) This table has not been the subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
STATEMENT OF FUND BALANCES - ALL GOVERNMENTAL
FUND TYPES (a)
(In \$000)

	Actual				
	2004-05	2005-06	2006-07	2007-08	2008-09
General					
Reserved	\$ 4,056	\$ 5,152	\$ 8,889	\$ 5,415	\$ 4,363
Unreserved	33,171	46,423	48,671	35,438	35,803
Designated	0	0	0	29,536	0
	<u>37,227</u>	<u>51,575</u>	<u>57,560</u>	<u>70,389</u>	<u>40,166</u>
Special Revenue					
Reserved	2,742	5,111	5,933	4,699	5,255
Unreserved	54,232	64,961	69,773	77,451	81,196
Designated	0	1,044	0	0	4,925
	<u>56,974</u>	<u>71,116</u>	<u>75,706</u>	<u>82,150</u>	<u>91,376</u>
Debt Service					
Reserved	10,004	6,673	7,946	12,395	33,842
Unreserved	152	162	0	0	0
	<u>10,156</u>	<u>6,835</u>	<u>7,946</u>	<u>12,395</u>	<u>33,842</u>
Capital Projects					
Reserved	0	0	120	0	42
Unreserved	147,650	84,472	89,328	152,643	126,821
	<u>147,650</u>	<u>84,472</u>	<u>89,448</u>	<u>152,643</u>	<u>126,863</u>
Total Fund Balance	<u>\$252,007</u>	<u>\$213,998</u>	<u>\$230,660</u>	<u>\$317,577</u>	<u>\$292,247</u>

Source: Pima County Finance and Risk Management Department.

(a) This table has not been the subject to any separate audit procedures.

PIMA COUNTY, ARIZONA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN GENERAL FUND BALANCE (a)
(In \$000)

	Actual				
	2004-05	2005-06	2006-07	2007-08	2008-09
Revenues by Source:					
Taxes	\$225,959	\$242,948	\$252,350	\$268,493	\$281,749
Licenses and Permits	2,350	2,536	2,795	2,971	2,747
Intergovernmental	125,203	143,982	152,271	148,158	131,966
Charges for Services	24,905	27,102	33,604	32,307	35,330
Fines and Forfeits	5,035	5,786	5,526	5,020	4,720
Interest Income	1,357	2,491	3,321	3,343	1,084
Miscellaneous	4,435	4,935	6,828	8,314	7,099
Total Revenues	<u>389,244</u>	<u>429,780</u>	<u>456,695</u>	<u>468,606</u>	<u>464,695</u>
Expenditures:					
Current					
General Government	160,378	168,394	181,329	192,839	184,434
Public Safety	84,694	96,687	106,825	118,623	121,704
Sanitation	0	0	0	0	0
Health	2,189	2,401	2,526	2,906	2,767
Welfare	96,996	102,496	96,684	106,502	115,481
Culture & Recreation	11,236	13,104	14,694	16,325	15,580
Education & Econ. Opport.	14,637	16,682	16,407	17,418	16,368
Debt Service:					
Principal	1,440	1,750	1,785	3,115	3,510
Interest	1,324	1,292	1,230	2,805	2,426
Miscellaneous	5	5	6	4	6
Total Expenditures	<u>372,899</u>	<u>402,811</u>	<u>421,486</u>	<u>460,537</u>	<u>462,276</u>
Excess of Revenues Over (Under) Expenditures	16,345	26,969	35,209	8,069	2,419
Other Financing Sources (Uses):					
Proceeds of Long-Term Debt	0	0	0	0	0
Sale of General Fixed Assets	8	22	0	0	371
Operating Transfers In (Out)	(11,822)	(12,643)	(29,224)	4,760	(33,013)
Total Other Financing Sources (Uses):	<u>(11,814)</u>	<u>(12,621)</u>	<u>(29,224)</u>	<u>4,760</u>	<u>(32,642)</u>
Extraordinary item:					
Loss from State Treasurer's Local Government Investment Pool	0	0	0	0	0
Net Change in Fund Balance	4,531	14,348	5,985	12,829	(30,223)
Beginning Fund Balance, as restated	32,696	37,227	51,575	57,560	70,389
Ending Fund Balance	<u>\$37,227</u>	<u>\$51,575</u>	<u>\$57,560</u>	<u>\$70,389</u>	<u>\$40,166</u>

Source: Pima County Finance and Risk Management Department.
This table has not been the subject to any separate audit procedures.

FORM OF OPINION OF SPECIAL COUNSEL

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Closing Date]

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

Re: Sewer System Revenue Obligations Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, Dated as of May 1, 2010.

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the above-referenced Obligations (the "*Obligations*") in the aggregate principal amount of \$_____,000* and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance the costs of certain improvements to the sewer system (the "*System*") serving Pima County, Arizona (the "*County*"). In two separate series \$_____,000* principal amount Taxable Series 2010A (Qualified Build America Bonds – Direct Payment) (the "*Taxable Obligations*") and \$_____,000* principal amount Tax-Exempt Series 2010B (the "*Tax-Exempt Obligations*").

We have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, such documents and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Obligations. Reference is made to certifications of, and opinions of counsel to, parties with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The Obligations are being executed and delivered pursuant to the Series 2010 Obligation Indenture, dated as of May 1, 2010 (the "*Indenture*"), by and between the County and The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee (the "*Trustee*"). Each of the Obligations represents an undivided and proportionate interest in certain obligations of the County pursuant to the Series 2010 Purchase Agreement, dated as of May 1, 2010 (the "*Purchase Agreement*"), by and between the Trustee, in its separate capacity as seller (the "*Seller*"), and the County, as purchaser, pursuant to which the County has agreed to make certain installment purchase payments to the Trustee. The Obligations are payable solely, as to both principal and interest, from such installment purchase payments made by the County pursuant to the Purchase Agreement. The County and the Seller have assigned certain of their rights in and benefits from, and of their obligations pursuant to, the Purchase Agreement to the Trustee pursuant to the Indenture.

Based upon the foregoing, we are of the opinion as of this date, which is the date of initial execution and delivery of the Obligations against payment therefor, that:

1. The Indenture, the Purchase Agreement and the Obligations are valid and binding and enforceable in accordance with their terms. The rights of the owners of the Obligations and the enforceability of those rights pursuant to the Obligations as well as the Indenture and the Purchase Agreement may, however, be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights, and the enforcement

* Preliminary, subject to change.

of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity. The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

2. The obligation of the County for the payment of the installment purchase payments required to be paid by the County pursuant to the provisions of the Purchase Agreement constitute a valid and binding limited, special obligation of the County, payable together with any other obligations issued on parity therewith, solely from and secured solely by a pledge of, a lien on and a security interest in the Pledged Revenues (as defined in the Purchase Agreement), consisting generally of revenues derived by the County from the operation of the System after sufficient funds have been provided for the operation and maintenance expenses of the System and for payment of certain senior lien obligations and amounts related thereto. Such payments are not secured by an obligation or pledge of any moneys raised by taxation; the Obligations do not represent or constitute a debt or pledge of the general credit of the County or the State of Arizona and the Purchase Agreement, including the obligation of the County to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the County.

3. The portion of each installment purchase payment made by the County pursuant to the Purchase Agreement, denominated as and comprising interest pursuant to the Purchase Agreement and received by the owners of the Tax-Exempt Obligations (the "*Interest Portion*"), is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "*Code*"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The Interest Portion is also exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excluded from gross income for federal income tax purposes. Pursuant to the Code, however, portions of the Interest Portion earned by certain corporations (as defined for federal income tax purposes) may be subject to a branch profits tax imposed on certain of such corporations which are foreign corporations doing business in the United States and to a tax imposed on excess net passive income of such corporations which are S corporations. (We express no opinion regarding other federal or State tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Tax-Exempt Obligations.)

In rendering the opinion expressed in the third numbered paragraph hereof, we have assumed continuing compliance with certain tax covenants provided in connection with the original execution and delivery of the Tax-Exempt Obligations in order that the Interest Portion not be included in gross income for federal tax purposes. The failure of the County to meet certain requirements of the Code with respect to the matters described in the third numbered paragraph hereof may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of initial execution and delivery of the Tax-Exempt Obligations. The County has covenanted to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. (Subject to the same limitations in the penultimate sentence of the first numbered paragraph hereof as they would relate to such covenants, the County has full legal power and authority to comply with such covenants.)

We express no opinions regarding federal or State tax consequences resulting from the ownership of, receipt or accrual of interest or a disposition of the Taxable Obligations.

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

**AUDITED FINANCIAL STATEMENTS
OF THE PIMA COUNTY REGIONAL WASTEWATER
RECLAMATION ENTERPRISE FUND
FOR FISCAL YEAR ENDED JUNE 30, 2009**

DRAFT

**EXCERPTS FROM
PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

The following are excerpts from the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The County has not requested the State of Arizona Auditor General to perform any review of the County's Comprehensive Annual Financial Report subsequent to June 30, 2009. These are the most recent audited financial statements available to the County and may not represent the current financial position of the County.

DRAFT

SENIOR RESOLUTION SUMMARY

**SUMMARY OF RESOLUTION NO. 1991-138 (AS AMENDED)
AUTHORIZING THE ISSUANCE OF PRIOR OBLIGATIONS**

The following is a summary of certain applicable provisions of Resolution No. 1991-138, authorizing the issuance of the Prior Obligations, which was adopted by the County Board of Supervisors on June 18, 1991 and amended on August 6, 1991 (the “Senior Resolution”). The summary does not purport to be a full statement of the terms of the Sewer Bond Resolution and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Authority. The Prior Obligations are issued pursuant to A.R.S. Section 11-264.01. The Senior Resolution will stay in full force and effect until all Prior Obligations are fully paid or provided for and all Policy Costs have been paid in full.

Definitions; Interpretation.

A. Senior Resolution Definitions.

“Agreement” - any Reserve Fund Guaranty Agreement.

“Bond Insurer” - an issuer of a Municipal Bond Insurance Policy pertaining to any of the Bonds.

“Bond Year” - the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

“Deficiency” - the difference between (i) the total amount due on any of the Prior Obligations’ principal or interest payment dates and (ii) the amount then in the Bond Fund (which amount shall not include payments made pursuant to a Municipal Bond Insurance Policy or a Reserve Fund Guaranty but shall include all moneys transferred from the Reserve Fund to the Bond Fund or available in the Reserve Fund for such transfer).

“Drawdown” - any amount drawn under any Reserve Fund Guaranty.

“Drawdown Date” - the date of any Drawdown.

“Municipal Bond Insurance Policy” - any insurance policy insuring the payment of principal of and interest on any Prior Obligations.

[add “Net Revenues”?]

“Owner” - any person registered as the owner of any Prior Obligation (for book-entry bonds - DTC or any successor depository).

“Prior Obligations” - the Sewer Improvement and Refunding Revenue Bonds, Series 1998, the Sewer Revenue Refunding Bonds, Series 2001, the Sewer Revenue Refunding Bonds, Series 2004, Sewer Revenue Bonds, Series 2007, the Sewer Revenue Bonds, Series 2008 and the Sewer Revenue Bonds, Series 2009 and the Loan Agreements between the Water Infrastructure Finance Authority of Arizona and the County, as borrower, dated February 1, 1996, June 1, 1997, October 27, 2000, as amended, May 11, 2004, as amended, and October 9, 2009, issued or incurred on a parity with the Series 1991 Bonds.

“Prior Obligations Operating Expenses” – when used, with regard to the Prior Obligations the costs of System operation, maintenance, and repair but excluding depreciation and payments into the Bond, Reserve, Reimbursement and Rebate Funds.

“Policy Costs” - the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown pursuant to an Agreement including the Drawdown amount (and the Reserve Fund Guarantor’s expenses) plus interest at the Reimbursement Rate until paid.

“Reimbursement Period” - for any Drawdown, the period from the Drawdown Date to the first anniversary of such Drawdown Date.

“Reimbursement Rate” - the rate of interest to be paid by the County pursuant to the respective Agreement to pay a Reserve Fund Guarantor after a Drawdown.

“Reserve Fund Guarantor” - with respect to any series of Prior Obligations, the issuer of a surety bond, letter of credit, line of credit or insurance policy used as a Reserve Fund Guaranty, if issued by an entity whose Guaranty will not adversely affect the Bonds’ then-current rating.

“Reserve Fund Guaranty” - any irrevocable surety bond, letter of credit or line of credit or insurance policy issued by a Reserve Fund Guarantor and used as a reserve fund guaranty hereunder.

“Reserve Fund Value” – the value of moneys and investments credited to the Reserve Fund plus the aggregate penal sum of all Reserve Fund Guaranties.

Source of Payment and Pledge of Revenues.

A. The Prior Obligations shall be payable solely from the Net Revenues. The Prior Obligations shall be equally and ratably secured by a pledge thereof and lien thereon without priority one over the other.

B. The Prior Obligations are special obligations payable solely from the Net Revenues and secured in accordance with this resolution. The Net Revenues are pledged as security for the Prior Obligations. All Net Revenues shall be immediately subject to the pledge of this resolution and the lien of this pledge shall be valid and binding.

Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain System charges sufficient to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least 120% of the principal and interest requirements on all Outstanding Prior Obligations for the corresponding Bond Year (treating Prior Obligations subject to mandatory redemption as maturing on their respective mandatory redemption dates) and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current fiscal year which, net of the aggregate amounts required to be deposited to the Bond Fund during such fiscal year, will be sufficient to provide at least one hundred percent (100%) of the County’s Policy Costs due and owing in such Fiscal Year.

Creation of Funds; Application of Revenues.

A. The County Treasurer shall create the following special funds and accounts:

1. The Revenue Fund.
2. The Operation and Maintenance Fund.
3. The Bond Fund.
4. The Reimbursement Fund.
5. The Reserve Fund containing separate accounts: the Capitalized Reserve Account and the Contributed Reserve Account.
6. The Rebate Fund.
7. The System Development Fund.

B. All Revenues shall be deposited in the Revenue Fund and disbursed only as follows:

1. Operation and Maintenance Fund. First, to the Operation and Maintenance Fund, by the tenth day of each month, an amount sufficient to pay the month's Prior Obligations Operating Expenses; such Fund shall be used only to pay Prior Obligations Operating Expenses. The County may accumulate therein equitable allowances for accruals and accumulations to cover periodic Prior Obligations Operating Expenses, including insurance premiums and expenditures for renewals, replacements and repairs normally classified as Prior Obligations Operating Expenses. Where the County purchases items such as insurance, gasoline and electrical energy at large, it may allocate to the System only its share of such expenditure.

2. Bond Fund. Second, to the Bond Fund:

(a) On the tenth day of each month one-sixth (1/6) of the interest becoming due on the next interest payment date on all Prior Obligations Outstanding; and

(b) On the tenth day of each month one-twelfth (1/12) of the principal amount becoming due on the next principal payment date on all Prior Obligations Outstanding.

The Bond Fund shall be a trust fund used solely to pay Prior Obligations principal and interest.

3. Reimbursement Fund. Third, if a Drawdown occurs, deposit to the Reimbursement Fund commencing the tenth day of the first month following a Drawdown and each month thereafter for the next succeeding 11 months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs, an amount equal to at least one-twelfth (1/12) of such Policy Costs. The Reimbursement Fund shall be used only to pay Reserve Fund Guarantors' Policy Costs.

If the County fails to pay any Policy Costs, the Reserve Fund Guarantor(s) may exercise all remedies available to the owners of the Prior Obligations at law or under this resolution or to any Reserve Fund Guarantor under any Agreement other than (i) acceleration of the Prior Obligations or (ii) remedies adversely affecting the Owners' rights.

All Reserve Fund Guaranties shall be held by the Paying Agent as the Owners' fiduciary. Reserve Fund Guaranties shall expire no earlier than the final maturity date of the series for which said Guaranty applies.

4. Reserve Fund. Fourth, by the tenth day of each month, to the Reserve Fund the amounts required by the Senior Resolution, or one-twelfth (1/12) of the amount required to restore the Reserve Fund to the Prior Obligations Reserve Requirement after a Reserve Fund withdrawal.

If, on any principal or interest payment date, a Deficiency exists, then:

(a) If there are investments or cash in the Reserve Fund, such investments shall be liquidated and the cash and investment proceeds transferred to the Bond Fund; and

(b) If the Deficiency is not then cured, a Drawdown request shall be delivered to each Reserve Fund Guarantor.

Drawdowns and Reserve Fund proceeds shall be used solely to pay Prior Obligations principal and interest then due.

Reserve Fund moneys used to pay such principal and interest shall be replaced from the first Revenue Fund moneys thereafter received which are not required to be transferred to the Operation and Maintenance, Bond or Reimbursement Funds.

If, after a Reserve Fund withdrawal, the Prior Obligations Reserve Requirement exceeds the Reserve Fund Value such deficiency shall be made up over a twelve month period by deposit of twelve (12) substantially equal payments to the Contributed Reserve Account.

5. Rebate Fund. Fifth, to the Rebate Fund the balance remaining in the Revenue Fund until the amount in the Rebate Fund equals the amount to be deposited therein during such Bond Year as determined by the finance director of the County.

6. System Development Fund. Sixth, any Revenue Fund moneys exceeding those necessary to meet the above requirements shall be deposited in the System Development Fund. The System Development Fund may be used (without priority): (1) for System extensions and betterments; (2) for unbudgeted maintenance and operation expenses; (3) to redeem Prior Obligations subject to optional redemption or to purchase Prior Obligations in the open market; (4) to pay general obligation bonds issued by the County for System purposes; (5) to make loans to the County under equitable terms prescribed by the Board; or (6) any lawful System purpose.

7. Deficiencies. If in any month the Revenue Fund is insufficient to make the required deposits to any Fund in any month, the insufficiency shall be made up in the following month or months after payment into all Funds enjoying a prior claim to the Revenues have been met in full.

8. Investment of Funds. Money on deposit in the Revenue, Operation and Maintenance, Bond, Reserve, Reimbursement and Rebate Funds may be invested in permitted investments. All income derived therefrom shall be Revenues and shall be deposited in the Revenue Fund. Such investments shall be liquidated as needed and applied to the purpose for which the respective Fund was created.

Remedies of Owners. Any owner of a Prior Obligation may by suit, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce performance of all duties imposed hereby or for the appointment of a receiver. Except the giving of notice of default to bondholders, the Bond Insurer shall be deemed to be the sole holder of the Prior Obligation it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

If any default occurs in the payment of principal of or interest on any Prior Obligations, a court may appoint a receiver to administer the System and charge and collect sufficient fees to pay Prior Obligation Operating Expenses and make all payments to the Bond, Reimbursement and Reserve Funds required hereunder.

For all purposes in exercising remedies, except the giving of notice of default to holders of Prior Obligations, the Bond Insurer of each series of Prior Obligations shall be deemed to be the sole holder of the Prior Obligations it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

Equality of Lien; Prior Obligations.

The Prior Obligations shall each enjoy complete parity of lien on the Net Revenues.

Resolution Incorporated Into the Bonds. The provisions of this resolution are deemed incorporated into the Prior Obligations themselves and no change, variation or alteration of any kind in the provisions hereof shall be made in any manner, except as provided hereafter.

Resolution Modification.

A. Without the consent of or notice to any owner of a Prior Obligation, this resolution may be modified for one or more of the following purposes:

- (1) To cure any ambiguity, formal defect, omission or inconsistency;
- (2) To grant to such owners additional rights, remedies, powers or authority;
- (3) To secure additional Revenues or provide additional security or reserves for Prior Obligation payment;
- (4) To comply with any federal securities laws or the Trust Indenture Act of 1939, if and to the extent applicable to the Prior Obligations;

(5) To permit, Prior Obligations preserve or continue (in the event of a change in federal income tax laws (the "Code") which requires a Supplement in order to continue such exclusion) the exclusion of the interest income borne on the Prior Obligations from gross income or the exemption from State income taxes and to preserve the power of the County to continue to issue bonds or other obligations the interest income on which is likewise excluded from gross income and exempt from State income taxes.

B. Except as provided in (A) above, the owners of fifty-one percent (51%) in aggregate principal amount of the Prior Obligations then outstanding shall have the right to consent to and approve modifications to any terms or provisions herein but no such modification may:

1. Change the maturity of any outstanding Prior Obligations.
2. Change the interest rate on any outstanding Prior Obligations.
3. Reduce the principal or redemption premium payable on any Prior Obligations.
4. Modify the principal, interest or redemption premium payment terms on any Prior Obligations or impose any adverse conditions on such payments.
5. Adversely affect the rights of the owners of less than all Prior Obligations then outstanding.

C. Any other provision to the contrary notwithstanding, no amendment to the Senior Resolution shall become effective unless and until it is approved by all Bond Insurers and Reserve Fund Guarantors applicable to the Prior Obligations.

Rights of Reserve Fund Guarantors. If any Prior Obligation's principal or interest shall be paid by a Reserve Fund Guarantor, the pledge of the Net Revenues and all of the County's obligations hereunder shall continue and such Reserve Fund Guarantor shall be fully subrogated to all rights of the owners of the Prior Obligations so paid.

Method of Valuation; Frequency. In computing the amount in any fund or account, permitted investments shall be valued at their market value exclusive of accrued interest. A valuation shall occur annually on the first Business Day of each Bond Year and immediately after a Reserve Fund withdrawal.

Defeasance. Payment of all or any part of the Prior Obligations may be provided for by the irrevocable deposit with a trustee of moneys or government obligations, or both. If the moneys and the maturing principal and interest income on such government obligations shall be sufficient, as evidenced by a certificate of an expert in the field, to pay when due the principal or redemption price of and interest on such Prior Obligations, such Prior Obligations shall no longer be deemed outstanding. The owners of Prior Obligations so provided for shall thereafter be entitled to payment only from the moneys or government obligations deposited with such trustee.

OBLIGATIONS DOCUMENTS SUMMARIES

[to be updated by Special Counsel]

Definitions

For the purposes hereof and in addition to those defined prior to the Appendices hereof, the following words and phrases will have the following meanings:

“Assumed Interest Rate” means an interest rate for a series of Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate which the Obligations of a series may bear under the terms of their incurrence or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the Finance Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

“Bond Year” means a twelve-month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

“Business Day” means a day on which banks located in the City of Tucson and in the city or cities in which the principal office of the Trustee, the Paying Agents and the 2010 Insurer are not required or authorized by law or executive order to remain closed.

“Consultant” means a firm of utility consultants experienced in the financing and operation of wastewater systems and having a recognized reputation for such work.

“County Representative” means the Finance Director or any other person at any time designated to act on behalf of the County by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the County Administrator or his or her designee. Such certificate may designate one or more alternates.

“Credit Facility” means a bank, financial institution, insurance company or indemnity company which is engaged by or on behalf of the County to perform one or more of the following tasks: (a) the enhancement of the credit of the County securing the Obligations by assuring that principal of and interest on any of the Obligations (or any interests therein) will be paid promptly when due (including the issuance of an insurance policy, letter of credit, surety bond or other form of security for a reserve) or (b) providing liquidity for the Obligations (or any interests therein) through undertaking to cause the Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by the Obligation Documents.

“Debt Service Reserve Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Defeasance Obligations” means any of the following:

1. Cash.
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs)).
3. Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself.

4. Resolution Funding Corp. (“REFCORP”). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

5. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody’s rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

6. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

- a. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- b. Farmers Home Administration (FmHA)
- c. Federal Financing Bank
- d. General Services Administration
Participation Certificates
- e. U.S. Maritime Administration
Guaranteed Title XI financing
- f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures – U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

“Depository Trustee” means any financial institution meeting the requirements as a successor Bond Trustee under Section 8.6 of the Indenture which may be designated by the County

“Derivative Product” means any of the following entered into by the County with respect to the 2010 Obligations, (i) any contract known or referred to as, or which performs the function of, an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any contract called, or designed to perform the function of, an interest rate floor or cap, option, put or call or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk and (v) any other contract or arrangement that the County determines to use, or intends to use, to manage or reduce the cost of indebtedness, to covert any element of indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

“Early Termination Payment” means, with respect to a Derivative Product, any payment obligation of the County due upon the early termination of any transaction governed by such Derivative Product[, other than an Insured Early Termination Payment??].

“Finance Director” means the chief financial officer of the County.

“Fiscal Year” means the 12-month period used by the County for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by written notice to the Trustee.

“Holder” or “holder” means the registered owner of any 2010 Obligation.

“Improvements Fund” means the fund of that name created pursuant to Section 2.2 of the 2010 Purchase Agreement.

“Indenture Event of Default” means any one of those events set forth in Section 7.1 of the Indenture.

[“Insured Early Termination Payment” means, with respect to a Derivative Product, any payment obligation of the County due upon the early termination of any transaction governed by such Derivative Product, which is insured pursuant to an insurance policy issued by the 2010 Insurer.???

[“Insured Swap” means any Derivative Product wherein the Regularly Scheduled Payments are insured pursuant to a swap insurance policy from the 2010 Insurer, having an outstanding principal amount at least equal to the notional amount of the Derivative Product.???

“Interest Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Interest Requirement” means (i) with respect to this 2010 Purchase Agreement, as of any date of calculation, the interest amount on this 2010 Purchase Agreement due during the then-current Bond Year, and (ii) with respect to the Obligations, as of any date of calculation, the amount required to be paid by the County during the then-current Bond Year with respect to interest on the Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assured Interest Rate.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by written notice to the Trustee.

“Non-Scheduled Payments” means any payments of the County made pursuant to any Derivative Product, which are not Regularly Scheduled Payments, including, but not limited to, Early Termination Payments [and Insured Early Termination Payments??], indemnification payments, tax gross-up payments, expenses and default interest payments.

“Obligation Documents” means any contract (including a resolution of the Board) or agreement of the County constituting or authorizing the Obligations.

“Obligation Fund” means the fund of that name created pursuant to Section 5.1 of the Indenture.

“Obligation Payment Date” means each date on which interest or both principal (or redemption price) and interest shall be payable on any of the 2010 Obligations according to their respective terms so long as any 2010 Obligations are Outstanding.

“Obligations” means obligations (including bonds) or applicable interests therein which are incurred (i) by, or the payment of which is assumed by, the County subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share pro rata in payments to be made by the County from the Pledged Revenues, without priority one over the other or the 2010 Purchase Agreement (including to pay any Regularly Scheduled Payments with respect to the 2010 Obligations or similar arrangements for the Obligations), and (ii) for the purpose of making extensions, renewals, improvements or replacements to the System or to refund the 2010 Obligations or the Obligations.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys acceptable to the Trustee and who (except as otherwise expressly provided in the Indenture or in the 2010 Purchase Agreement) may be counsel for the County or the Trustee, provided that such attorney or firm of attorneys may not be an employee of the Trustee.

“Outstanding” when used with reference to the 2010 Obligations, means, as of any date of determination, all 2010 Obligations theretofore executed and delivered except:

- (i) 2010 Obligations theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) 2010 Obligations which are deemed paid and no longer Outstanding as provided in the Indenture, including as a result of irrevocable instructions being provided by the County for the redemption thereof;
- (iii) 2010 Obligations in lieu of which other 2010 Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to 2010 Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such 2010 Obligation is held by a bona fide purchaser; and
- (iv) For purposes of any consent or other action to be taken under the Indenture or the 2010 Purchase Agreement by the Holders of a specified percentage in principal amount of 2010 Obligations, 2010 Obligations held by or for the account of the County, or any Person controlling, controlled by, or under common control with, any of them; and
- (v) When used with reference to Obligations, shall have the meaning assigned to such term in the corresponding, applicable Obligation Documents which shall be as similar as possible to such definition in the Indenture.

“Paying Agent” means the banks or trust companies and their successors designated as the paying agencies or places of payment for the 2010 Obligations. The Trustee is designated as Paying Agent for the 2010 Obligations.

“Permitted Investments” means, to the extent the use of which is not otherwise prohibited by applicable law:

1. Defeasance Obligations;
2. Federal Housing Administration debentures;
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
 - A. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
Senior debt obligations
 - B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA or “Fannie Mae”) Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding the portion of their unpaid principal amounts)
 - E. Student Loan Marketing Association (SLMA or “Sallie Mae”) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - F. Financing Corporation (FICO) Debt obligations
 - G. Resolution Funding Corp. (REFCORP) Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated 'A-1' or better by S&P.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated 'A-1+' by S&P and 'Prime-1' by Moody's.

7. Money market funds rated 'AAm' or 'AAm-G' or higher by S&P.

8. "State Obligations", which means:

A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated 'A3' by Moody's and 'A' by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S & P and "Aaa" by Moody's meeting the following requirements:

A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers"

or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s and acceptable to the Certificate Insurer, provided that:

- A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);
- B. The Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);
- C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- D. All other requirements of S&P in respect of repurchase agreements shall be met;
- E. The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Certificate Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (i) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by S&P and “Aa2” by Moody’s; provided that, by the terms of the investment agreement:

- A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Certificates;
- B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Certificate Insurer) that such investment agreement is legal, valid, binding and

enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Certificate Insurer;

- E. the investment agreement shall provide that if during its term:
- (i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and
 - (ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee (who shall give such direction if so directed by the Certificate Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and
- F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- G. the investment agreement must provide that if during its term:
- (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee (who shall give such direction if so directed by the Certificate Insurer), be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and
 - (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

12. Interests in the Local Government Investment Pool established pursuant to Arizona Revised Statutes Section 35-326.

"Person" shall include an individual, association, unincorporated organization, corporation, partnership, joint venture, or government or agency or political subdivision thereof.

"Principal Account" means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

"Principal Installment" means, for any particular date, the aggregate of the principal amount of 2010 Obligations that are due on such date.

“Principal Requirement” means (i) with respect to the 2010 Purchase Agreement, as of any date of calculation, the principal amount of the 2010 Obligations maturing or subject to mandatory redemption pursuant to the Indenture during the then-current Bond Year, and (ii) with respect to the Obligations, as of any date of calculation, the principal amount required to be paid by the County during the then-current Bond Year with respect to the Obligations. In computing the Principal Requirement for the Obligations, an amount of the Obligations required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Obligations maturing on the scheduled maturity date. In the case of the Obligations supported by a Credit Facility, the Principal Requirement for such Obligations shall be determined in accordance with the principal retirement schedule specified in the Obligation Documents authorizing the incurrence of such Obligations, rather than any amortization schedule set forth in such Credit Facility unless payments under such Obligations shall be in default at the time of the determination, in which case the Principal Requirements for such Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

“Purchase Event of Default” means one of the events defined as such in Section 7.1 of the 2010 Purchase Agreement.

“Purchase Price” means the sum of the payments paid pursuant to Sections 5.4 (i) and (ii) of the Indenture from amounts to be paid by or on behalf of the County as the purchase price for the Series 2010 Property.

“Qualified Derivative Product” means:

- (a) a Derivative Product[, whether an Insured Swap or an Uninsured Swap,???] if:
 - (i) the notional amount for such Derivative Product will not exceed the Outstanding principal amount of the 2010 Obligations; provided however that a transaction which reverses, in whole or in part, an existing Qualified Derivative Product (with the same provider, the same payment terms and dates, but reversing the obligations of the parties, providing that the two transactions are netted against one another for payment purposes and that one transaction may not be terminated unless either (1) the other transaction is terminated or (2) the remaining transaction would qualify as a Qualified Derivative Product if such determination were made at that point) will be permitted and, so long as both remain in effect, will be considered, collectively, to have a zero notional amount for purposes of determining whether the notional amount of such Derivative Product will exceed the outstanding principal amount of the 2010 Obligations,
 - (ii) the rate to be paid by the County pursuant to such Derivative Product is not subject to a multiplier;
 - (iii) the Derivative Product does not include a significant loan component (i.e., an obligation to repay money borrowed, credit extended or the equivalent thereof, including, but not limited to, receipt by the County of a payment (or promise of a payment) which effectively increases the rate on the Derivative Product which the County would otherwise pay);
 - (iv) such Derivative Product is not a currency swap and all payments pursuant to such Derivative Product are calculated in U.S. Dollars, and any variable or index-based rate used in such swap are from an index for U.S. Dollar denominated obligations;
 - (v) any Non-Scheduled Payments [(on an Uninsured Swap) or uninsured payments (on an Insured Swap)???] thereunder are both: (A) Subordinate to the 2010 Obligations and (B) payable only if and to the extent that after such payment the County shall have sufficient funds to make all of the payments on the 2010 Obligations for the succeeding six months;
 - (vi) collateral may be required to be delivered by the County in connection with such Derivative Product only if and to the extent that after such delivery the County shall have sufficient funds to make payments on the 2010 Obligations for the succeeding six months;

(vii) the principal amount of any obligation issued to secure a Qualified Derivative Product shall be deemed to have a principal amount of zero for purposes of determining any consent or other voting rights pursuant to this Indenture and

[(viii) the 2010 Insurer receives notice of, and a copy of, such Derivative Product; or

(b) any other Derivative Product approved by the 2010 Insurer.???)

“Qualified Reserve Fund Instrument” means a letter or line of credit, insurance policy or surety bond which meets the requirements set forth below:

(i) A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the 2010 Obligations (a “municipal bond insurer”) may be deposited in the Debt Service Reserve Account to meet the amount which should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the 2010 Purchase Agreement if the claims paying ability of the issuer thereof shall be rated “AA” or “Aa2” by S&P or Moody’s, respectively.

(ii) A surety bond or insurance policy issued to the Trustee, as agent of the Holders of the 2010 Obligations, by an entity other than a municipal bond insurer may be deposited in the Debt Service Reserve Account to meet the amount which should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the 2010 Purchase Agreement if the form and substance of such instrument and the issuer thereof shall be approved by the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is then in good standing and the applicable provider thereof is not in default thereunder.

(iii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Holders of the 2010 Obligations, by a bank may be deposited in the Debt Service Reserve Account to meet the amount which should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the 2010 Purchase Agreement if the issuer thereof is rated at least “AA” by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the 2010 Obligations. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the County and the Trustee, not later than 24 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

If such notice indicates that the expiration date shall not be extended, the County shall deposit in the Debt Service Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Account together with any other qualifying Qualified Reserve Fund Instruments, to equal the amount which should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the 2010 Purchase Agreement, such deposit to be paid in equal installments on at least a semiannual basis over the ensuing three years, unless the Qualified Reserve Fund Instrument is replaced by a Qualified Reserve Fund Instrument meeting the requirements in any of (i)-(iii) above. The letter of credit shall permit a draw in full not less than 14 days prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is authorized and directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Account is fully funded in its required amount.

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (iii) shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable

Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the 2010 Obligations (or any other account party under the letter of credit).

The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the 2010 Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Account, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Account. The Qualified Reserve Fund Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Fund Instrument to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Account to an amount equal to the difference between the full original amount available under the Qualified Reserve Fund Instrument and the amount then available for further draws or claims. If (A) the issuer of a Qualified Reserve Fund Instrument becomes insolvent or (B) the issuer of a Qualified Reserve Fund Instrument defaults in its payment obligations thereunder or (C) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AA" or a Moody's "Aa2" or (D) the rating of the issuer of the letter of credit falls below a S&P "AA," the obligation to reimburse the issuer of the Qualified Reserve Fund Instrument shall be subordinate to the cash replenishment of the Debt Service Reserve Account.

(iv) If (A) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (B) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AA" or a Moody's "Aa2" or (C) the rating of the issuer of the letter of credit falls below a S&P "AA", the County shall either (1) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Account to equal the amount which should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the 2010 Purchase Agreement, such amount to be paid over the ensuing three years in equal installments deposited at least semiannually or (2) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (i)-(iii) above within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (b) the rating of the issuer of the letter of credit falls below "A" or (c) the issuer of the Qualified Reserve Fund Instrument defaults in its payment obligations or (d) the issuer of the Qualified Reserve Fund Instrument becomes insolvent, the County shall either (i) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Account to equal the amount which should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the 2010 Purchase Agreement, such amount to be paid over the three years in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements above, as applicable, within six months of such occurrence.

(v) Where applicable, the amount available for draws or claims under the Qualified Reserve Fund Instrument may be reduced by the amount of cash or permitted investments deposited in the Debt Service Reserve Account pursuant to clause (d)(i) of the preceding subparagraph (iv).

(vi) Any amounts owed by the County to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the 2010 Purchase Agreement for any purpose, e.g., rate covenant or additional Obligations test.

(vii) The Trustee shall ascertain the necessity for a claim or draw upon the Qualified Reserve Fund Instrument and provide notice to the issuer of the Qualified Reserve Fund Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Reserve Fund Instrument) prior to each interest payment date.

(viii) Cash on deposit in the Debt Service Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Qualified Reserve Fund Instrument. If and to the extent that more than one Qualified Reserve Fund Instrument is deposited in the Debt Service Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the County is provided a special Counsel's Opinion.

"Rating Agency" means Fitch, Moody's or S&P, or any of them or their replacements as provided in the definition of each.

"Regularly Scheduled Payments" means any payments of the County pursuant to a Derivative Product, which are scheduled (at the time such Derivative Product is executed) for payment on Obligation Payment Dates related to interest payment dates for the 2010 Obligations and which are intended to be "interest-like" when the interest on the 2010 Obligations and such payments are viewed together.

"Reserve Requirement" means \$ _____*.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by written notice to the Trustee.

"Series 2010 Property" means any or all of the components of the 2010 Projects actually financed or refinanced with proceeds of the 2010 Obligations.

"Special Counsel" means an opinion signed by an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the County.

"State" means the State of Arizona.

"Subordinate" means, with respect to a Derivative Product or a Qualified Derivative Product, that in the event of: (i) any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the County, (ii) any Subordinated Swap Payment is declared or otherwise becomes due and payable pursuant to the applicable Derivative Product or (iii) any Event of Default shall occur and be continuing and (1) written notice of such default will have been given to the Trustee and (2) judicial proceedings will be commenced in respect of such Event of Default; then, for so long as any action described in clause (i), (ii) or (iii) shall not have been remedied or cured in the opinion of the Trustee, the Trustee will pay in full all principal of and premium, if any, and interest on the 2010 Obligations before the Swap Provider is entitled to receive any Subordinated Swap Payment, and to that end the Trustee will be entitled to receive for application in payment of the 2010 Obligations in accordance with this Indenture any payment or distribution of any kind or character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of such Subordinated Swap Payment after giving effect to any concurrent payment or distribution in respect to the 2010 Obligations.

["Subordinated Swap Payment" means any Non-Scheduled Payment on an Uninsured Swap or any uninsured payment on an Insured Swap.???

"Swap Provider" means, with respect to any Derivative Product, the person that is identified in such agreement as the counterparty to, or contracting party with, the County for the purposes of such agreement.

“Swap Provider Reimbursement Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Treasury Rate” means, as of the redemption date, the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The redemption price will be determined by an independent accounting firm, investment banking firm or financial consultant retained by the County at the County’s expense and such redemption price shall be conclusive and binding on the owners of the Taxable 2010A Obligations.

“2010 Policy” means the municipal bond insurance policy with respect to the 2010 Obligations from the 2010 Insurer.

[“Uninsured Swap” means a Derivative Product which is not an Insured Swap.???

“Variable Rate Obligations” means any of the Obligations which may, in the future, bear interest at rates which cannot be determined with specificity on their original incurrence.

The 2010 Purchase Agreement

Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Obligation Proceeds. In order to provide funds for payment of the costs of the acquisition, construction and improvement of the Series 2010 Projects and of execution and delivery of the 2010 Obligations, the 2010 Obligations shall be executed and delivered under the Indenture.

Section 2.2. County Improvements Fund.

(a) The County shall establish and maintain a separate fund known as the “Improvements Fund,” which shall be funded from amounts transferred to the County by the Trustee pursuant to the Indenture and other funds which may be made available by the County from time to time. Moneys in the Improvements Fund shall be disbursed by the County for the following purposes and for no other purposes:

(i) costs and expenses relating to the sale, credit enhancement and execution and delivery of the Obligations, including, but not limited to “out of pocket” expenses and charges, fees and disbursements of counsel, printing expenses and other expenses reasonably incurred by the Trustee in connection therewith;

(ii) payment for labor, services, materials and other necessities used or furnished in the acquisition, improvement and construction of the 2010 Projects, and all real and personal property deemed necessary in connection with the 2010 Projects and for the miscellaneous expenses incidental to any of the foregoing including the premium on each performance and payment bond;

(iii) reimbursement of capital expenditures relating to the 2010 Projects advanced prior to the execution and delivery of the 2010 Obligations; and

(iv) payment of the portion of the Purchase Price representing interest on the 2010 Obligations during the acquisition, construction and improvement of the 2010 Projects.

(b) Before any of the foregoing payments may be made, the County shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Improvements Fund, (ii) each item for which

payment is proposed to be made is or was necessary in connection with the 2010 Projects and (iii) each item for which payment is proposed is for a purpose permitted by the 2010 Purchase Agreement.

Section 3.3. Amounts of Purchase Price Payable Upon Execution and Delivery of the 2010 Obligations. After providing for certain amounts due to the federal government as rebate of excess earnings, on the eleventh day of each month, the Pledged Revenues received pursuant to Section 4.1 shall be paid for the following purposes and in the following order of priority, after decreasing any such payment for any interest income or gain received, or increasing such payment for any loss realized, during the preceding month in the account to which such payment is to be deposited:

- (i) Fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.
- (ii) *Pro-rata*, commencing _____ 11, 201_, through _____, 201_, one-_____ (1/__), and commencing _____ 11, 201_, one-sixth (1/6) of (A) the interest on the Series 2010 Obligations falling due on the next succeeding Obligation Payment Date for deposit to the Interest Account and (B) Regularly Scheduled Payments for deposit to the Swap Provider Reimbursement Account.
- (iii) Commencing _____ 11, 201_, through _____ 1, 201_, one-_____ (1/__), and commencing July 11, 201_, one-twelfth (1/12) of the principal due or subject to mandatory redemption on the next succeeding Obligation Payment Date for deposit to the Principal Account.
- (iv) After a determination of the Trustee that the amount on deposit in the Debt Service Reserve Account is less than the Reserve Requirement, an amount equal to one-twelfth (1/12) of the amount which, when added to the balance in the Debt Service Reserve Account, will be equal to the amount then required to be on deposit therein for deposit to the Debt Service Reserve Account.
- (v) [Non-Scheduled Payments/Subordinated Swap Payments???] for deposit to the Swap Provider Reimbursement Account.

In the event the County should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the County, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the County shall pay the same with interest thereon at the rate applicable to the corresponding maturities of Obligations, from the date said payment was to be made to the date of payment by the County until paid. The 2010 Purchase Agreement shall be deemed and construed to be a "net purchase agreement," and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the 2010 Purchase Agreement. The County shall cause an amount of Revenues to be included in the annual budget and appropriation for every Fiscal Year sufficient to meet all requirements of this the Purchase Agreement.

Section 4.1. Source of County Payments.

- (a) The 2010 Purchase Agreement is a limited, special obligation of the County, payable solely and secured as to the payment in accordance with the terms and the provisions of the 2010 Purchase Agreement.
- (b) All amounts to be paid by the County pursuant to Section 3.3 (or under any other section of the 2010 Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the County, in the sole and absolute discretion of the Board, from paying such amounts from other moneys of the County. Under no circumstances shall amounts paid under the 2010 Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the County under the 2010 Purchase Agreement shall never constitute a general obligation of the County or a pledge of ad valorem property taxes by the County.
- (c) The County pledges and shall raise and apply the Pledged Revenues in such amounts and in such manner as required to make the payments required to be made by the County under the 2010 Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the Obligations. All of the Pledged Revenues shall be immediately subject to

such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere in the 2010 Purchase Agreement to issue the Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under the 2010 Purchase Agreement or under the Indenture. After the application of the Pledged Revenues for the purposes in the 2010 Purchase Agreement, they may be used for any lawful purpose.

Section 4.5. Derivative Products. The County reserves the right to enter into Derivative Products and to make payments on the Derivative Products from the Pledged Revenues, provided the long-term indebtedness or the claims-paying ability of the Swap Provider must be rated initially at least in the two highest Rating Categories of two Rating Agencies or is otherwise approved by the 2010 Insurer and thereafter so long as the long-term indebtedness or the claims-paying ability of the Swap Provider does not fall below the third highest Rating Category of a Rating Agency. Any Derivative Product entered into by the County shall include termination provisions such that if such rating does fall below such Rating Category the County is returned as close as possible to the financial position it was in prior to incurring the Derivative Product.

Section 7.1. Purchase Events of Default. Any one or more of the following events (herein called "Purchase Events of Default") shall constitute a default under the 2010 Purchase Agreement:

- (a) The County shall fail to make any payment when due under Section 3.3(ii) or (iii); or
- (b) The County shall fail to make any payment under Section 3.3(i), (iv) or (v) for a period of 30 days after notice of such failure shall have been given in writing to the County by the Seller or by the Trustee; or
- (c) The County shall fail to perform any other covenant in the 2010 Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the County by the Seller or the Trustee, provided that if such failure be such that it cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the County diligently tries to remedy the same; or
- (d) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the federal bankruptcy statutes, as amended, or under any similar acts which may hereafter be enacted.

Section 7.2. Remedies on Default by County. Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if requested to do so by the Trustee, without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, however, under no circumstances may amounts due under the 2010 Purchase Agreement be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments under the 2010 Purchase Agreement. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the County, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

Section 7.16. Certain Statutory Notices

(a) To the extent applicable by provision of law, the Trustee acknowledges that the 2010 Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein and which provides that the County may within three (3) years after its execution cancel any contract (including the 2010 Purchase Agreement) without penalty or further obligation made by the County if any person significantly involved in initiating, negotiating, securing, drafting or creating the

contract on behalf of the County is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

Article X. Senior Resolution. The terms and provisions of the Senior Resolution will control in all respects to the extent the Senior Resolution is inconsistent with the 2010 Purchase Agreement, including, but not limited, with respect to definitions; priority of pledge, lien and security for the bonds issued thereunder and credit enhancement for such bonds; flow of, and deposit to, funds; covenants regarding the System; defaults and remedies; etc. For purposes of the 2010 Purchase Agreement, the County waives its rights to amounts held pursuant to the "System Development Fund" established by the Senior Resolution. See "Appendix G – "SENIOR RESOLUTION SUMMARY."

For purposes of the test described under the heading "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS – Rate Covenant", the term "Obligations" shall be defined to include "Prior Obligations" as such term is defined in the Senior Resolution as indicated under such heading. For purpose of the test described under the heading "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS – Additional Obligations" the term "Obligations" in the definition of "Parity Lien Test Debt Service" shall also be defined to include Prior Obligations.

The foregoing shall be applicable only until Prior Obligations are no longer "outstanding" pursuant to the Senior Resolution. The County shall not amend or otherwise modify the Senior Resolution in any manner which adversely affects the rights of the holders of the 2010 Obligations or the Obligations.

The Indenture

Pursuant to the Obligation Indenture, the County grants a security interest in, assigns, transfers, pledges, grants and conveys unto the Trustee and its successors and assigns the following described property:

- A. All rights and interests in, under and pursuant to the 2010 Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,
- B. Amounts on deposit from time to time in the funds and accounts created pursuant to the Obligation Indenture, subject to the provisions of the Obligation Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein and
- C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Obligations Indenture, by the County or by anyone on its behalf or with its written consent, in favor of the Obligation Trustee.

The 2010 Obligations authorized and the payments to be made thereon and into the various funds established under the Obligation Indenture are not general obligations of the County but are limited obligations payable solely from payments under the 2010 Purchase Agreement.

Section 5.3. Flow of Funds into the Obligation Fund. The following payments to the Trustee shall be applied in the following manner:

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(ii)(A) of the Series 2010 Purchase Agreement and amounts received from Swap Providers. (Amounts transferred pursuant to Section 2.2(d) of the Series 2010 Purchase Agreement and Section 5.4(iii)(B) shall also be deposited into the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(iii) of the Series 2010 Purchase Agreement as well as the total of any amounts received for any redemption. (Amounts transferred pursuant to Section 2.2(d) of the Series 2010 Purchase Agreement shall also be deposited in the Principal Account.)

(iii) The Trustee shall deposit to the Debt Service Reserve Account amounts paid pursuant to Section 3.3(iv) of the Series 2010 Purchase Agreement. No deposit need be made into the Debt Service Reserve Account if the amount on deposit therein plus the maximum amount of the Qualified Reserve Fund Instruments contained therein equals the Reserve Requirement.

(iv) The Trustee shall deposit to the Swap Provider Reimbursement Account amounts paid pursuant to Sections 3.3(ii)(B) and 3.3(v) of the Series 2010 Purchase Agreement.

Section 5.4. Flow of Funds out of the Obligation Fund.

Amounts in the following accounts shall be applied in the following manner:

(i) Amounts in the Interest Account shall be used to pay interest on the Series 2010 Obligations as it becomes due.

(ii) Amounts in the Principal Account shall be used to retire Series 2010 Obligations by payment at their scheduled maturity, mandatory redemption date or optional redemption date directed by the County Representative.

(iii) (A) Amounts in the Debt Service Reserve Account shall be used to pay the interest on, or to retire at their scheduled maturity or mandatory redemption date, the Series 2010 Obligations in the event that no other money of the County is available therefor or for the retirement (including by defeasance pursuant to Section 10.2) of all of the Series 2010 Obligations then Outstanding. If and to the extent that money has been deposited in the Debt Service Reserve Account, all such money shall be used (or investments purchased with such money shall be liquidated and the proceeds applied as required) prior to any drawing under a Qualified Reserve Fund Instrument. If and to the extent that more than one Qualified Reserve Fund Instrument is credited to the Debt Service Reserve Account in lieu of money, drawings under such Qualified Reserve Fund Instruments shall be made on a *pro-rata* basis (calculated by reference to the policy, surety or other similar limits or maximum amounts available thereunder) after applying all available money in the Debt Service Reserve Account.

(B) If on July 2 of any year the amount in the Debt Service Reserve Account exceeds an amount equal to the Reserve Requirement and if the County is not then in default under the Series 2010 Purchase Agreement, the Trustee shall withdraw the amount of any such excess from such account and shall apply such amount, first and on a *pro-rata* basis, to pay amounts due with respect to any Qualified Reserve Fund Instruments, including by transferring *pro-rata* amounts in the appropriate "reimbursement funds" established to reimburse the providers of any Qualified Reserve Fund Instruments for any payments made by the providers thereof until the corresponding costs with respect thereto are paid, and second, as a deposit to the Interest Account.

(iv) Moneys in the Swap Provider Reimbursement Account shall be used to pay Regularly Scheduled Payments[, Insured Early Termination Payments???] and the Non-Scheduled Payments as required by the terms of any Derivative Product.

Section 7.1. Events of Default. Each of the following is declared an "Indenture Event of Default" under the Obligation Indenture:

(a) If payment of any installment of interest on any 2010 Obligation shall not be made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any 2010 Obligation shall not be made in full when the same becomes due and payable;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of all or any part of the interests pledged hereunder and such custody or control shall continue for more than 60 days;

(d) If the County shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions on its part to be performed as provided herein or in the 2010 Obligations and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the County by the Trustee, unless within such 30 days the County shall have commenced and be diligently pursuing in good faith appropriate corrective action to the satisfaction of the Trustee; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25% in principal amount of the 2010 Obligations then outstanding; or

(e) If any event of default provided by Section 7.1 of the 2010 Purchase Agreement occurs.

Section 7.2. Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with the Obligation Indenture and the 2010 Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the 2010 Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders thereunder by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to, an action for the recovery of any amounts due thereunder or for damages for the breach of the Obligation Indenture, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to the 2010 Purchase Agreement subject to any limitations on such remedies set forth therein.

(b) Regardless of the happening of an Indenture Event of Default and subject to Section 7.7 of the Obligation Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the 2010 Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security thereunder by any acts which may be unlawful or in violation thereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions thereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of 2010 Obligations not making such request.

Section 7.3. No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable or payable in advance of their scheduled maturity dates, other than an optional redemption pursuant to the Obligation Indenture and then only to the extent of the amount to be so redeemed and only pursuant to the Obligation Indenture, amounts due thereunder.

Section 7.4. Application of Revenues and Other Moneys After Default.

(a) During the continuance of an Indenture Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Obligation Indenture, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the 2010 Obligation Fund, and all amounts held by the Trustee thereunder shall be applied as follows provided, that if the amount available shall not be sufficient to pay in full any amount or amounts then due, then to the payment thereof ratably in a manner consistent with Section 3.3 of the Purchase Agreement, according to the amounts due to the Persons entitled thereto, without any discrimination or preference:

First: To the payment to the persons entitled thereto of all installments of interest (including interest on amounts unpaid when due on the 2010 Obligations) and payment of Regularly Scheduled Payments then due;

Second: To the payment to the persons entitled thereto of the unpaid Principal Installments or redemption price of any 2010 Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates; and

Third: To the payment of Non-Scheduled Payments, if any, due to a Swap Provider pursuant to a Derivative Product.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the 2010 Obligations to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid 2010 Obligation until such 2010 Obligation shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the 2010 Obligations which has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the County.

Section 7.7. Individual Holder Action Restricted.

(a) No Holder of any 2010 Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement thereof or for the execution of any trust under the Obligation Indenture or for any remedy thereunder except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers thereunder upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of 2010 Obligations outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Obligation Indenture; and

(ii) Such Holders shall have offered the Trustee indemnity as provided in the Obligation Indenture; and

(iii) The Trustee shall have failed or refused to exercise the duties or powers therein granted for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of 2010 Obligations then Outstanding.

(b) No one or more Holders of 2010 Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security thereof or to enforce any right thereunder except in the manner therein provided and for the equal benefit of the Holders of all 2010 Obligations Outstanding.

(c) Nothing contained in the Obligation Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any 2010 Obligation (i) to receive payment of the principal of or premium, if any, or interest on such 2010 Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any 2010 Obligation may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien thereof on the moneys, funds and properties pledged thereunder for the equal and ratable benefit of all Holders of 2010 Obligations.

Section 7.9. Waiver of Indenture Event of Default.

(a) No delay or omission of the Trustee or of any Holder of the 2010 Obligations to exercise any right or power accruing upon any Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein. Every power and remedy given by the Obligation Indenture may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Indenture Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under, the provisions thereof of the Obligation Indenture, or before the completion of the enforcement of any other remedy thereunder.

(c) In case of any waiver by the Trustee of an Indenture Event of Default under the Obligation Indenture, the County, the Trustee and the Holders shall be restored to their former positions and rights thereunder, respectively, but no such waiver shall extend to any subsequent or other Indenture Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Indenture Event of Default in accordance with this Section.

Section 8.1. Certain Duties and Responsibilities.

(a) Except during the continuance of an Indenture Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the 2010 Indenture, and no implied covenants or obligations shall be read into the 2010 Indenture against the Trustee; and

(ii) 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 the Indenture; but in the case of any such certificates or opinions which are required by any provision of the Indenture or the 2010 Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture or the 2010 Purchase Agreement.

(b) In case an Indenture Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate indenture trustee would exercise or use under the circumstances.

(c) No provision of the Indenture 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 or breach of trust, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith and without negligence by a president or vice-president of the board of directors, the president or vice-president of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Holders of the Outstanding 2010 Obligations as provided in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the 2010 Obligation Indenture and

(iv) no provision of the 2010 Obligation Indenture 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 under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the County for all reasonable costs, expenses, attorneys' and other

fees, and all other reasonable disbursements, including its own fees, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

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

Section 8.2. Certain Rights of Trustee. Except as otherwise provided in Section 8.1:

(a) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time by giving written notice of the resignation to the County and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the 2010 Obligations at the close of business fifteen days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the County and any Paying Agents and signed by (i) the County Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the 2010 Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by an instrument signed by the County or by any court of competent jurisdiction upon the application of the County, or the Holders of not less a majority in aggregate principal amount of the 2010 Obligations then Outstanding under this Indenture. Any removal shall not take effect until a successor Trustee shall have been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

(c) In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the County shall be entitled to appoint a successor Trustee acceptable to the County.

(d) If the Holders of a majority of the principal amount of 2010 Obligations then Outstanding object to the successor Trustee so appointed by the County and if such Holders designate another Person qualified to act as the Trustee, the County shall then appoint as the Trustee the Person so designated by the Holders.

Section 8.8. Trustee's Fees and Expenses.

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it under the Indenture; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and to be indemnified by the County, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of this trust or its duties under the Indenture.

Section 9.1. Supplements not Requiring Consent of Holders. The County and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more supplements to the Obligation Indenture for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission therein or to correct or supplement any provision in the Obligation Indenture which may be inconsistent with any other provision therein, or, to make any other provisions with respect to matters or questions arising thereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the Holders;

(b) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(c) To secure additional revenues or provide additional security or reserves for payment of the 2010 Obligations or to add a Qualified Reserve Fund Instrument and necessary, related provisions thereof;

(d) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(e) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Obligation Indenture;

(f) To permit 2010 Obligations in bearer form if, the County and the Trustee receive a Special Counsel's Opinion, such action will not cause the interest on any Obligations to become includible in gross income for purposes of federal income taxes;

(g) To preserve the exclusion of the interest on the 2010 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the County to continue to incur obligations (specifically not limited to the 2010 Obligations) the interest on which is likewise exempt from federal and State income taxes; and

(h) To adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Obligation Indenture by agreement of the Trustee and the County.

Section 9.2. Supplements Requiring Consent of Holders.

(a) Other than supplements to the Obligation Indenture referred to in Section 9.1 thereof and subject to the terms and provisions and limitations contained in the Obligation Indenture and not otherwise, the Holders of not less than a majority in principal amount of the 2010 Obligations then outstanding, shall have the right, from time to time, anything contained therein to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of such supplement as shall be deemed necessary and desirable by the County and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained therein; provided, however, nothing in this Section or Section 9.1 of the Obligation Indenture shall permit or be construed as permitting a supplement to the Obligation Indenture which would:

(i) Extend the stated maturity of or time for paying interest on any 2010 Obligation or reduce the principal amount of or rate of interest payable on any 2010 Obligation without the consent of the Holder of such 2010 Obligation;

(ii) Prefer or give a priority to any 2010 Obligation over any other 2010 Obligation without the consent of the Holder of such 2010 Obligation;

(iii) Reduce the principal amount of 2010 Obligations then outstanding the consent of the Holders of which is required to authorize such supplement without the consent of the Holders of all 2010 Obligations then Outstanding;

(iv) Increase the principal amount of 2010 Obligations then Outstanding, the request of the Holders of which is required by Section 7.1 (iv) of the Obligation Indenture, without the consent of the Holders of all 2010 Obligations then Outstanding; or

(v) Reduce the redemption price of any 2010 Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 of the Obligation Indenture without the consent of the Holder of such 2010 Obligation.

(b) If at any time the County shall request the Trustee to enter into a supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the County with respect to expenses with respect to such supplement, cause notice of the proposed execution of such supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of 2010 Obligations then outstanding at their addresses as they appear on the registration books for the 2010 Obligations. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed supplement and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

Section 9.4. Amendments to 2010 Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders consent to and join with the County in the execution and delivery of any amendment, change or modification of the 2010 Purchase Agreement as may be required (i) by the provisions thereof; (ii) to cure any ambiguity or formal defect or omission therein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder provided such action shall, in the opinion of the Trustee, not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument and necessary, related provisions therefore so long as any payments with regard thereto are paid no sooner or in an amount greater than *pro-rata* with amounts required to be paid pursuant to Section 3.3(iv) of the Series 2010 Purchase Agreement; and (iv) to preserve the exclusion of the interest on the 2010 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the County to continue to incur obligations (specifically not limited to the 2010 Obligations) the interest on which is likewise exempt from federal and State income taxes in connection with any other change therein, which in the opinion of the Trustee will not materially adversely affect the interests of the Holders or the Trustee.

Section 9.5. Amendments to 2010 Purchase Agreement Requiring Consent of Holders.

(a) Except for amendments, changes or modification to the 2010 Purchase Agreement referred to in Section 9.4 above and subject to the terms and provisions and limitations contained in the Obligation Indenture and not otherwise, the Trustee may consent to and join with the County in the execution and delivery of any amendment, change or modification to the 2010 Purchase Agreement only upon the consent of not less than a majority in principal amount of 2010 Obligations then outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the County to make payments under the 2010 Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all 2010 Obligations then outstanding.

Section 10.1. Discharge.

(a) If payment of all principal of and premium, if any, and interest on all of the 2010 Obligations in accordance with their terms and as provided in the Obligation Indenture is made, or is provided for in accordance with Article X of the Obligation Indenture, and if all other sums, if any, payable thereunder shall be paid, then the liens, estates and security interests granted thereby shall cease. Thereupon, upon the request of the County, and upon receipt by the Trustee of an Opinion of Counsel addressed to the County and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien thereof have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien thereof and the Trustee shall transfer all property held by it thereunder, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the 2010 Obligations, to the County or such other person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection therewith.

(b) The County may at any time surrender to the Trustee for cancellation any 2010 Obligations previously executed and delivered which the County may have acquired in any manner whatsoever and such 2010 Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the 2010 Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations which are not redeemable in advance of their maturity dates. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants acceptable to the Trustee or such Depository Trustee, to pay when due the principal or redemption price of and interest on such 2010 Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such 2010 Obligations solely for the purpose of paying the principal or redemption price of and interest on such 2010 Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such 2010 Obligations are to be redeemed prior to their respective maturities.

(c) If payment of 2010 Obligations is so provided for, the Trustee shall mail a notice so stating to each holder of a 2010 Obligation so provided for.

(d) 2010 Obligations, the payment of which has been provided for, in accordance with this Section, shall no longer be deemed outstanding thereunder or secured thereby. The obligation in respect of such 2010 Obligations shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or such Depository Trustee to provide for the payment of such Obligations.

Section 11.10 Certain Statutory Notices Regarding Cancellation of Contracts.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Obligation Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein and which provides that the County may within three (3) years after its execution cancel any contract (including the Obligation Indenture) without penalty or further obligation made by the County if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the County is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

**CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12**

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by Pima County, Arizona (the “County”), in connection with the sale and execution and delivery of Sewer System Revenue Obligations Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, Dated as of May 1, 2010, \$_____ * Taxable Series 2010A (Qualified Build America Bonds - Direct Pay) and \$_____ Tax-Exempt Series 2010B (together, the “Obligations”).

In connection with the Obligations, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Underwriter in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“Annual Information” means the financial information and operating data set forth in Exhibit I.

“Annual Information Disclosure” means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“Audited Financial Statements” means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

“Commission” means the Securities and Exchange Commission.

“Dissemination Agent” means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent’s successors and assigns.

“EMMA” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Material Event” means the occurrence of any of the events with respect to the Obligations set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“State” means the State of Arizona.

“Undertaking” means the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

* Preliminary, subject to change.

“Underwriter” includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Obligations is _____. The Final Official Statement relating to the Obligations is dated _____, 2010.

4. Annual Information Disclosure. Subject to Section 8 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Material Events Disclosure. Subject to Section 10 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to the MSRB through EMMA, in a format prescribed by the MSRB.

6. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default on the Obligations. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

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

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Obligations, as determined by an independent counsel or other entity unaffiliated with the County.

8. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to the MSRB through EMMA.

9. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Obligations or the Rule no longer applies to the Obligations. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

10. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

12. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

13. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

14. Assignment. The County shall not transfer its obligations in connection to the Obligations unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

PIMA COUNTY, ARIZONA

By: _____
Thomas Burke
Finance and Risk Management Director

Dated: [Closing Date]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix A in the tables entitled “PIMA COUNTY, ARIZONA SUMMARY OF WASTEWATER USERS FEES,” PIMA COUNTY, ARIZONA, SUMMARY OF USER FEES REVENUES,” PIMA COUNTY, ARIZONA, CONNECTION FEE REVENUES,” PIMA COUNTY, ARIZONA, REVENUES FROM OTHER FEES AND CHARGES” and “PIMA COUNTY WASTEWATER MANAGEMENT DEPARTMENT COMPARATIVE STATEMENTS OF SYSTEM REVENUES, EXPENDITURES AND NET REVENUES AVAILABLE FOR DEBT SERVICE.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2011. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles (“GAAP”), as applied to governmental units as modified by State law, Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE
OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting, if applicable, the tax-exempt status of the Obligations
7. Modifications to the rights of holders of the Obligations
8. Obligation calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Obligations
11. Rating changes

SPECIMEN OF THE MUNICIPAL BOND INSURANCE POLICY

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BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, SPECIAL COUNSEL, OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the 2010 Obligations. The 2010 Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2010 Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2010 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Obligations on DTC's records. The ownership interest of each actual purchaser of each 2010 Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Obligations are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2010 Obligations, except in the event that use of the book-entry system for the 2010 Obligations is discontinued.

To facilitate subsequent transfers, all 2010 Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2010 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Obligations are credited, which may or may not be the Beneficial Owners.

The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2010 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of 2010 Obligations may wish to ascertain that the nominee holding the 2010 Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2010 Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2010 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2010 Obligations will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Obligations at any time by giving reasonable notice to the Trustee or the County. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2010 OBLIGATIONS UNDER THE TRUST AGREEMENT; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2010 OBLIGATIONS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2010 OBLIGATIONS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2010 OBLIGATIONS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2010 Obligations, as nominee for DTC, references herein to "Owner" or registered owners of the 2010 Obligations (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2010 Obligations.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

So long as Cede & Co. is the registered Owner of the 2010 Obligations, as nominee for DTC, references herein to "Owner" or registered owners of the 2010 Obligations (other than under the captions "TAX MATTERS," "AMORTIZABLE PREMIUM - _____" and "ORIGINAL ISSUE DISCOUNT-_____") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2010 Obligations.

When reference is made herein to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

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