

# TOWN OF FLORENCE SPECIAL MEETING AGENDA

Mayor Tom J. Rankin  
Vice-Mayor Tara Walter  
Councilmember Vallarie Woolridge  
Councilmember Bill Hawkins  
Councilmember Becki Guilin  
Councilmember John Anderson  
Councilmember Karen Wall



Florence Town Hall  
775 N. Main Street  
Florence, AZ 85132  
(520) 868-7500  
[www.florenceaz.gov](http://www.florenceaz.gov)  
Meet 1<sup>st</sup> and 3<sup>rd</sup> Mondays

**Tuesday, March 29, 2016**

**6:00 PM**

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Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Town of Florence Council and to the general public that a Special Meeting of the Florence Town Council will be held on Tuesday, March 29, 2016, at 6:00 p.m., in the Union Center at Sun City Anthem at Merrill Ranch, located at 3925 N. Sun City Boulevard, Florence, Arizona. The agenda for this meeting is as follows:

**1. CALL TO ORDER**

2. **ROLL CALL:** Rankin \_\_, Walter \_\_, Woolridge \_\_, Hawkins \_\_,  
Guilin \_\_, Anderson \_\_, Wall \_\_\_\_.

**3. PLEDGE OF ALLEGIANCE**

**4. CALL TO THE PUBLIC**

Call to the Public for public comment on issues within the jurisdiction of the Town Council. Council rules limit public comment to three minutes. Individual Councilmembers may respond to criticism made by those commenting, may ask staff to review a matter raised or may ask that a matter be put on a future agenda. However, members of the Council shall not discuss or take action on any matter during an open call to the public unless the matters are properly noticed for discussion and legal action.

**5. MOTION TO ADJOURN TO MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 BOARD.**

a. **ROLL CALL:** Rankin \_\_, Walter \_\_, Woolridge \_\_, Hawkins \_\_, Guilin \_\_, Anderson \_\_, Wall \_\_.

b. **NEW BUSINESS**

1. **Presentation by Mark** Reader, Stifel Nicolaus, on Community Facility Districts.
2. **Hold a Public Hearing on** the Feasibility Report of the feasibility and benefits of certain projects to be financed with the proceeds of the sale of Special Assessment Bonds of Merrill Ranch Community Facilities District No. 1.

3. **Motion to adopt Resolution** No. MRCFD1 132-16, which in part authorizes execution of certain documents, approves the feasibility report and approves the assessment diagram and method of assessment for the assessment area eight.
4. **Motion to adopt Resolution** No. MRCFD1 133-16, which in part authorizes the private placement and issuance of not to exceed \$987,000 aggregate principal amount of Special Assessment Bonds, Series 2016 and related matters.

**6. MOTION TO ADJOURN FROM MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 BOARD.**

**7. MOTION TO ADJOURN TO MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 BOARD.**

a. **ROLL CALL:** Rankin \_\_, Walter\_\_, Woolridge\_\_, Hawkins\_\_, Guilin\_\_, Anderson\_\_ , Wall\_\_.

b. **NEW BUSINESS**

1. **Hold a Public Hearing** on the Feasibility Report of the feasibility and benefits of certain projects to be financed with the proceeds of the sale of General Obligation Bonds of Merrill Ranch Community Facilities District No. 2.
2. **Motion to adopt Resolution** No. MRCFD2 230-16, which in part authorizes the sale and issuance of not to exceed \$2,000,0000 aggregate principal amount of General Obligation Bonds, Series 2016 and related matters. Please note, the current bond issue is sized at \$1,900,000 and is subject to change based on the final interest rates and cash in the debt service fund.

**8. MOTION TO ADJOURN FROM MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 BOARD.**

**9. PRESENTATIONS**

- a. Presentation of the Chamber of Commerce Business of the Month to Bucks 4 Style Consignment Shop. (Jessica Moore)
- b. **Target Budget Update** Presentation (Brent Billingsley)
- c. **Are You Ready to Vote** Presentation (Brent Billingsley)

**10. MANAGER'S REPORT**

**11. CALL TO THE PUBLIC**

**12. CALL TO THE COUNCIL – CURRENT EVENTS ONLY**

**13. ADJOURNMENT**

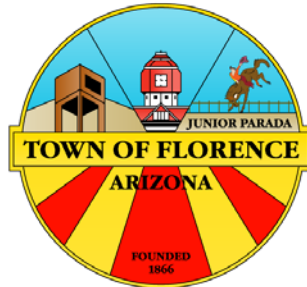
Council may go into Executive Session at any time during the meeting for the purpose of obtaining legal advice from the Town's Attorney(s) on any of the agenda items pursuant to A.R.S. § 38-431.03(A)(3).

POSTED ON MARCH 25, 2016, BY LISA GARCIA, TOWN CLERK, AT 775 NORTH MAIN STREET, FLORENCE, ARIZONA, AND AT [WWW.FLORENCEAZ.GOV](http://WWW.FLORENCEAZ.GOV).

\*\*\*PURSUANT TO TITLE II OF THE AMERICANS WITH DISABILITIES ACT (ADA), THE TOWN OF FLORENCE DOES NOT DISCRIMINATE ON THE BASIS OF DISABILITY REGARDING ADMISSION TO PUBLIC MEETINGS. PERSONS WITH A DISABILITY MAY REQUEST REASONABLE ACCOMMODATIONS BY CONTACTING THE TOWN OF FLORENCE ADA COORDINATOR, AT (520) 868-7574 OR (520) 868-7502 TDD. REQUESTS SHOULD BE MADE AS EARLY AS POSSIBLE TO ALLOW TIME TO ARRANGE THE ACCOMMODATION.\*\*\*

# MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 SPECIAL MEETING AGENDA

Chairman Tom J. Rankin  
Boardmember Tara Walter  
Boardmember Vallarie Woolridge  
Boardmember Bill Hawkins  
Boardmember Becki Guilin  
Boardmember John Anderson  
Boardmember Karen Wall



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Meet 1<sup>st</sup> and 3<sup>rd</sup> Mondays

**Tuesday, March 29, 2016**

**6:00 PM**

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Members of the Merrill Ranch Community Facilities District and to the general public that a Special Meeting of the Merrill Ranch Community Facilities District No 1 Board will be held on Tuesday, March 29, 2016, at 6:00 p.m., in the Union Center at Sun City Anthem at Merrill Ranch, located at 3925 N. Sun City Boulevard, Florence, Arizona. The agenda for this meeting is as follows:

- a. **ROLL CALL:** Rankin \_\_, Walter \_\_, Woolridge \_\_, Hawkins \_\_, Guilin \_\_, Anderson \_\_, Wall \_\_.
- b. **NEW BUSINESS**
  1. Presentation by Mark Reader, Stifel Nicolaus, on Community Facility Districts.
  2. Hold a Public Hearing on the Feasibility Report of the feasibility and benefits of certain projects to be financed with the proceeds of the sale of Special Assessment Bonds of Merrill Ranch Community Facilities District No. 1.
  3. Motion to adopt Resolution No. MRCFD1 132-16, which in part authorizes execution of certain documents, approves the feasibility report and approves the assessment diagram and method of assessment for the assessment area eight.
  4. Motion to adopt Resolution No. MRCFD1 133-16, which in part authorizes the private placement and issuance of not to exceed \$987,000 aggregate principal amount of Special Assessment Bonds, Series 2016 and related matters.

## **2. ADJOURNMENT**

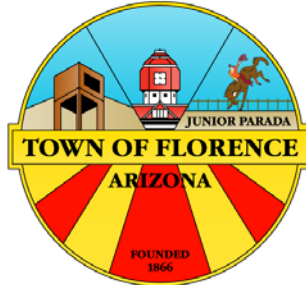
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# MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 SPECIAL MEETING AGENDA

Chairman Tom J. Rankin  
Boardmember Tara Walter  
Boardmember Vallarie Woolridge  
Boardmember Bill Hawkins  
Boardmember Becki Guilin  
Boardmember John Anderson  
Boardmember Karen Wall



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Meet 1<sup>st</sup> and 3<sup>rd</sup> Mondays

**Tuesday, March 29, 2016**

**6:00 PM**

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Members of the Merrill Ranch Community Facilities District No. 1 and to the general public that a Special Meeting of the Merrill Ranch Community Facilities District No. 2 Board will be held on Tuesday, March 29, 2016, at 6:00 p.m., in the Union Center at Sun City Anthem at Merrill Ranch, located at 3925 N. Sun City Boulevard, Florence, Arizona. The agenda for this meeting is as follows:

- a. **ROLL CALL:** Rankin \_\_, Walter \_\_, Woolridge \_\_, Hawkins \_\_, Guilin \_\_, Anderson \_\_, Wall \_\_.
- b. **NEW BUSINESS**
  1. Hold a Public Hearing on the Feasibility Report of the feasibility and benefits of certain projects to be financed with the proceeds of the sale of General Obligation Bonds of Merrill Ranch Community Facilities District No. 2.
  2. Motion to adopt Resolution No. MRCFD2 230-16, which in part authorizes the sale and issuance of not to exceed \$2,000,000 aggregate principal amount of General Obligation Bonds, Series 2016 and related matters. Please note, the current bond issue is sized at \$1,900,000 and is subject to change based on the final interest rates and cash in the debt service fund.


## **2. ADJOURNMENT**

Council may go into Executive Session at any time during the meeting for the purpose of obtaining legal advice from the Town's Attorney(s) on any of the agenda items pursuant to A.R.S. § 38-431.03(A)(3).

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SHOULD BE MADE AS EARLY AS POSSIBLE TO ALLOW TIME TO ARRANGE THE ACCOMMODATION.\*\*

	<b>Community Facilities District Action Form</b>	<b><u>AGENDA ITEM</u> 5b 1.</b>
<b>MEETING DATE:</b> March 29, 2016  <b>DEPARTMENT:</b> Finance  <b>STAFF PRESENTER:</b> Gabe Garcia, District Treasurer  <b>SUBJECT:</b> Presentation on Community Facilities District		<input type="checkbox"/> Action <input checked="" type="checkbox"/> Information Only <input type="checkbox"/> Public Hearing <input type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <ul style="list-style-type: none"> <li><input type="checkbox"/> Regulatory</li> <li><input type="checkbox"/> 1<sup>st</sup> Reading</li> <li><input type="checkbox"/> 2<sup>nd</sup> Reading</li> </ul> <input type="checkbox"/> Other

**RECOMMENDED MOTION/ACTION:**

This item is to provide District Board members background and educational information on the Merrill Ranch Community Facility Districts (CFDs).

**BACKGROUND/DISCUSSION:**

In addition to the information provided in this memo and the attachments, Mr. Mark Reader from Stifel Nicolaus will be present to discuss in more detail and answer questions about the CFDs located within the Town of Florence.

In 2005, under Arizona Legislative Authority and following a petition made by developers, the Town Council formed two Community Facility Districts in Anthem at Merrill Ranch, having recognized the ability of a CFD to provide for the construction and/or acquisition of public infrastructure that might otherwise be more costly or not provided at all. The districts provide a mechanism to finance construction and/or acquisition of public infrastructure that benefits real property and the ultimate owners of property within the CFDs. Additionally, following acquisition/installation of the public improvements, the CFD can serve as a mechanism to provide for the operation and maintenance of those public improvements.

Under state statute, the CFDs may issue tax-exempt general obligation (GO) bonds and special assessment (SA) bonds from which proceeds are then used to construct or acquire public infrastructure as stated in the bond documents. Issuance of GO bonds must be approved by voters and are repaid from property tax levied by the districts. SA bonds are revenue bonds that are repaid through a special assessment collected on the individual properties within the district. Bonds are issued by the districts and there is no Town liability for their repayment.

Merrill Ranch CFD GO bonds are repaid from a secondary property tax rate of \$3.25 per \$100 of secondary assessed valuation. There is also a secondary property tax rate of \$0.30 per \$100 of secondary assessed valuation for operations and maintenance.




The SA bonds are repaid from a \$3,500 per lot special assessment. The \$3,500 is amortized over 25 years although some lot owners choose to pay the entire amount in full. The property tax is collected by Pinal County. Special assessments are also collected by the County; however, in some cases, the Town bills and collects the assessments directly.

The following table provides information on the current debt outstanding for each CFD.

<b>Merrill Ranch Community Facility Districts Debt Schedule June 30, 2014</b>					
<b>Issue</b>	<b>Date of Issue</b>	<b>Date of Maturity</b>	<b>Original Principal Amount</b>	<b>Principal Repaid</b>	<b>Outstanding Principal - 6/30/2014</b>
<b>MRCFD #1 - GO Bond</b>					
MRCFD #1	8/28/2008	7/15/2033	4,390,000	(435,000)	3,955,000
<b>MRCFD #1 - SA Bonds</b>					
MRCFD #1 - Area 1	6/15/2006	7/1/2030	2,464,000	(648,000)	1,816,000
MRCFD #1 - Area 2, Unit 54	9/16/2009	7/1/2034	353,500	(35,090)	318,410
MRCFD #1 - Area 3, 17A	10/4/2010	7/1/2035	290,500	(9,670)	280,830
MRCFD #1 - Area 4, Unit 18	1/25/2012	7/1/2036	318,500	(13,381)	305,119
MRCFD #1 - Area 5, Unit 17B	7/18/2012	7/1/2037	189,000	-	189,000
MRCFD #1 - Area 6, Units 2, 9A	7/18/2013	7/1/2038	413,000	-	413,000
MRCFD #1 - Area 7, Units 9B, 16, 17C	10/2/2014	7/1/2039	728,000	-	728,000
			4,756,500		4,050,359
<b>MRCFD #2 - GO Bond</b>					
MRCFD #2	11/30/2010	7/15/2035	3,560,000	(580,000)	2,980,000
MRCFD #2	12/19/2013	7/15/2038	1,850,000	-	1,850,000
			5,410,000	(580,000)	4,830,000
<b>MRCFD #2 - SA Bonds</b>					
MRCFD #2 - Area 1	6/15/2006	7/1/2030	2,555,000	(687,000)	1,868,000
MRCFD #2 - Area 2, Unit 29	9/16/2009	7/1/2034	301,000	(22,850)	278,150
MRCFD #2 - Area 3, Unit 40	9/16/2009	7/1/2034	528,500	(38,560)	489,940
MRCFD #2 - Area 4, Unit 20	2/25/2010	7/1/2035	203,000	(7,500)	195,500
MRCFD #2 - Area 5, Units 22A, 22B	5/22/2013	7/1/2038	565,500	-	565,500
			4,153,000	(755,910)	3,397,090
GO - general obligation					
SA - special assessment					
IP - installment purchase					

**ATTACHMENTS:**

None

	<b>Community Facilities District No. 1 District ACTION FORM</b>	<b><u>AGENDA ITEM</u> 5b 2.</b>
<p><b>MEETING DATE:</b> March 29, 2016</p> <p><b>DEPARTMENT:</b> Finance</p> <p><b>STAFF PRESENTER:</b> Gabe Garcia, District Treasurer</p> <p><b>SUBJECT:</b> Public Hearing to Consider Approval of the Feasibility Report followed by Resolution to Consider Adoption of the Sale and issuance of Special Assessment (S.A.) Bonds and related matters in the amount not to exceed \$987,0000, Special Assessment Area Eight, Units 50 &amp; 53 [Unit 50 consists of 118 residential lots and Unit 53 consists of 164 residential lots and related \$3,500 per lot special assessment]</p>		<input checked="" type="checkbox"/> <b>Action</b> <input type="checkbox"/> <b>Information Only</b> <input checked="" type="checkbox"/> <b>Public Hearing</b> <input checked="" type="checkbox"/> <b>Resolution</b> <input type="checkbox"/> <b>Ordinance</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Regulatory</li> <li><input type="checkbox"/> 1<sup>st</sup> Reading</li> <li><input type="checkbox"/> 2<sup>nd</sup> Reading</li> </ul> <input type="checkbox"/> <b>Other</b>

**RECOMMENDED MOTION/ACTION:**

Staff recommends the following motion/actions:

1. Presentation on Community Facility Districts.
2. Hold a Public Hearing on the Feasibility Report of the feasibility and benefits of certain projects to be financed with the proceeds of the sale of Special Assessment Bonds of Merrill Ranch Community Facilities District No. 1.
3. Motion to adopt Resolution No. MRCFD1 132-06, which in part authorizes execution of certain documents, approves the feasibility report and approves the assessment diagram and method of assessment for the assessment area eight.
4. Motion to adopt Resolution No. MRCFD1 133-06, which in part authorizes the private placement and issuance of not to exceed \$987,000 aggregate principal amount of Special Assessment Bonds, Series 2016 and related matters.

**BACKGROUND/DISCUSSION:**

Pursuant to the Merrill Ranch Community Facilities District No. 1 Development Agreement dated December 1, 2005, Pulte Home Corporation (Pulte) has requested the issuance of S.A. Bonds in an amount not to exceed \$987,000.

The bond proceeds will be used to reimburse Pulte for the cost of completed construction, which includes engineering, storm drain and street improvements for Units 50 & 53.

The Feasibility Report includes a description of the in-track public infrastructure to be financed by the S.A. Bonds, a location map, the cost of the infrastructure and the plan for financing the infrastructure. Construction of the public infrastructure improvements and other improvements are currently underway by Pulte.

Adopting the Resolution, will approve the Feasibility Report, authorize the sale and issuance of S.A. Bonds in an amount not to exceed \$987,000 aggregate principal amount, authorize the subsequent levying of assessments to pay debt service on the S.A. bonds and to approve the form and authorize the execution of delivery of the various documents relating to the 2016 S.A. Bonds.

Consistent with the Development Agreement and all prior phases of the development, each residential lot will have a special assessment of \$3,500 [in-track public infrastructure described herein]. The bonds are secured by the underlying value of each residential lot which are expected to have a value to lien which approximates 4:1 [subject to change and in the process of being determined]. Each property owner is responsible to pay semi-annual payments. Consistent with prior issues, all special assessments are subject to prepayment on any interest payment date without penalty, if desired.

State statute requires that each homebuyer be supplied with the Arizona Department of Real Estate Subdivision Report (the "Public Report"), within which these assessments must be disclosed. Prior to any home sale, the homebuyer must acknowledge by signature that they have read and accepted the Public Report. In addition, Pulte Homes requires the homebuyer to sign an additional form that highlights and discloses the additional assessment payments as a result of the District financing.

The District has entered into an agreement with the Pinal County Treasurer for the collection of the assessment.

**STAFF RECOMMENDATION:**

Conduct Public Hearing and approve the resolutions as presented.

**ATTACHMENTS:**

Resolution No. MR CFD1 132-06

Feasibility Report

Resolution No. MR CFD1 133-06

Draft Indenture of Trust

Draft written Policies and Procedures for Tax Advantaged Obligations

Draft Eighth Amendment and Waivers

Draft Private Placement Agent Agreement

Draft Assessment Methodology Report/Assessment Diagram

RESOLUTION NO. MRCFD1 \_\_\_\_\_132-16

(MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1)

A RESOLUTION OF THE DISTRICT BOARD OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN EIGHTH AMENDMENT AND WAIVERS (ASSESSMENT AREA EIGHT - UNITS 50 AND 53) FOR DISTRICT DEVELOPMENT, FINANCING PARTICIPATION, WAIVER AND INTERGOVERNMENTAL AGREEMENT (MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1); AUTHORIZING AND RATIFYING THE GIVING OF NOTICE OF HEARING WITH RESPECT TO APPROVING A FEASIBILITY REPORT WHICH INCLUDES IDENTIFYING THE PUBLIC INFRASTRUCTURE OF THE PROJECTS, THE AREAS TO BE BENEFITTED, THE EXPECTED METHOD OF FINANCING AND THE SYSTEM OF PROVIDING REVENUES TO OPERATE AND MAINTAIN THE PROJECTS, ALL AS PROVIDED IN SUCH REPORT; APPROVING SUCH FEASIBILITY REPORT AND RESOLVING THE INTENT THEREFOR AND ORDERING THE WORK WITH RESPECT THERETO

BE IT RESOLVED BY THE DISTRICT BOARD OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 as follows:

1. Findings.

a. Pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "Act"), and Section 9-500.05, Arizona Revised Statutes, the Town of Florence, Arizona (hereinafter called the "Municipality"), Merrill Ranch Community Facilities District No. 1 (hereinafter called the "District") and the owner of the portions of the real property included within the District affected hereby (hereinafter called the "Owner"), among other parties entered into a District Development, Financing Participation, Waiver and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 1), dated as of December 1, 2005, which has

subsequently been amended by a First Amendment and Waivers (Assessment Area One), dated as of February 1, 2006, a Second Amendment and Waivers (Assessment Area Two - Unit 54), dated as of November 1, 2008, a Third Amendment and Waivers (Assessment Area Three - Unit 17A), dated as of September 1, 2010, a Fourth Amendment and Waivers (Assessment Area Four - Unit 18), dated as of January 1, 2012, a Fifth Amendment and Waivers (Assessment Area Five - Unit 17B), dated as of July 1, 2012, a Sixth Amendment and Waivers (Assessment Area Six - Units 2 and 9A), dated as of July 1, 2013, and a Seventh Amendment and Waivers (Assessment Area Seven - Units 9B 16 and 17C), dated as of October 1, 2014 (as so amended hereinafter referred to as the "Original Development Agreement"), to specify, among other things, conditions, terms, restrictions and requirements for public infrastructure (as such term is defined in the Act) and the financing of public infrastructure, particularly with regard to the property which makes up the real property included within the District (hereinafter referred to as the "Property"), matters relating to the construction of certain public infrastructure by the District and the acceptance thereof by the Municipality.

b. It has been determined that the Original Development Agreement needs to be amended and subjected to certain waivers to reflect certain amendments and waivers necessary for the Original Development Agreement to serve the purposes hereof, and the district board of the District (hereinafter referred to as the "District Board") has determined to enter into an Eighth Amendment and Waivers (Assessment Area Eight - Units 50 and 53) for District Development,

Financing Participation, Waiver and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 1), to be dated as of April 1, 2015 (hereinafter referred to as the "Eighth Amendment"), for such purpose.

c. Further, pursuant to the Act, the District Board caused to be prepared a study of the feasibility and benefits of the projects relating to certain public infrastructure provided for in the General Plan of the District heretofore approved by the Municipality and the District and to be financed with proceeds of the sale of a portion of certain hereinafter described bonds of the District, such study having included a description of certain public infrastructure to be acquired or constructed and all other information useful to understand the projects, a map showing, in general, the location of the projects, an estimate of the cost to construct, acquire, operate and maintain the projects, an estimated schedule for completion of the projects, a map or description of the area to be benefitted by the projects and a plan for financing the projects (hereinafter referred to as the "Report"). A public hearing on the Report was held on the date of, but prior to, the adoption of this Resolution, after provision for publication and mailing to the governing board of the Municipality of notice thereof as provided by law.

d. Pursuant to Section 48-721, Arizona Revised Statutes, the District Board, by resolution and pursuant to the procedures prescribed by the Original Development Agreement as amended by the Eighth Amendment (as so amended, hereinafter referred to as the "Development Agreement"), may levy an assessment of the costs of the

public infrastructure purposes as provided for in the Development Agreement and in the Report and with respect to the intent therefor and the ordering of certain work with respect thereto (hereinafter referred to as the "Area Eight Work") resolved in this Resolution on the area of the Property to be assessed for the costs and expenses thereof (hereinafter referred to as the "Area Eight Assessed Property") based on the benefit determined by the District Board to be received by the Area Eight Assessed Property, in each case as more fully described herein.

e. The District Board has determined special assessment lien bonds of the District (hereinafter referred to as the "Bonds") should be issued if certain conditions are met to provide moneys for the Area Eight Work. The District Board, pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as nearly as practicable, and the other procedures the District Board has provided in the Development Agreement, will cause to be levied an assessment of the costs of the Area Eight Work (hereinafter referred to as the "Area Eight Assessment") on the Area Eight Property, and, in that respect, the Owner has waived certain matters and agreed to certain other matters with respect thereto pursuant to the Development Agreement, including as to the manner in which the Area Eight Assessment is to be allocated as the Area Eight Assessed Property is to be divided into more than one parcel and is to be prepaid and reallocated.

f. Pursuant to this Resolution, the District Board (i) resolves its intent with respect to and orders the Area Eight

Work, (ii) determines that the Bonds should be issued to represent the costs and expenses thereof, (iii) declares the Area Eight Work to be of more than local or ordinary public benefit and that the costs and expenses thereof be assessed upon the Area Eight Property and (iv) provides that the Area Eight Work be performed under the provisions of the Act, the Development Agreement and the Report, the Area Eight Assessed Property to be assessed and the Bonds to be issued being more fully described in the Development Agreement, the Report and this Resolution (hereinafter referred to as, collectively, the "Resolution of Intention Documents") to which reference is hereby made for such description.

g. Pursuant to this Resolution, the District Board finds and determines that it had jurisdiction to order the Area Eight Work and orders that the Area Eight Work be done as described in the Resolution of Intention Documents and in accordance with the "Area Eight Work Plans and Specifications" which are included in the Report. Pursuant to the Development Agreement, the Owners have waived or otherwise agreed to the satisfaction of, among other things, any publication, posting, protest or objection right or obligation or hearing right or obligation with respect to the Resolution of Intention Documents.

h. There has been placed on file with the District Clerk and presented in connection herewith the proposed form of the Eighth Amendment.

2. a. Approval of Eighth Amendment. The Eighth Amendment is hereby approved in substantially the form submitted herewith,



with such changes, additions, deletions, insertions and omissions, if any, as the Chairperson of the District Board, with the advice of the District Manager and the District Counsel, shall authorize, the execution and delivery of the Eighth Amendment to be conclusive evidence of the propriety of such document and the authority of the person or persons executing the same.

b. Completion of Eighth Amendment. The District Manager or his designee is hereby authorized to complete the Eighth Amendment by including the appropriate materials as necessary therein.

c. Execution of Eighth Amendment. The Chairperson of the District Board, with the advice of the District Manager and the District Counsel, is hereby authorized and directed to execute, and the District Clerk to attest, the Eighth Amendment on behalf of the District.

3. Authorization and Ratification of Notice of Hearing on Report. Notice of the public hearing on the Report provided by the District Manager and attached hereto and marked as the Exhibit (hereinafter referred to as the "Notice") is hereby authorized and ratified in all respects as well as the mailing of the Report and the Notice to the governing body of the Municipality. The providing of the Notice as provided by law and as caused by the District Manager is hereby authorized and ratified.

4. a. Preparation of Report. The preparation of the Report is hereby ratified and confirmed. (Upon completion of a draft of the Report, the Report, marked in a conspicuous fashion "**DRAFT**,"

was submitted to the District Board and the Owner for their review and comment.)

b. Approval of Report. After review of the Report and based on the public hearing held by the District Board on even date herewith and the mailing of the Report to the governing body of the Municipality, the Report is hereby approved in the form submitted to the District Board.

c. Resolving Intent. The District Board hereby declares (1) its intent as required by Section 48-715, Arizona Revised Statutes and for purposes of Section 48-721(A), Arizona Revised Statutes and as set forth in the Development Agreement, to take such reasonable actions as may be necessary to cause the results contemplated by and set forth in the Report, including particularly the acquisition of the public infrastructure projects for the benefit of the areas described in the Report and the consummation of the expected method of financing and an appropriate system of providing revenues to maintain such projects, all as provided in the Report, and (2) that the Area Eight Work shall result in proportionate, beneficial use, principally to the land with the geographical limits of the Area Eight Assessed Property.

d. Work, Plans and Specifications and Estimates. (1) The public interest or convenience requires, and it is the intention of the District Board, to order the Area Eight Work described in substantial form in the Report including the "Area Eight Work Plans and Specifications" which are included in the Report (hereinafter

referred to as, collectively, the "Area Eight Work Plans and Specifications").

(2) The Area Eight Work shall be performed substantially in accordance with the Act, the Development Agreement and the Report including the Area Eight Work Plans and Specifications.

(3) The estimate of the cost and expense of the Area Eight Work included in the Report (hereinafter referred to as the "Area Eight Estimate") is hereby approved, and the Area Eight Estimate is hereby adopted by the District Board.

e. Assessment Area. (1) The Area Eight Work, in the opinion of the District Board, is of more than local or ordinary public benefit and is of special benefit to the respective lots, pieces and parcels of land comprising the Area Eight Assessed Property, and the District Board hereby makes and orders the cost and expense of the Area Eight Work chargeable upon the Area Eight Assessed Property and hereby declares that the Area Eight Assessed Property benefitted by the Area Eight Work and to be assessed to pay the costs and expenses thereof in proportion to the benefits derived therefrom, is described and bounded as so set forth.

(2) The District shall not assess the costs and expenses of the Area Eight Work which are for the general public benefit against the respective lots, pieces and parcels of land located within the boundaries of the Area Eight Assessed Property and if a portion of the costs and expenses of the Area Eight Work is for the general public benefit, the District shall assess the respective lots, pieces and parcels of land located within the boundaries of the

Area Eight Assessed Property only that portion of costs and expenses which benefits the lots, pieces and parcels of land located within the boundaries of the Area Eight Assessed Property.

f. Public Property. The District Board hereby declares that any lot belonging to the United States, the State of Arizona, the Municipality, a county, school district or any political subdivision or institution of the State of Arizona or county included within the boundaries of the Area Eight Assessed Property shall be omitted from the assessment hereafter to be made, and the total expense of the Area Eight Work shall be assessed on the remaining lots lying within the boundaries of the Area Eight Assessed Property except to the extent the State of Arizona, the Municipality, county, school district or any political subdivision or institution of the State of Arizona or county shall contract with the District to pay any such assessment.

g. Issuance of Bonds. The District Board hereby finds that the public convenience requires that the Bonds as described in the Report and the Development Agreement shall be issued to represent the cost and expenses of the Area Eight Work and determine that the Bonds shall be issued under the provisions of the Act, in the name of the District, but payable only out of a special fund collected by the District from special assessments levied upon the lots, tracts, pieces and parcels of land included within the Area Eight Assessed Property, in not to exceed twenty-five (25) annual installments from the assessment of Twenty-five Dollars (\$25.00) or over remaining unpaid as of the date of the Bonds as provided by the Development

Agreement. The Bonds shall bear interest at rates not to exceed eight and one-half percent (8.5%) per annum from their date, payable on the first day of January and July of each year and shall be payable in the manner and be subject to the provisions as to collection of assessments for the payment thereof, except as otherwise described in the Development Agreement and that neither the District nor the Municipality is required to purchase delinquent land at sale if there is no other purchaser, as described in Title 48, Chapter 4, Article 2, Arizona Revised Statutes, save and except that the method of collection of such assessments shall be as provided in Sections 48-600 to 48-607, both inclusive, Arizona Revised Statutes and not as provided in Section 48-608, Arizona Revised Statutes.

h. Publication. The publication of the Notice shall be in lieu of the posting and publication of this Resolution.

i. Waiver, Acceptance. Pursuant to the Development Agreement, the Owner has waived any and all rights of the Owner to file (1) written protests against the construction of the Area Eight Work or (2) objections to the extent of the Area Eight Assessed Property. Such waivers are hereby accepted by the District Board, and the District Board is proceeding in reliance on such waivers.

j. Ordering the Work. Based on the foregoing, the Area Eight Work is hereby ordered in accordance with the Area Eight Work Plans and Specifications and the Development Agreement.

5. a. Repeal of Resolution. After any of the Bonds are delivered upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the unpaid principal amounts due there-

under and the interest thereon shall have been fully paid, canceled and discharged.

b. Severability; Amendment; Ratification. (1) If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

(2) This Resolution may only be amended as provided by the terms of the Indenture.

(3) All prior acts of the District Board, of the District Manager and of the District Treasurer with respect to all matters concerning the District Resolution, the Development Agreement, the Report, the Resolution of Intention Documents, the Area Eight Assessments, the Area Eight Warrant and this Resolution are hereby ratified and confirmed.

c. Effective Date. This Resolution shall be effective immediately.

PASSED by the District Board of Merrill Ranch Community  
Facilities District No. 1 this 29th day of March, 2016.

.....  
Chairperson, District Board, Merrill  
Ranch Community Facilities District  
No. 1

ATTEST:

.....  
District Clerk, Merrill Ranch  
Community Facilities District  
No. 1

APPROVED AS TO FORM:

.....  
District Counsel, Merrill Ranch  
Community Facilities District  
No. 1

ATTACHMENTS:

EXHIBIT - Form of Notice of Hearing on Report

\* \* \*

331202086.2



EXHIBIT

FORM OF NOTICE OF HEARING ON REPORT

NOTICE FOR HEARING REQUIRED BY A.R.S. § 48-715 ON REPORT OF THE FEASIBILITY AND BENEFITS OF CERTAIN PROJECTS TO BE FINANCED WITH THE PROCEEDS OF SPECIAL ASSESSMENTS LEVIED AND COLLECTED WITHIN AN AREA OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 AND OF THE ADOPTION OF THE RESOLUTION OF INTENTION WITH RESPECT TO CERTAIN PUBLIC INFRASTRUCTURE PURPOSES DESCRIBED IN SUCH STUDY

Pursuant to Section 48-715, Arizona Revised Statutes, notice is hereby given that a public hearing on the report of the feasibility and benefits of projects to be financed with the proceeds of special assessments levied and collected within an area of Merrill Ranch Community Facilities District No. 1 shall be held by the District Board on March 29, 2016, at approximately 6:00 p.m. (Arizona time), or immediately preceding the meeting of the Mayor and Common Council of the Town of Florence, Arizona, on the same date in the Union Center at Sun City Anthem at Merrill Ranch, located at 3925 North Sun City Boulevard, Florence, Arizona. Such feasibility report and further information relating thereto are on file with the Town Clerk of the Town of Florence, Arizona/District Clerk of Merrill Ranch Community Facilities District No. 1, 775 North Main Street, Florence, Arizona 85132, telephone number: (520) 868-7552. **THE MATTERS IN THE REPORT OF FEASIBILITY AND BENEFITS RELATING TO THE "WORK" AND THE "ESTIMATE" AND THE "PLANS AND SPECIFICATIONS" RELATING THERETO ARE ALSO THE SUBJECT OF THE RESOLUTION OF INTENTION RELATING TO THE WORK TO BE ADOPTED SIMULTANEOUSLY WITH THE RESOLUTION APPROVING SUCH REPORT OF FEASIBILITY AND BENEFITS AFTER SUCH HEARING, SUCH RESOLUTION DECLARING THAT SUCH DISTRICT WILL PROVIDE THE WORK, ISSUE BONDS OR INCUR OTHER OBLIGATIONS FOR SUCH PURPOSE AND ASSESS THE COSTS AND EXPENSES THEREOF AGAINST THE AREA IN SUCH DISTRICT DESCRIBED IN SUCH REPORT OF FEASIBILITY AND BENEFITS. THERE SHALL NOT BE A SEPARATE PUBLIC HEARING WITH RESPECT TO SUCH RESOLUTION OF INTENTION. SUCH BONDS OR OTHER OBLIGATIONS SHALL BE INCURRED PURSUANT TO THE PROVISIONS OF THE "DEVELOPMENT AGREEMENT" DESCRIBED IN SUCH REPORT OF FEASIBILITY AND BENEFITS, IN THE NAME OF THE DISTRICT, BUT PAYABLE ONLY OUT OF A SPECIAL FUND COLLECTED BY THE DISTRICT FROM SPECIAL ASSESSMENTS LEVIED UPON THE LOTS, TRACTS, PIECES AND PARCELS OF LAND INCLUDED WITHIN SUCH AREA, IN NOT TO EXCEED TWENTY-FIVE (25) ANNUAL INSTALLMENTS FROM THE ASSESSMENT OF TWENTY-FIVE DOLLARS (\$25.00) OR OVER REMAINING UNPAID AS OF THE DATE OF INCURRENCE THEREOF AS PROVIDED BY SUCH DEVELOPMENT AGREEMENT. SUCH BONDS OR OTHER OBLIGATIONS SHALL BEAR INTEREST AT RATES NOT TO EXCEED EIGHT AND ONE HALF PERCENT (8.5%) PER ANNUM FROM THEIR DATE, PAYABLE ON THE FIRST DAY OF JANUARY AND**

JULY OF EACH YEAR AND SHALL BE PAYABLE IN THE MANNER AND BE SUBJECT TO THE PROVISIONS AS TO COLLECTION OF ASSESSMENTS FOR THE PAYMENT THEREOF, EXCEPT AS OTHERWISE DESCRIBED IN SUCH DEVELOPMENT AGREEMENT AND THAT NEITHER THE DISTRICT NOR THE MUNICIPALITY IS REQUIRED TO PURCHASE DELINQUENT LAND AT SALE IF THERE IS NO OTHER PURCHASER, AS DESCRIBED IN TITLE 48, CHAPTER 4, ARTICLE 2, ARIZONA REVISED STATUTES, SAVE AND EXCEPT THAT THE METHOD OF COLLECTION OF SUCH ASSESSMENTS SHALL BE AS PROVIDED IN SECTIONS 48-600 TO 48-607, BOTH INCLUSIVE, ARIZONA REVISED STATUTES AND NOT AS PROVIDED IN SECTION 48-608, ARIZONA REVISED STATUTES.

Dated this 17th day of March, 2016.

/s/ Brent Billingsley.....  
District Manager, Merrill Ranch  
Community Facilities District No. 1

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**MERRILL RANCH  
COMMUNITY FACILITIES DISTRICT NO. I  
(Florence, Arizona)**

# **FEASIBILITY REPORT**

**For the Issuance of Not to Exceed \$987,000  
Special Assessment Bonds  
(Assessment Area Eight, Units 50 & 53)**

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**March 29, 2016**

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**SECTION ONE**

**INTRODUCTION,  
PURPOSE OF FEASIBILITY REPORT,  
GENERAL DESCRIPTION OF DISTRICT  
AND ASSESSMENT AREA**

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## INTRODUCTION

This Feasibility Report ("Report") has been prepared by engineers and other qualified persons for presentation to the District Board (the "Board") of Merrill Ranch Community Facilities District No. 1 (the "District") in connection with the proposed issuance by the District of a Special Assessment Lien Bonds (the "Bonds") with respect to certain public infrastructure (as defined in A.R.S. §48-701) to be financed with proceeds of the sale of the Bonds (the "Projects") and of the plan for financing the Projects in accordance with the provisions of A.R.S. §48-715 and is considered part of (i) the statement of the estimated costs and expenses of the amounts to be financed through the issuance of the Bonds and (ii) the plans and specifications for purposes of levying the assessment from which the Bonds are to be repaid, in each case for all purposes of and pursuant to the Community Facilities District Act of 1988, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes, as amended, (the "Act").

### PURPOSE OF FEASIBILITY REPORT

Pursuant to A.R.S. §48-715, this Report includes (i) a description of the Projects which are to be acquired (Section Two); (ii) a map showing, in general, the location of the Projects (Section Three), (iii) an estimate of the cost to acquire, operate, and maintain the Projects (Section Four); (iv) an estimated schedule for completion of the Projects (Section Five); (v) a map or description of the area to be benefited by the Projects (Section Six); and (vi) a plan for financing the Projects (Section Seven).

**THIS REPORT HAS ALSO BEEN PREPARED AS PART OF THE DECLARATION OF INTENT FOR PURPOSES OF A.R.S. § 48-721(A) AND THE DISTRICT DEVELOPMENT FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT, DATED AS OF DECEMBER 1, 2005, AS AMENDED BY THE FIRST AMENDMENT AND WAIVERS (ASSESSMENT AREA ONE), DATED AS OF FEBRUARY 1, 2006, THE SECOND AMENDMENT AND WAIVERS (ASSESSMENT AREA TWO-UNIT 54) DATED AS OF NOVEMBER 1, 2008, THE THIRD AMENDMENT AND WAIVERS (ASSESSMENT AREA THREE-UNIT 17A), DATED AS OF SEPTEMBER 1, 2010, THE FOURTH AMENDMENT AND WAIVERS (ASSESSMENT AREA FOUR-UNIT 18), DATED AS OF JANUARY 1, 2012, THE FIFTH AMENDMENT AND WAIVERS (ASSESSMENT AREA FIVE-UNITS 17B, 22A & 22B), DATED AS OF JULY 1, 2012, THE SIXTH AMENDMENT AND WAIVERS (ASSESSMENT AREA SIX-UNITS 2 & 9A), DATED AS OF JULY 1, 2013, THE SEVENTH AMENDMENT AND WAIVERS (ASSESSMENT AREA SEVEN-UNITS 9B, 16, AND 17C), DATED AS OF OCTOBER 1, 2014, AND THE EIGHTH AMENDMENT AND WAIVERS (ASSESSMENT AREA EIGHT – UNITS 50 & 53), TO BE DATED AS OF APRIL 1, 2016 (AS SO AMENDED, THE “DEVELOPMENT AGREEMENT”) WITH RESPECT TO THE ACQUISITION OF THE PROJECTS FOR THE BENEFIT OF THE AREAS DESCRIBED IN THIS REPORT.** On the date this Report is approved, the Board will resolve, among other things, that (i) the public interest or convenience requires, and it is the intention of the Board, to order the Projects described in substantial form in this Report, (ii) the Projects shall be performed substantially in accordance with this Report and specific plans and specifications relating to the Projects, forms of which are filed with this Report for each of the types of the Projects and the contents of which are incorporated by this reference ( the “Plans and Specifications”); (iii) the Estimate (as such term is defined herein) is approved and adopted by the Board; (iv) the Projects described substantially in the Plans and Specifications shall be performed as provided in the Development Agreement; (v) the Projects are of more than local or ordinary public benefit and are of special benefit to the respective lots, pieces and parcels of land within the portion of the District described in Section Six and in the Appendix hereto (the “Assessment Area”) and the costs and expenses of the Projects will be charged upon the Assessment Area which shall be benefited by the Projects and assessed to pay the costs and expenses thereof in proportion to the benefit derived therefrom; (vi) the public convenience requires that the Development Agreement shall be incurred to

represent the costs and expenses of the Projects, in the name of the District, but payable only out of a special fund collected by the District from installments of the assessment levied upon the lots, tracts, pieces and parcels of land included within the Assessment Area, in not to exceed twenty-five (25) annual installments from the assessment of twenty-five dollars (\$25.00) or over remaining unpaid as provided by the Development Agreement and (vii) the Development Agreement shall bear interest at the rate of not to exceed twelve percent (12%) per annum, payable on the first day of January and July of each year and shall be payable in the manner and be subject to the provisions as to collection of assessments for the payment thereof, except as otherwise described in the Development Agreement, and neither District nor the Town of Florence, Arizona (the "Town"), is required to purchase delinquent land at sale if there is no other purchaser, as described in A.R.S. Title 48, Chapter 4, Article 2, save and except that the method of collection of such assessments shall be as provided in A.R.S. §§ 48-600 to 48-607 as nearly as practicable, both inclusive and not as provided in A.R.S. § 48-608.

This Report has been prepared for the exclusive consideration of the Board. It is not intended or anticipated that this Report will be relied upon by other persons, including, but not limited to, purchasers of the Bonds. This Report does not attempt to address the quality of the Bonds as investments or the likelihood of repayments of the Bonds. In preparing this Report, engineers, staff or the Town, legal counsel and other experts have been consulted as deemed appropriate. **THIS REPORT IS NOT INTENDED TO BE A "FINANCIAL FEASIBILITY REPORT OR STUDY" AS THAT TERM IS CUSTOMARILY USED.**

#### **GENERAL DESCRIPTION OF DISTRICT AND ASSESSMENT AREA**

Formation of the District was approved on December 19, 2005 by the Town upon the request of CMR/CASA GRANDE LLC., an Arizona limited liability company, ROADRUNNER RESORTS, LLC., an Arizona limited liability company and FELIX HUNT HIGHWAY, LLC., an Arizona limited liability company, and PULTE HOME CORPORATION, a Michigan corporation ("Pulte"), as the owners of all of the land within the District upon formation. The District is located within the municipal boundaries of the Town. (See the maps in Section Three and Six and Appendix A for a legal description of the boundaries of the District.)

The District was formed to finance the costs of certain public infrastructure purposes (as such term is defined in the Act), including particularly with respect to the Projects, in connection with the development of a project known as "Merrill Ranch", an 8,970 acre residential, commercial and golf course master planned community (the "Development") approximately 7,900 acres of which are included within the boundaries of the District. A portion of the land within the boundaries of the District is being developed as part of an approximately 3,191 acre master-planned development known as Anthem at Merrill Ranch ("Anthem"). Anthem is being developed within Merrill Ranch. Simultaneously with the formation of the District, Merrill Ranch Community Facilities District No. 2 ("District No. 2") was formed over 1,060 acres of Merrill Ranch to finance the cost of certain infrastructure improvements within District No. 2. Within Anthem, there is both an active adult community ("Sun City") and a family oriented community ("Parkside"). The boundaries of the District and District No. 2 do not overlap, however Anthem encompasses land within both districts. The Development is the subject of the Development Agreement. (The Development Agreement is available for review at the Office of the Clerk of the Town.)

The Assessment Area contains approximately 64.33 acres and upon build out will comprise approximately 282 single family lots. Although the number of acres devoted to each particular type of land use may ultimately vary from those presented, the build-out of the Development and the Assessment Area is currently expected to include the following land uses:

**Merrill Ranch Community Facilities District No. 1  
Anticipated Land Use Plan**

Description	District		Assessment Area Eight		
	Acres	Number of Units	Planning Area	Estimated Lots	Estimated Acres
Residential – Low Density	3,021	22,075	Unit 50	118	29.12
Residential – Medium Density	1,190	8,696	Unit 53	164	37.31
Residential – High Density	654	4,779			
Golf Courses	385	-		-	-
Worship Sites	18	-		-	-
Commercial / Light Industrial	1,176	-		-	-
Roadways / ROW	402	-		-	-
Schools	137	-		-	-
Open Space/Parks	917	-		-	-
<b>Total:</b>	<b>7,900</b>	<b>35,550</b>		<b>282</b>	<b>64.33</b>

The Single-family residences to be constructed by Pulte within Anthem currently range in size from 1,000 to 4,100 square feet and are currently base priced from \$139,000 to \$351,000.

The following table represents the single family residential closings from January 1, 2006 through March 1, 2016:

	CFD 1	CFD 2	CFD 1	CFD 2	TOTAL
	Sun City		Parkside		
2006	92	30	25	41	188
2007	91	43	98	237	469
2008	176	38	68	171	453
2009	136	2	34	98	270
2010	38	59	22	68	187
2011	2	68	17	45	132
2012	16	48	51	14	129
2013	78	32	59	13	182
2014	17	15	13	1	46
2015	37	65	57	0	159
3/1/2016	7	1	10	0	18
	<b>690</b>	<b>401</b>	<b>454</b>	<b>688</b>	<b>2,233</b>

Source: Pulte Group



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**SECTION TWO**

**DESCRIPTION OF THE PROJECTS**

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## DESCRIPTION OF THE PROJECTS

The Projects to be acquired by the District pursuant to the Development Agreement are composed of: (1) Engineering, (2) Storm Drain, and (3) Street Improvements. See the maps in Section Three for detail about location of the Projects. As described hereinabove, the Plans and Specifications are on file herewith and are incorporated herein by reference.

### **(1) Engineering**

The Projects include engineering plans for grading and drainage, utilities, and paving relating to storm drain and curb, gutter and sidewalk. The plans have been reviewed and approved by the Town in accordance with their guidelines and standards.

Description	Unit of Measure	Quantity
Engineering plans	LS*	N/A

\* LS = lump sum

### **(2) Storm Drain**

The Projects further include storm drain within the public roadways of the Assessment Area. The storm drain will intercept runoff from the public roadways by either catch basins or scuppers, conveying to retention facilities by pipe or overland flow. The pipe will be sized between 15 inches and 30 inches of concrete pipe, or approved alternate.

Description	Unit of Measure	Unit	Quantity
Storm Drain Pipe	LF*	50	949
		53	886
<b>Total:</b>			<b>1,835</b>

\* LF = lineal feet

**(3) Street Improvements**

The Projects also will further include asphaltic paving and 4 inch roll and vertical curb, 6 foot valley gutter, and 4 foot wide sidewalks within the public roadways of the Assessment Area. The pavement section is anticipated to be 2.5 inches of asphalt on 7 inches of aggregate base course. The curb and gutter will comply with the Maricopa Association of Governments standard details and sidewalk within the public roadways of the Assessment Area.

<u>Description</u>	<u>Unit of Measure</u>	<u>Unit</u>	<u>Quantity</u>
Paving	SY*	50	19,120
		53	22,040
<b>Total:</b>			<b>41,160</b>
Curb and Gutter	LF*	50	11,263
		53	12,933
<b>Total:</b>			<b>24,196</b>
Sidewalk	SF*	50	23,396
		53	49,084
<b>Total:</b>			<b>72,480</b>

\*SY= Square Yard

\*LF= Lineal Foot

\*SF= Square Foot

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**SECTION THREE**

**MAP OF LOCATION OF THE PROJECTS**

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Town of Florence, Arizona

79

287



Active Adult Community Center

CFD No 1

U.P.R.R.  
Felix Rd

Merrill Ranch Pkwy

Hunt Highway

Gila River



Commercial Development

CFD No 2

Hunt Highway

To Phoenix Metropolitan area

Franklin Rd

Ranchview Rd



Parkside Community Center



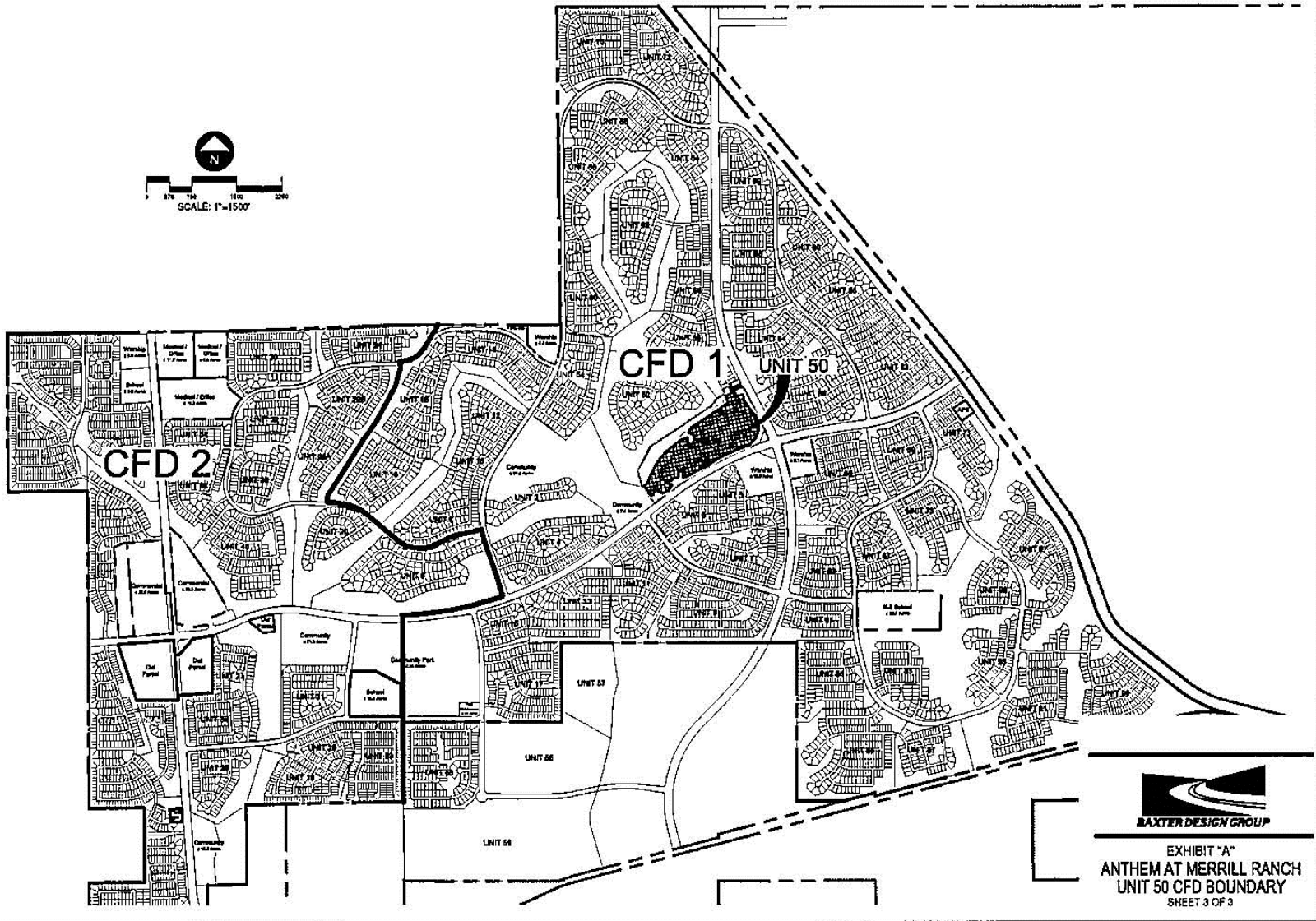
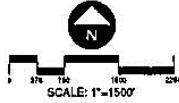
Community Park



K-8 Elementary School

Land not included in each respective district

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**BAXTER DESIGN GROUP**  
EXHIBIT "A"  
ANTHEM AT MERRILL RANCH  
UNIT 50 CFD BOUNDARY  
SHEET 3 OF 3

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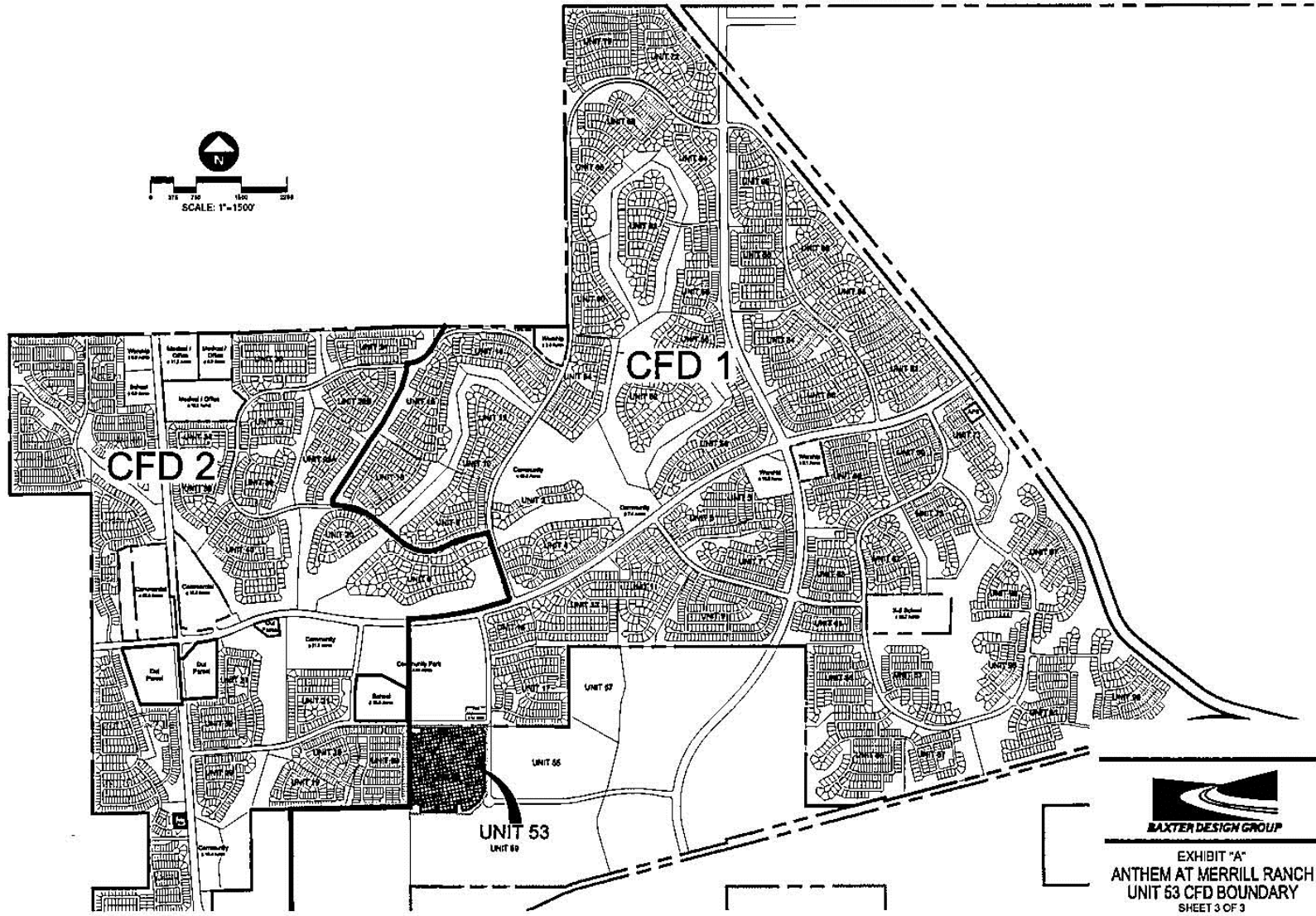


EXHIBIT "A"  
ANTHEM AT MERRILL RANCH  
UNIT 53 CFD BOUNDARY  
SHEET 3 OF 3

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**SECTION FOUR**

**ESTIMATED COSTS OF THE PROJECTS**

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## ESTIMATED COST OF THE PROJECTS

Shown below is a summary of the estimate acquisition costs of the Projects. These amounts are the result of public bidding to be, in aggregate decreased, but not increased. The actual acquisition costs of the Projects will be determined as prescribed in the Development Agreement, but will not collectively be more than those shown below.

Upon completion of the Projects, the District will dedicate the Projects to the Town. Accordingly, it is not anticipated that there will be operating or maintenance expenses in connection with the Projects. However, expenses may be paid in the future as described in the Development Agreement.

<b>Assessment Area Eight Two Projects</b>	<b>Estimated Costs</b>
<b>Unit 50</b>	
1. Engineering	\$155,600
2. Storm Drain	124,268
3. Street Improvements	647,953
Total Assessment Area Projects – Unit 50	\$927,821
<b>Unit 53</b>	
1. Engineering	\$157,800
2. Storm Drain	113,862
3. Street Improvements	656,455
Total Assessment Area Projects Unit 53	\$928,117
<b>Total</b>	<b>\$1,855,938</b>

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**SECTION FIVE**

**TIMETABLE FOR COMPLETION OF THE PROJECTS**

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## TIMETABLE FOR COMPLETION OF THE PROJECTS

<u>Project</u>	<u>Estimated Completion Date</u>
1. Engineering	Completed
2. Storm Drain	Completed
3. Street Improvements	June 2016

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**SECTION SIX**

**MAPS OF THE AREA TO BE BENEFITED**

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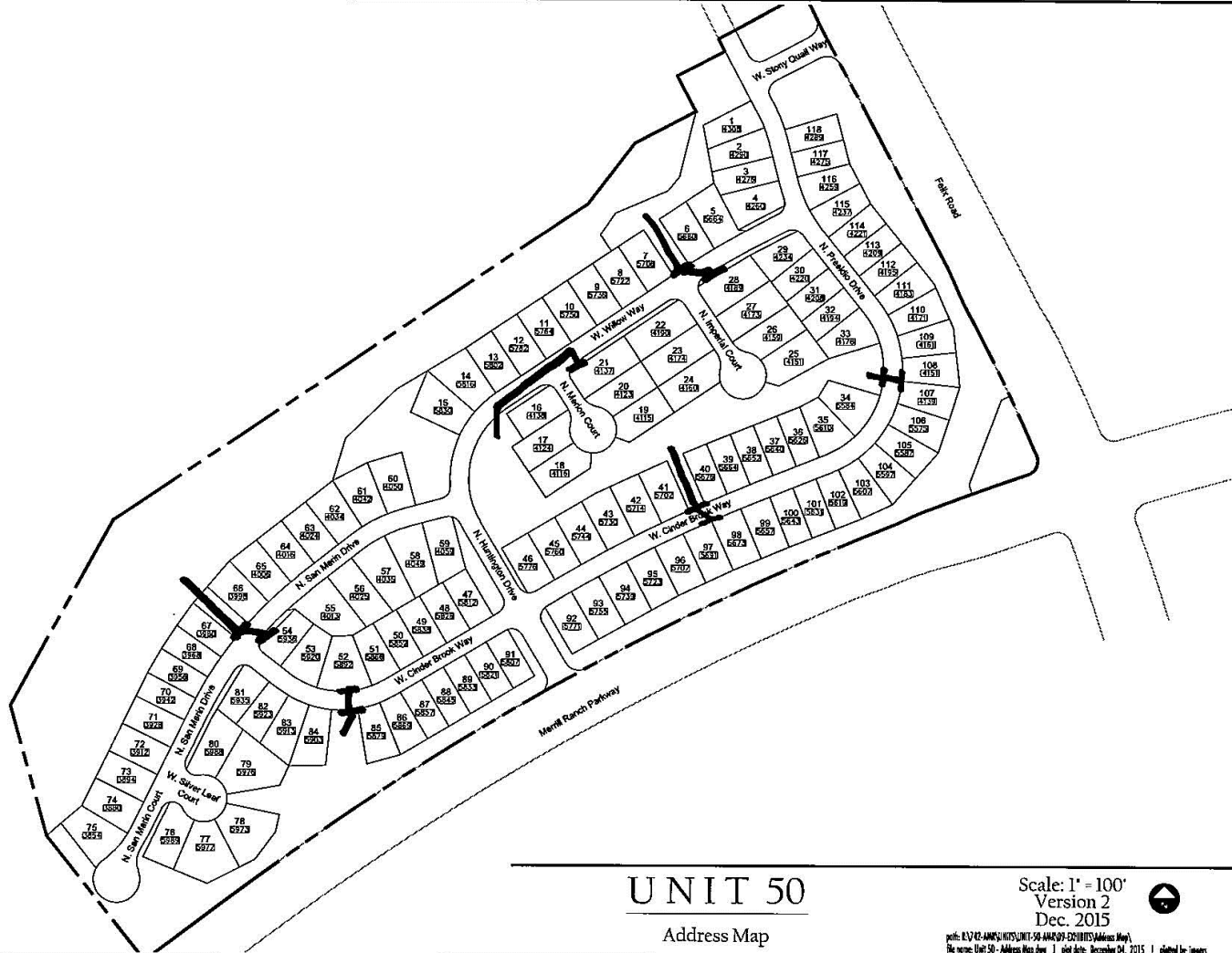
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**STORM DRAIN**

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anthem  
BY DEL WEBB



# UNIT 50

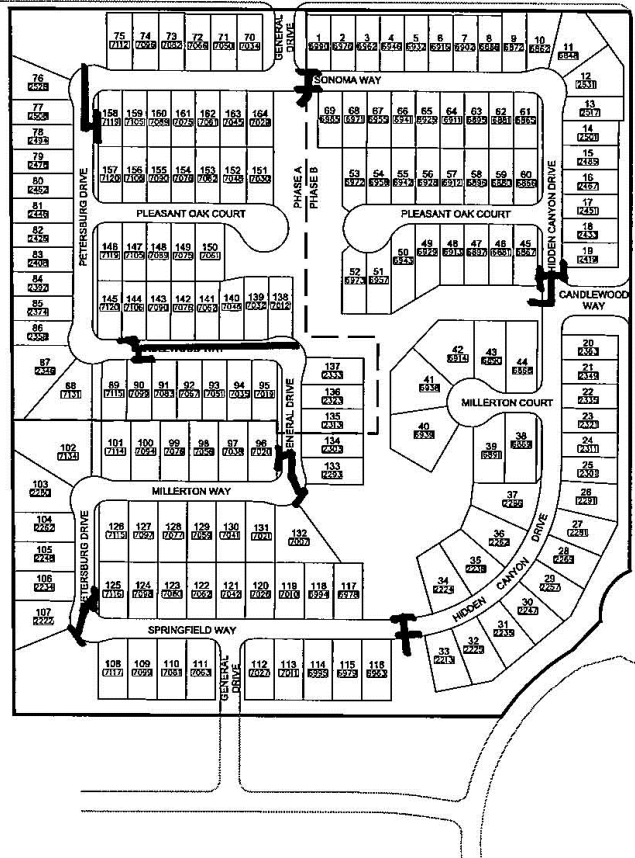
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Version 2  
Dec. 2015



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# UNIT 53

Address Map

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Version 8

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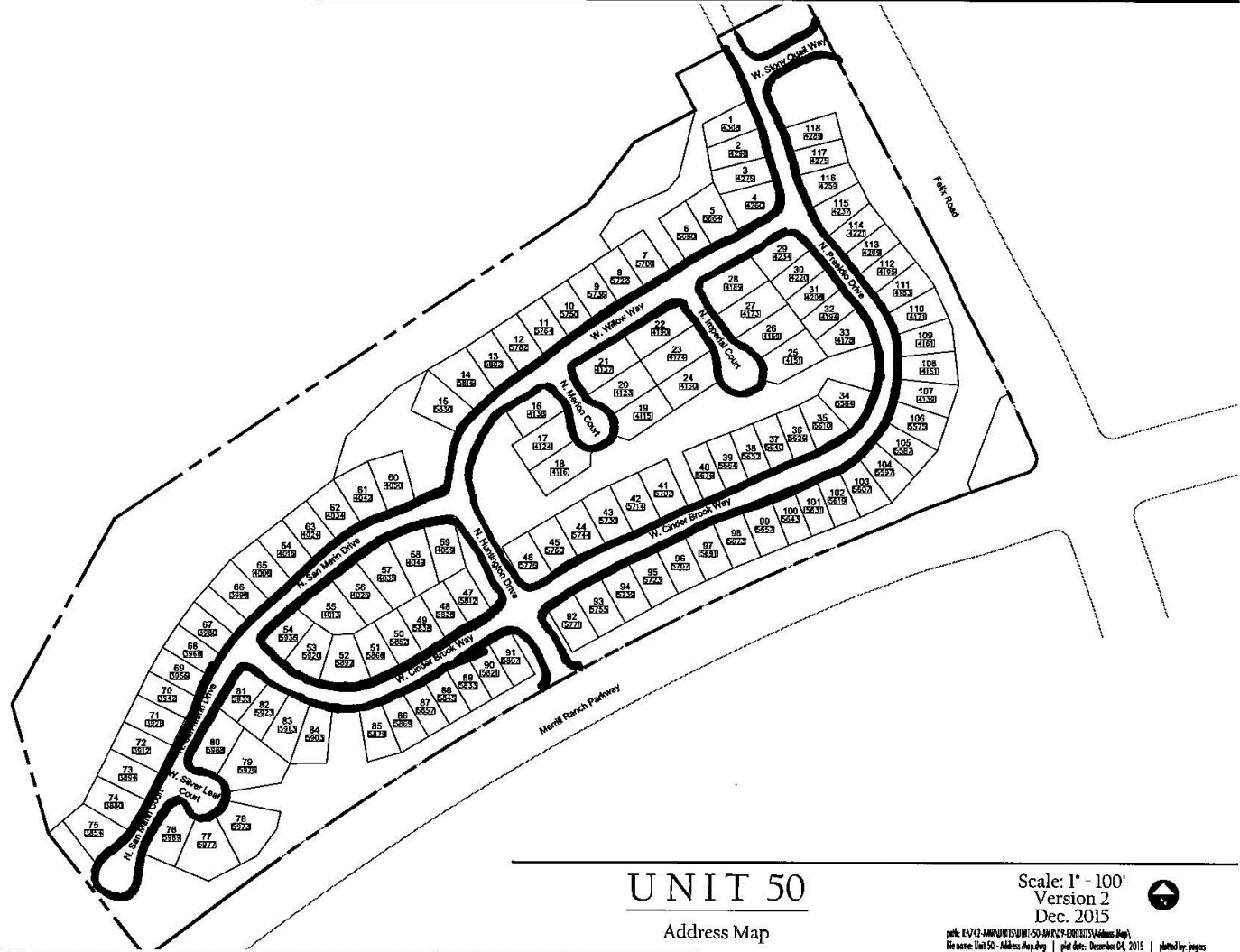
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anthem  
BY DEL WEBB



# UNIT 50

Address Map

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Dec. 2015

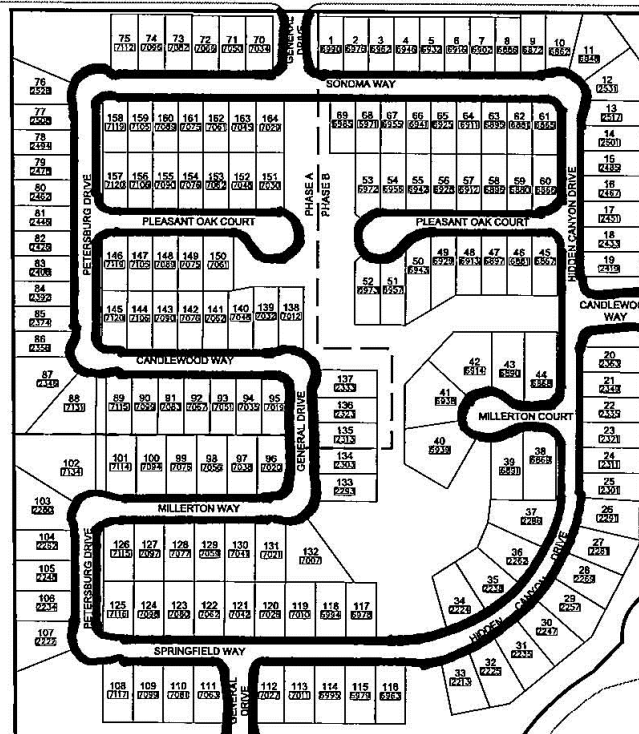


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**anthem**  
BY DEL WEBB



# UNIT 53

Address Map

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Version 8



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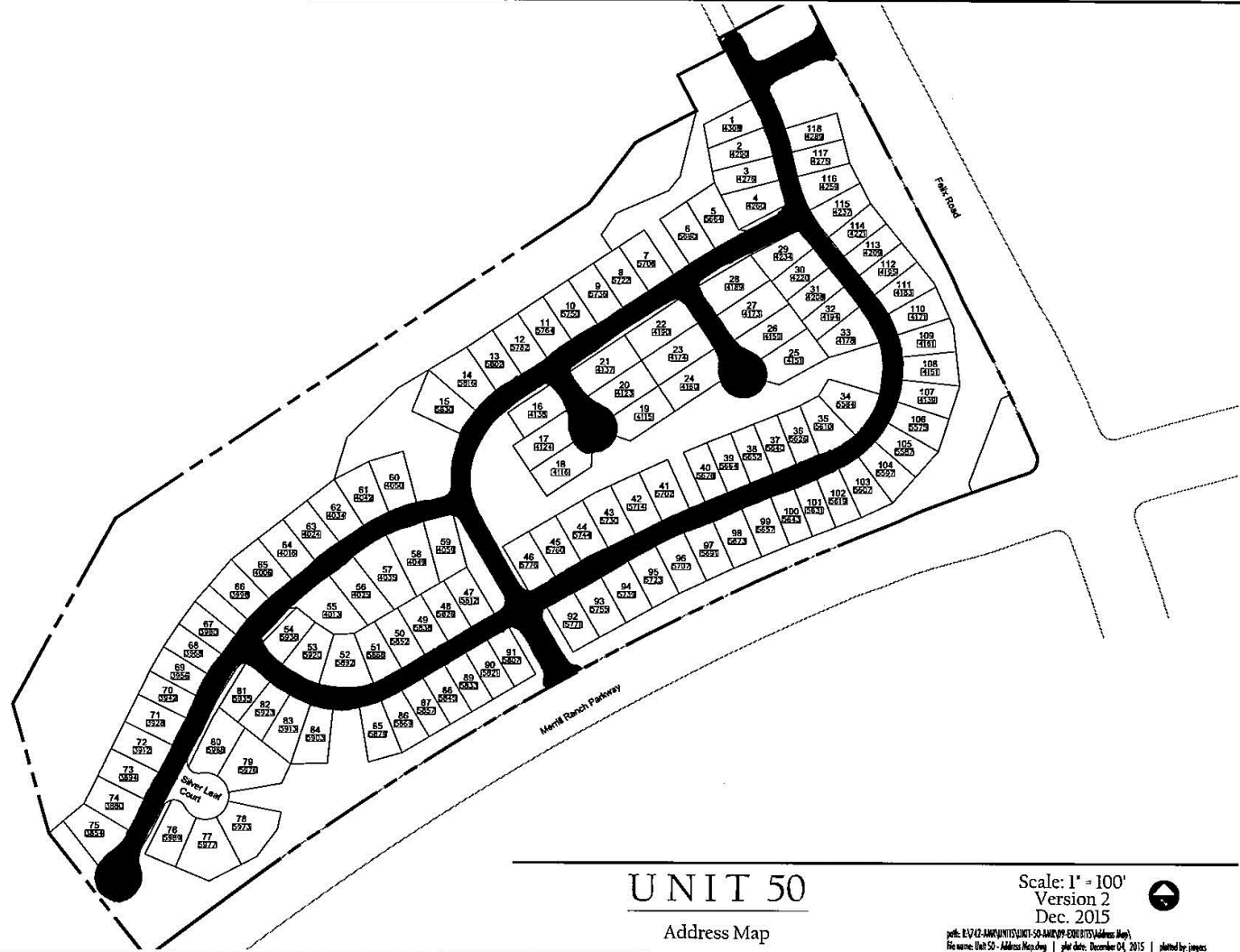
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# PAVING

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**anthem**  
BY DEL WEBB



# UNIT 50

Address Map

Scale: 1" = 100'  
Version 2  
Dec. 2015



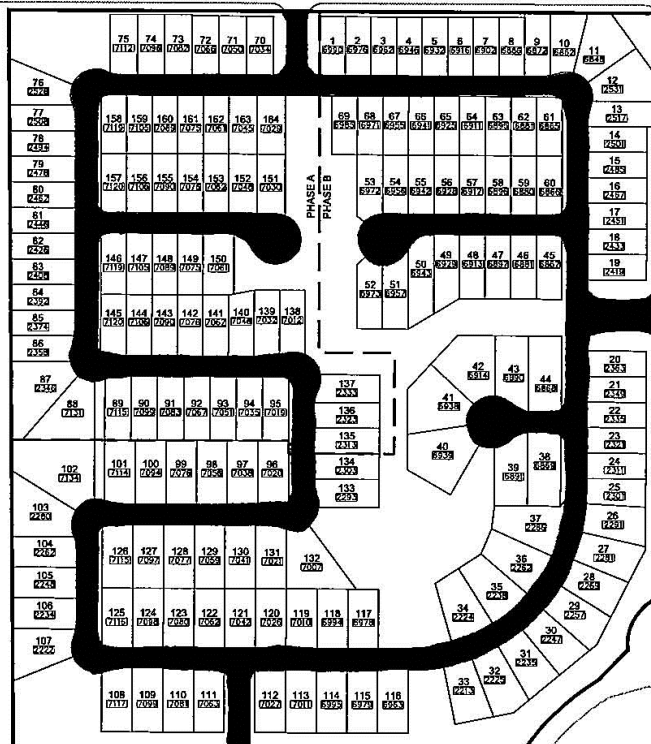
path: E:\P\42-AMM\UNIT50-AMM\PP-EXHIBITS\Address Map  
File name: Unit 50 - Address Map.dwg | plot date: December 04, 2015 | plotted by: jmg



**BAXTER DESIGN GROUP**  
7540 N. DeSoto Ave., Suite 200  
Scottsdale, AZ 85258  
(480) 818-6441



**anthem**  
BY DEL WEBB



# UNIT 53

Address Map

Scale: 1" = 200'  
Version 8



path: E:\342-AMM\UNIT53-AMM\09-REVISED\Address Map.dwg  
file name: Unit 53 - Address Map.dwg | plot date: January 26, 2016 | plotted by: jaynes



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**SECTION SEVEN**  
**PLAN OF FINANCE**

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The following describes the process for financing the Projects. This Plan of Finance is subject to modification to accommodate market conditions at the time of incurrence by the District of the special assessment lien installment purchase agreement and to the extent necessary to comply with federal and State Law.

(1) Costs of the acquisition of the Projects as described in Section Six – “ESTIMATED COSTS OF THE PROJECTS” will be provided for by the District pursuant to the Development Agreement.

(2) Payments due with respect to the Projects pursuant to the Development Agreement (the “Payments”) shall be payable from amounts collected by the District from the hereinafter described special assessment (the “Assessment”).

(3) The District shall sell and issue the Bonds pursuant to the provisions of the Act and the Bonds shall be payable from amounts collected by the District from the hereinafter described special assessment (the “Assessment”).

The Assessment shall be levied pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable and except as otherwise provided in the Development Agreement, upon the Assessment Area based on the benefits to be received by and as allocated to the parcels into which the Assessment Area is or is to be divided.

The per parcel assessment amount is expected to be no more than \$3,500. Average annual payments with respect to such portion will be approximately \$265. Pulte currently expects that at the time of sale of the home to the buyer, this amount will be assumed by the homebuyer and the annual payments made over time.

The estimated uses of the proceeds of the Bonds are as follows:

<b><u>Assessment Area Eight – Units 50 and 53</u></b>	
Costs of Public Infrastructure	\$818,000
Bond Counsel	\$40,000
Pricing Agent (a)	\$5,000
Placement Fee (b)	\$40,000
Debt Service Reserve Fund	\$84,000
Total	<u>\$987,000</u>

(a) Pricing Agent to be retained by the District to opine on the coupon/yield for the Series 2016 Bonds if privately placed by Stifel.

(b) Bonds may be privately placed with officers of Stifel and/or other qualified investors (See Appendix B, Qualified Investor Letter).

NOTE: All figures have been rounded. Individual categories are estimates. The total of both Bonds to be issued will not exceed \$987,000 in principal amount and a such, certain of these amounts may change when the final terms of the transaction are determined.

(4) The Bonds are expected to have approximately 25 year maturity with the first year being interest only and the principal amount amortized over the remaining 24 years. The Bonds will not be rated or credit-enhanced in any form and will be privately placed as further described herein. See the following “proposed Debt Service Requirements” in this Section.

(5) A.R.S. Section 32-2181 et seq. requires the disclosure of all property taxes and assessments to be paid by a homeowner in the Arizona Department of Real Estate Subdivision Public Report (the "Public Report"). Each homebuyer must be supplied a Public Report and, prior to any home sale, the homebuyer must acknowledge by signature that they have read and accepted the Public Report. In addition, Pulte will require the homebuyer to sign an additional form that highlights and discloses the additional assessment payments as a result of District financing.

(6) The District has entered into an agreement with the Pinal County Treasurer for the collection of the Assessments in a similar manner to, and together with, the collection by the County of real property taxes.



**\$987,000**  
**Merrill Ranch Community Facilities District No. 1**  
**(Town of Florence, Arizona)**  
**Assessment Area Eight - Units 50 & 53**  
**Special Assessment Revenue Bonds, Series 2016**  
**Estimated Debt Service Schedule**

<u>Date</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Debt Service</u>
7/1/2017	\$6,630	\$76,986	\$83,616
7/1/2018	17,440	66,175	83,615
7/1/2019	18,610	64,998	83,608
7/1/2020	19,870	63,742	83,612
7/1/2021	21,210	62,400	83,610
7/1/2022	22,640	60,969	83,609
7/1/2023	24,170	59,441	83,611
7/1/2024	25,800	57,809	83,609
7/1/2025	27,540	56,068	83,608
7/1/2026	29,400	54,209	83,609
7/1/2027	31,390	52,224	83,614
7/1/2028	33,500	50,105	83,605
7/1/2029	35,770	47,844	83,614
7/1/2030	38,180	45,430	83,610
7/1/2031	40,760	42,852	83,612
7/1/2032	43,510	40,101	83,611
7/1/2033	46,450	37,164	83,614
7/1/2034	49,580	34,029	83,609
7/1/2035	52,930	30,682	83,612
7/1/2036	56,500	27,109	83,609
7/1/2037	60,310	23,296	83,606
7/1/2038	64,390	19,225	83,615
7/1/2039	68,730	14,878	83,608
7/1/2040	73,370	10,239	83,609
7/1/2041	78,320	5,287	83,607
Total	\$987,000	\$1,103,260	\$2,090,260

(1) Interest estimated at 6.75% per annum. Subject to change based on credit rating and market conditions at time of sale.

Assumes a May 5, 2016 closing with a first interest payment date of January 1, 2017.

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**APPENDIX A**

**LEGAL DESCRIPTION OF ASSESSMENT AREA**

---



**Community Facilities District**  
**Legal Description**  
**Anthem at Merrill Ranch, Unit 50**

A parcel of land lying within the East Half Section 19 and the Northwest Quarter of Section 20, Township 4 South, Range 9 East of the Gila and Salt River Meridian, Pinal County, Alizona, more particularly described as follows:

Commencing at the Northwest Corner of said Section 20 (3" Aluminum Cap, No ID, found) from which the North Quarter Corner of Section 20 (1-112" Aluminum Cap, No ID, found) bears North 89 degrees 57 minutes 31 seconds East (basis of bearing), 2634.19 feet and the West Quarter Corner of Section 20 (1/2" Rebar, No ID, found) bears South 00 degrees 15 minutes 55 seconds East, 2466.14 feet;

Thence South 00 degrees 15 minutes 55 seconds East along the West line of the Northwest Quarter of Section 20, a distance of 997.99 feet to a point from which the West Quarter Corner of Section 20 bears South 00 degree 15 minutes 55 seconds East, a distance of 1646.15 feet;

Thence departing said West line, North 89 degrees 44 minutes 05 seconds East, a distance of 178.60 feet to the **POINT OF BEGINNING**;

Thence, North 62 degrees 12 minutes 07 seconds East, a distance of 40.00 feet;

Thence, South 27 degrees 47 minutes 53 seconds East, a distance of 61.00 feet;

Thence, Southeasterly an arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, North 62 degrees 12 minutes 07 seconds East, a distance of 110.00 feet;

Thence, Northerly an arc distance of 47.12 feet along a curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 27 degrees 47 minutes 53 seconds East, a distance of 110.00 feet;

Thence, Westerly an arc distance of 47.12 feet along a non-tangent curve to the left having a radius of 30.00 and an included angle of 90 degrees 00 minutes 00 seconds. The radius point bears South 62 degrees 12 minutes 07 seconds West;

Thence, South 62 degrees 12 minutes 07 seconds West, a distance of 110.00 feet;

Thence, Southerly and arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 27 degrees 47 minutes 53 seconds East, a distance of 19.81 feet;

7580 N.DOBSON RD. SUITE 200  
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CITY  
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HEBER CITY, UT 84032  
435-709-8234

SCOTTSDALE - HEBER



Thence, Southerly an arc distance of 57.42 feet along a curve to the right having a radius of 320.0 and an included angle of 10 degrees 16 minutes 51 seconds;

Thence, North 72 degrees 28 minutes 58 seconds East, a distance of 115.64 feet;

Thence, South 14 degrees 24 minutes 00 seconds East, a distance of 111.18 feet;

Thence, South 27 degrees 47 minutes 13 seconds East, a distance of 96.35 feet;

Thence, South 38 degrees 35 minutes 04 seconds East, a distance of 218.05 feet;

Thence, South 23 degrees 59 minutes 00 seconds East, a distance of 101.46 feet;

Thence, South 06 degrees 09 minutes 54 seconds East, a distance of 126.93 feet;

Thence, South 17 degrees 37 minutes 22 seconds West, a distance of 147.44 feet;

Thence, South 41 degrees 20 minutes 48 seconds West, a distance of 147.42 feet;

Thence, South 64 degrees 59 minutes 25 seconds West, a distance of 73.71 feet;

Thence, South 68 degrees 26 minutes 54 seconds West, a distance of 164.56 feet;

Thence, South 67 degrees 28 minutes 04 seconds West, a distance of 129.21 feet;

Thence, South 64 degrees 54 minutes 22 seconds West, a distance of 129.09 feet;

Thence, South 61 degrees 04 minutes 29 seconds West, a distance of 258.45 feet;

Thence, North 30 degrees 35 minutes 31 seconds West, a distance of 114.94 feet;

Thence, Southerly an arc distance of 35.64 feet along a non-tangent curve to the left having a radius of 25.00 feet and an included angle of 81 degrees 40 minutes 57 seconds. The radius point bears S01 degrees 54 minutes 34 seconds East;

Thence, South 30 degrees 35 minutes 31 seconds East, a distance of 101.22 feet;

Thence, Easterly an arc distance of 46.07 feet along a curve to the left having a radius of 30.00 feet and an included angle of 87 degrees 59 minutes 46 seconds;

Thence, Westerly an arc distance of 109.51 feet along a non-tangent curve to the left having a radius of 6057.50 feet and an included angle of 01 degrees 02 minutes 08 seconds. The radius point bears N01 degrees 35 minutes 17 seconds East;

Thence, Northerly an arc distance of 47.63 feet along a non-tangent curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 58 minutes 05 seconds. The radius point bears N00 degrees 37 minutes 26 seconds West;



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Thence, North 30 degrees 35 minutes 31 seconds West, a distance of 98.37 feet;

Thence, Westerly an arc distance of 35.64 feet along a curve to the left having a radius of 25.00 feet and an included angle of 81 degrees 40 minutes 57 seconds;

Thence, South 30 degrees 35 minutes 31 seconds East, a distance of 114.74 feet;

Thence, South 59 degrees 24 minutes 29 seconds West, a distance of 332.41 feet;

Thence, South 74 degrees 48 minutes 15 seconds West, a distance of 74.38 feet;

Thence, North 09 degrees 23 minutes 02 seconds West, a distance of 118.15 feet;

Thence, Westerly an arc distance of 57.26 feet along a non-tangent curve to the right having a radius of 220.00 feet and an included angle of 14 degrees 54 minutes 44 seconds. The radius point bears North 09 degrees 23 minutes 02 seconds West;

Thence, South 05 degrees 31 minutes 42 seconds West, a distance of 117.76 feet;

Thence, South 88 degrees 19 minutes 50 seconds West, a distance of 79.83 feet;

Thence, South 25 degrees 15 minutes 46 seconds West, a distance of 45.59 feet;

Thence, South 80 degrees 12 minutes 41 seconds West, a distance of 114.72 feet;

Thence, Southerly an arc distance of 19.06 feet along a non-tangent curve to the right having a radius of 50.00 feet and an included angle of 21 degrees 50 minutes 16 seconds. The radius point bears South 80 degrees 12 minutes 41 seconds West;

Thence, South 77 degrees 57 minutes 03 seconds East, a distance of 115.00 feet;

Thence, South 12 degrees 02 minutes 57 seconds West, a distance of 37.36 feet;

Thence, South 27 degrees 14 minutes 26 seconds West, a distance of 72.84 feet;

Thence, South 62 degrees 25 minutes 55 seconds West, a distance of 114.98 feet;

Thence, North 67 degrees 11 minutes 07 seconds West, a distance of 160.60 feet;

Thence, Southerly an arc distance of 35.31 feet along a non-tangent curve to the left having a radius of 50.00 feet and an included angle of 40 degrees 27 minutes 50 seconds. The radius point bears South 71 degrees 47 minutes 21 seconds East;

Thence, Westerly an arc distance of 201.21 feet along a reverse curve to the right having a radius of 50.00 feet and an included angle of 230 degrees 34 minutes 07 seconds;

Thence, North 38 degrees 06 minutes 23 seconds West, a distance of 121.02 feet;



Thence, North 49 degrees 31 minutes 55 seconds East, a distance of 58.08 feet;

Thence, North 26 degrees 15 minutes 12 seconds East, a distance of 316.73 feet;

Thence, North 29 degrees 15 minutes 03 seconds East, a distance of 59.04 feet;

Thence, North 33 degrees 48 minutes 20 seconds East, a distance of 59.04 feet;

Thence, North 36 degrees 23 minutes 55 seconds East, a distance of 59.04 feet;

Thence, North 40 degrees 10 minutes 56 seconds East, a distance of 45.66 feet;

Thence, North 40 degrees 37 minutes 18 seconds East, a distance of 72.86 feet;

Thence, North 51 degrees 57 minutes 48 seconds East, a distance of 279.09 feet;

Thence, North 62 degrees 05 minutes 05 seconds East, a distance of 83.61 feet;

Thence, North 73 degrees 44 minutes 18 seconds East, a distance of 76.69 feet;

Thence, South 14 degrees 54 minutes 56 seconds East, a distance of 116.42 feet;

Thence, North 75 degrees 05 minutes 04 seconds East, a distance of 57.01 feet;

Thence, Northeasterly an arc distance of 34.65 feet along a curve to the left having a radius of 25.00 feet and an included angle of 79 degrees 24 minutes 58 seconds;

Thence, Northerly an arc distance of 112.23 feet along a reverse curve to the right having a radius of 220.00 feet and an included angle of 29 degrees 13 minutes 42 seconds;

Thence, North 65 degrees 06 minutes 12 seconds West, a distance of 116.00 feet;

Thence, North 22 degrees 20 minutes 38 seconds East, a distance of 94.87 feet;

Thence, North 59 degrees 10 minutes 51 seconds East, a distance of 94.92 feet;

Thence, North 56 degrees 17 minutes 57 seconds East, a distance of 455.45 feet;

Thence, South 33 degrees 42 minutes 03 seconds East, a distance of 115.00 feet;

Thence, North 56 degrees 17 minutes 57 seconds East, a distance of 40.00 feet;

Thence, North 33 degrees 42 minutes 03 seconds West, a distance of 115.00 feet;

Thence, North 56 degrees 17 minutes 57 seconds East, a distance of 140.61 feet;



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Thence, North 10 degrees 30 minutes 42 seconds West, a distance of 126.14 feet;

Thence, North 62 degrees 12 minutes 07 seconds East, a distance of 115.00 feet;

Thence, North 27 degrees 47 minutes 53 seconds West, a distance of 149.40 feet to the **POINT OF BEGINNING**.

Containing 29.1213 acres, more or less.

See **Exhibit "A"**, attached.



**Community Facilities District**  
**Legal Description**  
**Anthem at Merrill Ranch, Unit 53**

A parcel of land lying within the West Half Section 30, Township 4 South, Range 9 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northwest Corner of said Section 30 (2" Aluminum Cap, LS 21065, found) from which the West Quarter Corner of Section 30 (3" GLO Brass Cap "1928", found) bears South 00 degrees 25 minutes 29 seconds East (basis of bearing), a distance of 2644.96 feet and the North Quarter Corner of Section 30 (2" Aluminum Cap, LS 21065, found) bears South 89 degrees 54 minutes 48 seconds East, a distance of 2648.09 feet;

Thence, South 00 degrees 25 minutes 29 seconds East along the West line of the Northwest Quarter of Section 30, a distance of 1416.17 feet to a point from which the West Quarter Corner of Section 30 bears South 00 degree 25 minutes 29 seconds East, a distance of 1288.22 feet, said point being the **POINT OF BEGINNING**.

Thence, South 67 degrees 25 minutes 21 second; East, a distance of 134.25 feet;

Thence, Easterly an arc distance of 81.45 feet along a non-tangent curve to the right having a radius of 50.00 feet and an included angle of 93 degrees 20 minutes 15 seconds. The radius point bears South 67 degrees 25 minutes 21 seconds East;

Thence, Easterly an arc distance of 5.95 feet along a reverse curve to the left having a radius of 50.00 feet and an included angle of 06 degrees 49 minutes 20 seconds;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 115.27 feet;

Thence, South 89 degrees 55 minutes 37 second; East, a distance of 160.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 3.00 feet;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 160.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 115.00 feet;

Thence, Northeasterly an arc distance of 39.27 feet along a non-tangent curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 second;. The radius point bears North 00 degrees 04 minutes 23 seconds East;

Thence, North 00 degrees 04 minutes 23 second; East, a distance of 85.00 feet;

Thence, Northerly an arc distance of 15.50 feet along a curve to the left having a radius of 30.00 feet and an included angle of 29 degrees 35 minutes 52 seconds;

7580 N. DOBSON RD. SUITE 200  
SCOTTSDALE, AZ 85256  
CITY  
480-818-6001

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HEBER CITY, UT 84032  
435-709-8234

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Thence, South 89 degrees 55 minutes 50 seconds East, a distance of 47.83 feet;

Thence, Southerly an arc distance of 15.50 feet along a non-tangent curve to the left having a radius of 30.00 feet and an included angle of 29 degrees 36 minutes 18 seconds. The radius point bears South 60 degrees 19 minutes 19 seconds East;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 85.00 feet;

Thence, Southeasterly an arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 115.00 feet;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 400.00 feet;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 9.85 feet;

Thence, South 89 degrees 55 minutes 51 seconds East, a distance of 167.80 feet;

Thence, South 35 degrees 56 minutes 36 seconds East, a distance of 137.51 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 111.16 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 10.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 300.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 115.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 13.79 feet;

Thence, Southeasterly an arc distance of 39.27 feet along a curve to the left, having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 85.00 feet;

Thence, Northeasterly an arc distance of 47.12 feet along a curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 120.00 feet;

Thence, Northwesterly an arc distance of 47.12 feet along a non-tangent curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 00 minutes 00 seconds. The radius point bears North 89 degrees 55 minutes 37 seconds West;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 85.00 feet;



Thence, Southwesterly and arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 15.00 feet;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 115.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 388.78 feet;

Thence, South 26 degrees 59 minutes 32 seconds West, a distance of 208.51 feet;

Thence, South 50 degrees 32 minutes 56 seconds West, a distance of 209.86 feet;

Thence, South 78 degrees 51 minutes 09 seconds West, a distance of 116.24 feet;

Thence, North 11 degrees 08 minutes 51 seconds West, a distance of 116.00 feet;

Thence, Westerly an arc distance of 67.56 feet along a non-tangent curve to the right having a radius of 345.00 feet and an included angle of 11 degrees 13 minutes 14 seconds. The radius point bears North 11 degrees 08 minutes 51 seconds West;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 1.95 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 125.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 30.00 feet;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 120.00 feet;

Thence, Southerly an arc distance of 23.18 feet along a non-tangent curve to the left having a radius of 25.00 feet and an included angle of 53 degrees 07 minutes 49 seconds. The radius point bears South 36 degrees 47 minutes 48 seconds East;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 132.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 40.00 feet;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 132.00 feet;

Thence, Northerly an arc distance of 23.18 feet along a curve to the left having a radius of 25.00 feet and an included angle of 53 degrees 07 minutes 48 seconds;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 120.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 240.00 feet;



Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 115.82 feet;

Thence, Westerly and arc distance of 68.28 feet along a non-tangent curve to the right having a radius of 50.00 feet and an included angle of 78 degrees 14 minutes 52 seconds. The radius point bears North 10 degrees 17 minutes 48 seconds West;

Thence, South 67 degrees 57 minutes 04 seconds West, a distance of 127.73 feet;

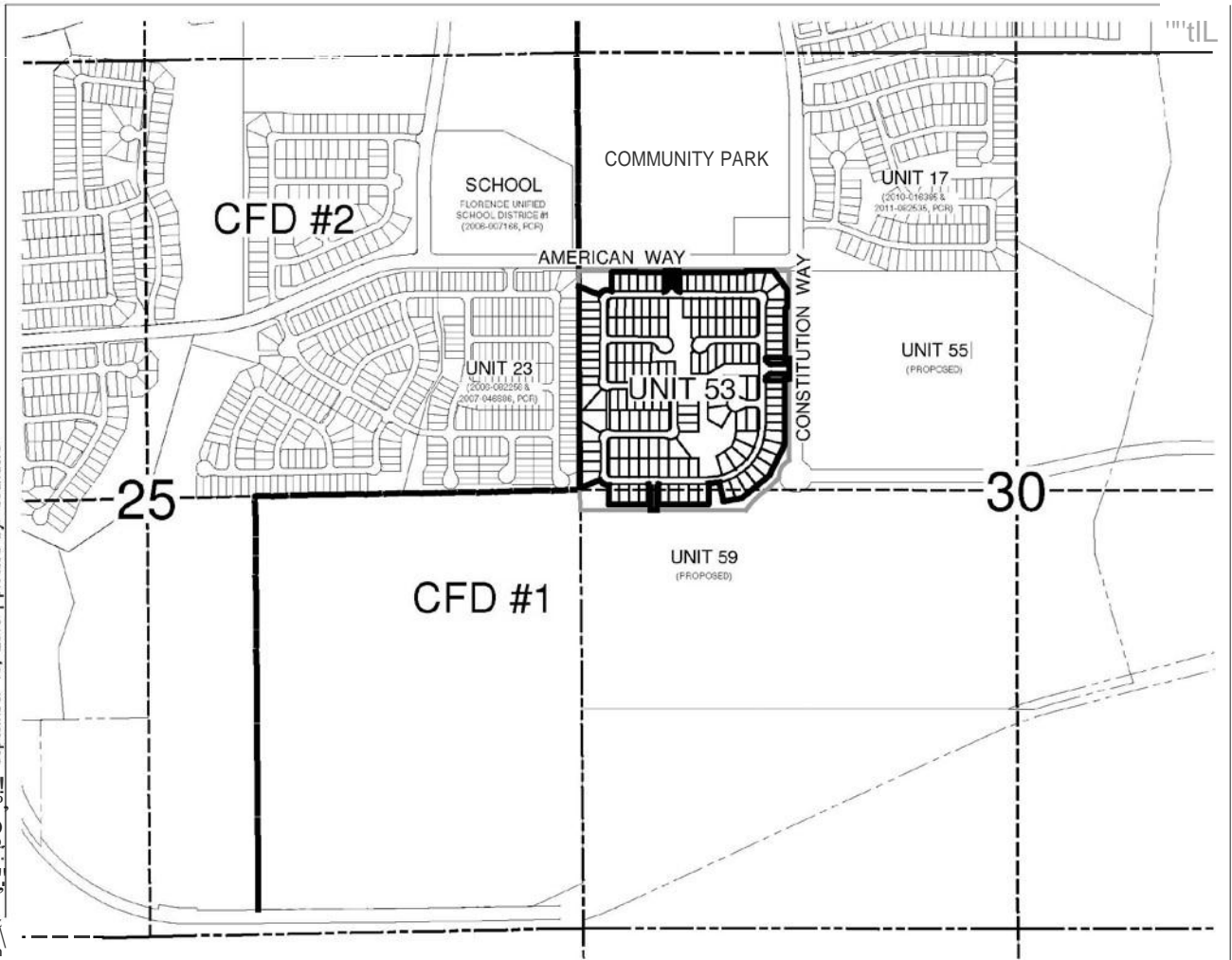
Thence, North 00 degrees 25 minutes 29 seconds West, a distance of 1217.50 feet to the **POINT OF BEGINNING**.

Containing 37.3131 acres, more or less.

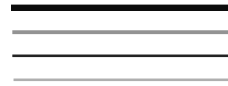
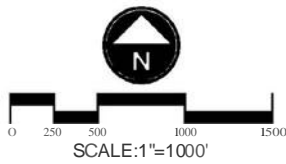
See **Exhibit "A", attached.**

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B:\Projects\742-AMR\UNIT-53-AMR\09-EXHIBITS\CFD Exhibit\file\m:\ssanders



**VICINITY MAP**



**LINE LEGEND**

- BOUNDARY LINE (CFD LIMITS)
- PARCEL BOUNDARY LINE
- UNIT 53 LOT LINE
- ADJACENT PARCEL LOT LINE
- MID-SECTION LINE
- SECTION LINE

**ABBREVIATIONS**

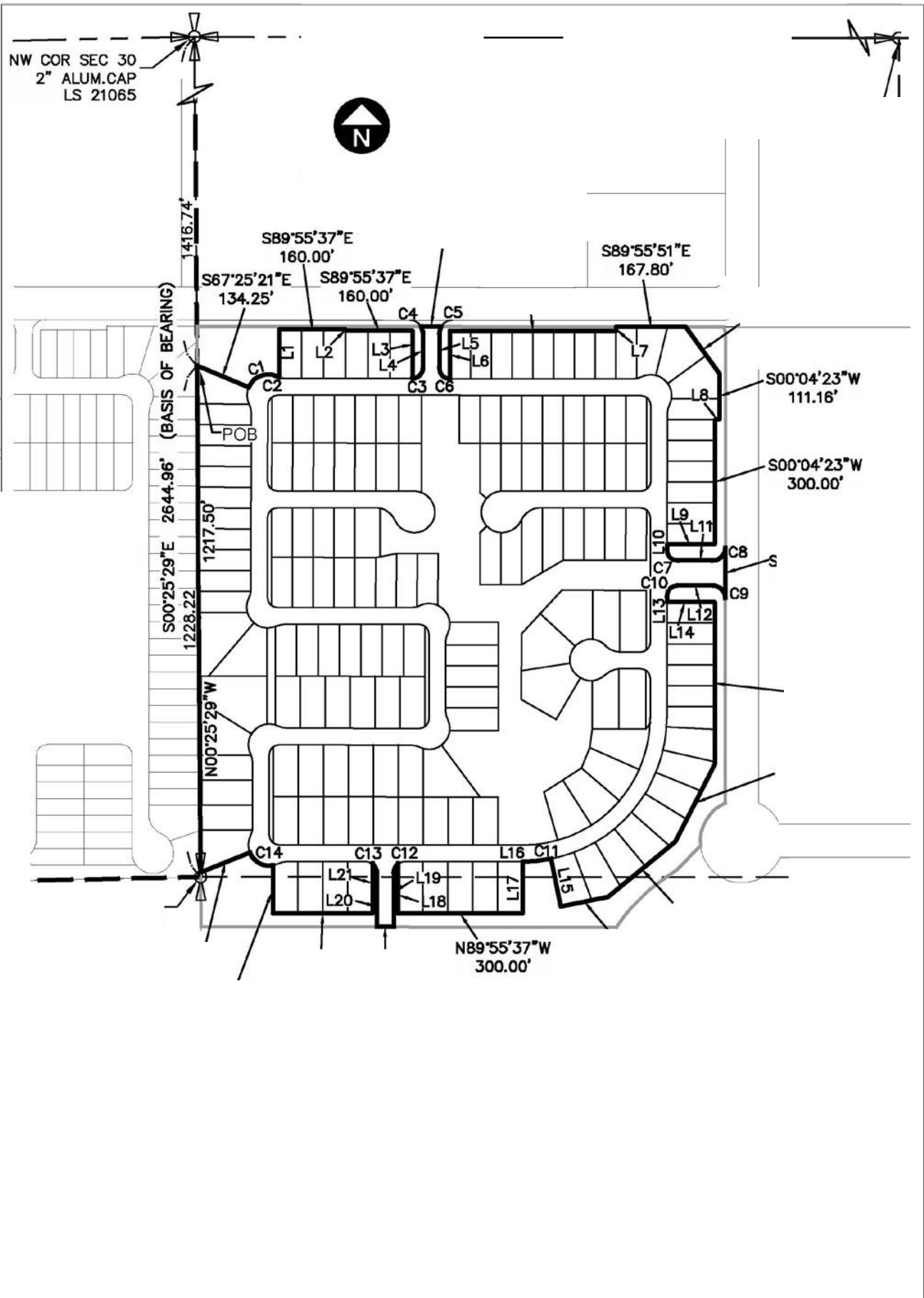
- CFD COMMUNITY FACILITIES DISTRICT
- BOB BASIS OF BEARING
- POB POINT OF BEGINNING

CURVE TABLE				
CURVE	LENGTH	RADIUS	DELTA	ANGLE
C1	81.45'	50.00'	93°20'15"	53.00°
C2	5.95'	50.00'	6°49'20"	2.98°
C3	39.27'	25.00'	90°00'00"	25.00°
C4	15.50'	30.00'	29°35'52"	7.93°
C5	15.50'	30.00'	29°36'18"	7.93°
C6	39.27'	25.00'	90°00'00"	25.00°
C7	39.27'	25.00'	90°00'00"	25.00°
C8	47.12'	30.00'	90°00'00"	30.00°
C9	47.12'	30.00'	90°00'00"	30.00°
C10	39.27'	25.00'	90°00'00"	25.00°
C11	67.56'	345.00'	11°13'15"	33.89°
C12	23.18'	25.00'	53°07'48"	12.50°
C13	231.8'	25.00'	53°07'48"	12.50°
C14	68.28'	50.00'	78°14'52"	40.67°



EXHIBIT "A"  
**ANTHEM AT MERRILL RANCH**  
**UNIT 53 CFD BOUNDARY**  
 SHEET 1 OF 3

2015 | plotted by: asanders



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**APPENDIX B**

**QUALIFIED INVESTOR LETTER**

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"PRIVATE PLACEMENT INVESTOR LETTER"

"QUALIFIED INVESTOR LETTER"

....., .....

Merrill Ranch Community Facilities District No. 1  
....., as Trustee

[**In first use only:** Stifel, Nicolaus & Company, Incorporated]

Re: Merrill Ranch Community Facilities District No. 1  
Special Assessment Lien Bonds (Assessment Area Eight)

Please be advised that the undersigned is, or is an authorized officer of, the purchaser (in either case, hereinafter referred to as the "Purchaser") of a beneficial ownership interest in the captioned bonds (hereinafter referred to as the "Bonds") in the aggregate principal amount of \$..... The Purchaser hereby acknowledges that the Bonds (i) are not being registered under the federal Securities Act of 1933, as amended (the "Securities Act"), in reliance upon certain exemptions set forth in the Securities Act, (ii) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) will not be listed on any stock or other securities exchange, (iv) will not carry any bond rating from any rating service and (v) are not readily marketable. The Purchaser assumes all responsibility for complying with any applicable federal and state securities laws in connection with any subsequent offer and sale of such interest in the Bonds and, in that regard, **agrees to only offer and sell such interest to or through a broker, dealer or broker-dealer.**

In regard to the foregoing, the Purchaser hereby certifies, acknowledges, warrants and represents that:

(1)The Purchaser is one of the following:

(i)a "qualified institutional buyer," as such term is defined in Rule 144A of the Securities Act;

(ii)an "accredited investor" as defined in Rule 501 of Regulation D of the United States Securities and Exchange Commission;

(iii)an officer of Stifel Nicolaus and Company, Incorporated and

(iv)an entity in which all of the equity owners, either directly or indirectly, are of the type described under paragraph (i), (ii) or (iii) above.

The Purchaser expressly waives all responsibility of the addressee District for complying with any applicable fed-

eral and state securities laws with respect to the sale of the Bonds including any requirement to provide any information that is relevant to the investment decision to purchase the Bonds, and agrees to hold the addressee District and the Town of Florence, Arizona (hereinafter referred to as the "Town"), harmless for, from and against any and all liabilities claims, damages or losses resulting directly or indirectly from such failure to comply.

(2) Such purchase of such interest in the Bonds is for the account of the Purchaser, for the purpose of investment and not with a present intent for distribution or resale.

(3) An opportunity was available to obtain and that the Purchaser has obtained all information which was regarded as necessary to evaluate and has independently evaluated the merits and risks of investment in the Bonds, and after such evaluation, the Purchaser understood and knew that investment in the Bonds involved certain risks, including, but not limited to, those related to limited security and source for payment of the Bonds, the status of development and its impact on payment of the Bonds, the possible transfer of land by the owners of land in the addressee District, failure or inability of owners to complete proposed development of such land, bankruptcy and foreclosure delays, and the lack of any secondary market for the Bonds.

(4) The Purchaser is not relying on the addressee District or the Town in making its decision to purchase the Bonds and agrees that the Town is not obligated in any manner for the issuance or payment of the Bonds.

(5) The Purchaser acknowledges that no offering document, such as an official statement, was prepared by the District and the Purchaser agrees it has obtained all information necessary to make an investment in the Bonds. Neither the addressee District or the Town, or the respective officials, officers, directors, council members, advisors, employees and agents of either have undertaken to furnish, nor has the Purchaser requested, information that may have been furnished to the Purchaser by any third party in connection with investment in the Bonds. Notwithstanding the foregoing, the undersigned acknowledges that it has received from Stifel, Nicolaus & Company, Incorporated ("Stifel") the following documents and/or materials related to the work being financed with proceeds of the sale of the Bonds and the addressee District:



a. District Development Financing Participation and Intergovernmental Agreement, dated as of November 1, 2005, as amended by the Eighth Amendment and Waivers (Assessment Area Eight - Units 50 and 53), dated as of April 1, 2016, by and between Merrill Ranch Community Facilities District No. 1 and Pulte Homes Corporation.

b. Compilation of information from Feasibility Reports for the issuance of Special Assessment Bonds (Assessment Area Eight).

(6) The Purchaser is experienced in transactions such as those relating to the Bonds, is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds and did not rely on the addressee District or the Town, or any official, officer, director, council member, advisor, employee or agent of either in making its decision to invest in the Bonds.

(7) None of the Town, the addressee District nor Pulte Home Corporation has prepared or requested the preparation of an appraisal with respect to the Assessment Area, and none of the above make any representations with respect to the value of the lots and parcels within such Assessment Area.

(8) Stifel is acting as placement agent and not as an underwriter with respect to the Bonds. As placement agent, Stifel has not undertaken an independent evaluation or investigation of the agreements or feasibility report referenced in the immediately preceding paragraph 5 and does not guarantee the accuracy, enforceability or completeness of such documents.

.....

By.....

Printed Name:.....

Title:.....

RESOLUTION NO. MRCFD1 \_\_\_\_133\_-16

(MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1)

A RESOLUTION OF THE DISTRICT BOARD OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 APPROVING THE ASSESSMENT DIAGRAM AND METHOD OF ASSESSMENT WITH RESPECT TO ASSESSMENT AREA EIGHT AND PROVIDING FOR THE LEVY OF THE RELATED ASSESSMENT AND AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$1,000,000 AGGREGATE PRINCIPAL AMOUNT OF SPECIAL ASSESSMENT LIEN BONDS (ASSESSMENT AREA EIGHT AND APPROVING THE FORM; AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST AND SECURITY AGREEMENT, A BOND PLACEMENT CONTRACT AND CERTAIN OTHER DOCUMENTS WITH RESPECT TO THE BONDS AND ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE DISTRICT

BE IT RESOLVED BY THE DISTRICT BOARD OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 as follows:

1. Findings.

a. Pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "Act") and Section 9-500.05, Arizona Revised Statutes, the Town of Florence, Arizona (hereinafter called the "Municipality"), Merrill Ranch Community Facilities District No. 1 (hereinafter called the "District") and the owner of the portion of the real property included within the District affected thereby (hereinafter called the "Owner"), among other parties entered into a District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 1), dated as of December 1, 2005 (hereinafter referred to as the "Original Development Agreement"), to specify, among other things, conditions, terms, restrictions and requirements

for public infrastructure (as such term is defined in the Act) and the financing of public infrastructure, particularly with regard to the property which makes up the real property included within the District, matters relating to the construction of certain public infrastructure by the District and the acceptance thereof by the Municipality.

b. The district board of the District (hereinafter called the "District Board") determined that the Original Development Agreement should be amended and subjected to certain waivers to reflect certain amendments and waivers necessary for the Original Development Agreement to serve the purposes hereof, and the District entered into an Eighth Amendment and Waivers (Assessment Area Eight - Units 50 and 53) for District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 1), to be dated as of the first day of the month of the date of issuance of the herein-described Bonds (hereinafter referred to as the "Eighth Amendment"), for such purpose.

c. Further, pursuant to the Act, the District Board caused to be prepared a study of the feasibility and benefits of the projects relating to certain public infrastructure provided for in the General Plan of the District heretofore approved by the Municipality and the District and to be financed with proceeds of the sale of a portion of certain hereinafter described bonds of the District, such study having included a description of certain public infrastructure to be acquired or constructed and all other information useful to understand the projects, a map showing, in general, the location of

the projects, an estimate of the cost to construct, acquire, operate and maintain the projects, an estimated schedule for completion of the projects, a map or description of the area to be benefitted by the projects and a plan for financing the projects (hereinafter referred to as the "Report"). A public hearing on the Report was held on the date of, but before, adoption hereof, after provision for publication and mailing to the governing board of the Municipality of notice thereof as provided by law (hereinafter referred to as the "Notice").

d. After review of the Report and based on such public hearing held by the District Board and the mailing of the Report to the governing body of the Municipality, pursuant to the Resolution numbered one prior to this Resolution adopted by us on March 29, 2016 (hereinafter referred to as the "Report Resolution"), the Report was approved in the form submitted to the District Board its intent was declared as required by Section 48-715, Arizona Revised Statutes and, for purposes of Section 48-721(A), Arizona Revised Statutes and, as set forth in the Original Development Agreement as amended by the Eighth Amendment (as so amended, hereinafter referred to as the "Development Agreement"), to take such reasonable actions as may be necessary to cause the results contemplated by and set forth in the Report, including particularly the construction of the public infrastructure projects for the benefit of the areas described in the Report and the consummation of the expected method of financing and an appropriate system of providing revenues to maintain such projects, all as provided in the Report.

e. It was further resolved in the Report Resolution that:

(1) The public interest and convenience required the "Area Eight Work" described in substantial form in the Report, including the "Area Eight Work Plans and Specifications" which are included in the Report, be ordered.

(2) The Area Eight Work should be performed substantially in accordance with the Act, the Development Agreement and the Report including the Area Eight Work Plans and Specifications.

(3) The "Area Eight Estimate" included in the Report was approved and adopted by the District Board.

(4) The Area Eight Work, in the opinion of the District Board, was of more than local or ordinary public benefit and was of special benefit to the respective lots, pieces and parcels of land comprising the "Area Eight Assessed Property" described in the Report, and the cost and expense of the Area Eight Work was made and ordered chargeable upon the Area Eight Assessed Property and was declared to be benefitted by the Area Eight Work and was to be assessed to pay the costs and expenses thereof in proportion to the benefits derived therefrom, as described therein.

(5) The District should not assess the costs and expenses of the Area Eight Work which are for the general public benefit against the respective lots, pieces and parcels of land located within the boundaries of the Area Eight Assessed Property and if a portion of the costs and expenses of the Area Eight Work is for the general public benefit, the District should assess the respective

lots, pieces and parcels of land located within the boundaries of the Area Eight Assessed Property only that portion of costs and expenses which benefits the lots, pieces and parcels of land located within the boundaries of the Area Eight Assessed Property.

(6) The District Board declared that any lot belonging to the United States, the State of Arizona, the Municipality, a county, school district or any political subdivision or institution of the State of Arizona or county included within the boundaries of the Area Eight Assessed Property should be omitted from the assessment hereafter to be made, and the total expense of the Area Eight Work should be assessed on the remaining lots lying within the boundaries of the Area Eight Assessed Property except to the extent the State of Arizona, the Municipality, county, school district or any political subdivision or institution of the State of Arizona or county shall contract with the District to pay any such assessment.

(7) The District Board found that the public convenience required that bonds as described in the Report and the Development Agreement should be issued to represent the cost and expenses of the Area Eight Work and determined that such bonds should be issued under the provisions of the Act, in the name of the District, but payable only out of a special fund collected by the District from special assessments levied upon the lots, tracts, pieces and parcels of land included within the Area Eight Assessed Property, in not to exceed twenty-five (25) annual installments from the assessment of Twenty-Five Dollars (\$25.00) or over remaining unpaid as of the date of such bonds as provided by the Development Agreement.

Such bonds should bear interest at rates not to exceed nine percent (9%) per annum from their date, payable on the first day of January and July of each year and should be payable in the manner and be subject to the provisions as to collection of assessments for the payment thereof, except as otherwise described in the Development Agreement and that neither the District nor the Municipality would be required to purchase delinquent land at sale if there is no other purchaser, as described in Title 48, Chapter 4, Article 2, Arizona Revised Statutes, save and except that the method of collection of such assessments shall be as provided in Sections 48-600 to 48-607, both inclusive, Arizona Revised Statutes and not as provided in Section 48-608, Arizona Revised Statutes.

(8) The publication of the Notice was in lieu of the posting and publication of the Report Resolution.

(9) Pursuant to the Development Agreement, the Owner waived any and all rights of the Owner to file (1) written protests against the construction of the Area Eight Work or (2) objections to the extent of the Area Eight Assessed Property. Such waivers were accepted by the District Board, and the District Board proceeded in reliance on such waivers.

(10) Based on the foregoing, the Area Eight Work was ordered in accordance with the Area Eight Work Plans and Specifications and the Development Agreement.

f. Willdan & Associates, Inc. (hereinafter called the "Assessment Engineers") have prepared and presented to the District Board (i) duplicate diagrams of the Area Eight Assessed Property

(hereinafter referred to as the "Diagram"), forms of such diagrams being attached hereto and marked as Exhibit "A" and (ii) the method by which the Assessment Engineers have allocated the assessments which are the subject of the Diagram, such methodology being attached hereto and marked as Exhibit "B" (hereinafter referred to as the "Method of Assessment").

g. Pursuant to Section 48-721, Arizona Revised Statutes, the District Board, by resolution and pursuant to the procedures prescribed by the Development Agreement, may levy an assessment of the costs of the public infrastructure purposes as provided for in the Development Agreement and in the Report and with respect to the intent therefor and the ordering of the Area Eight Work with respect thereto resolved in the Report Resolution on the Area Eight Assessed Property based on the benefit determined by the District Board to be received by the Area Eight Assessed Property, in each case as more fully described herein.

h. The District Board hereby determines that special assessment lien bonds of the District (hereinafter referred to as the "Bonds") should be issued if certain conditions are met to provide moneys for the Area Eight Work. The District Board, pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as nearly as practicable, and the other procedures the District Board has provided in the Development Agreement, will cause to be levied an assessment of the costs of Area Eight Work (hereinafter referred to as the "Area Eight Assessment") on the Area Eight Assessed Property, and, in that respect, the Owner has waived



certain matters and agreed to certain other matters with respect thereto pursuant to the Development Agreement, including as to the manner in which the Area Eight Assessment is to be allocated as the Area Eight Assessed Property is to be divided into more than one parcel and is to be prepaid and reallocated.

i. Pursuant to this Resolution, the Diagram and the Method of Assessment will be approved and adopted and the levy of the Area Eight Assessment will be ordered. No direction will be given that demand be made on the owners of the Area Eight Assessed Property so assessed for payment of the Area Eight Assessment as such owners waived such right pursuant to the Development Agreement. The District Manager will levy and record the Area Eight Assessment for the District and execute a warrant to the District Treasurer to collect the amounts with respect to the Area Eight Assessment (hereinafter referred to as the "Area Eight Warrant") at least twenty-four (24) hours before the date of the issuance and delivery of the Bonds. Thereafter, the Area Eight Warrant and the Area Eight Assessment will be returned by the District Manager and the District Treasurer as prescribed by law. The certified list of unpaid amounts with respect to the Area Eight Assessment will be filed with the District Clerk by the District Manager.

j. Pursuant to the Act, the District Board hereby determines to enter into an Indenture of Trust and Security Agreement, to be dated as of the first day of the month of the date of issuance of the Bonds (hereinafter referred to as the "Indenture"), from the District to Wells Fargo Bank, N.A., as trustee, to secure, and process

the issuance, registration, transfer and payment, and the disbursement and investment of proceeds of, the Bonds. (Capitalized term not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.) The District Board has determined by this Resolution to authorize the issuance of the Bonds and, in order to provide terms for, to secure and to provide for authentication and delivery of the Bonds by the Trustee, to authorize the execution and delivery of the Indenture.

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

l. The District Board hereby determines that procedures should be adopted in order to ensure that Tax-Exempt Obligations issued by the District comply with the provisions of the Code and the Regulations (hereinafter referred to as the "Procedures").

m. There have been placed on file with the District Clerk and presented in connection herewith (1) the proposed form of the Indenture and (2) the proposed form of the Placement Contract relating to the Bonds, to be dated the date of the sale of the Bonds (hereinafter referred to as the "Placement Contract"), by and between

the District and Stifel, Nicolaus & Company, Incorporated (hereinafter referred to as the "Placement Agent"). (The documents described in Clauses (1) and (2) are hereinafter referred to, collectively, as the "Bond Documents.")

2. a. Approval of Diagram. The Diagram, as prepared and presented to the District Board, is hereby approved by the District Board.

b. Approval of Method and Levy of Assessment. The Method of Assessment, as prepared and presented to the District Board, is hereby approved by the District Board and the levy of the Area Eight Assessment in amounts not in excess of those described therein and to result therefrom by the District Manager at least twenty four (24) hours before the date of issuance and delivery of the Bonds is hereby approved in accordance with the Method of Assessment, the Area Eight Assessment being hereby declared to be based on the benefit to be received by the Area Eight Assessed Property as so assessed.

c. Certification and Delivery. The District Clerk be and she hereby is authorized and directed to certify that the Diagram was approved by the District Board on this date, and after such certification the District Clerk be and she hereby is authorized and directed to deliver the Diagram to the District Manager.

d. Demand and Certification. No demand shall be made on the owners of the Area Eight Assessed Property as such owners waived such right pursuant to the Development Agreement. The District Treasurer is directed to certify to the District Clerk that nothing

was collected and that the Area Eight Assessment remains unpaid in full.

3. a. Approval of Sale and Issuance of Bonds. The Bonds are hereby authorized to be issued as a series of special assessment lien bonds of the District pursuant to the Act to be designated "Special Assessment Lien Bonds (Assessment Area Eight)" for the purposes set forth in the Report Resolution. The Bonds shall be issued in the aggregate principal amount of not to exceed \$1,000,000 which shall be equal to or less than the amount certified to the District Clerk as the amount of the Area Eight Assessment remaining unpaid, shall be in fully registered form only and denominations, shall as indicated hereinabove bear interest at rates not to exceed eight and one-half percent (8.5%) per annum from their date, shall as indicated hereinabove mature not more than twenty-five (25) years from their date and be subject to redemption prior to maturity and shall be dated and numbered, in each case as provided in the Indenture. The Bonds shall be placed by the Placement Agent in accordance with the terms of the Placement Contract and at a price specified therein.

b. Forms, Terms and Provisions, and Execution and Delivery, of Bonds. The forms, terms and provisions of the Bonds provided for in the Indenture, be and they hereby are approved, with only such changes therein as are not inconsistent herewith and as are approved by the officers authorized in the Indenture to execute the Bonds and the determinations of such forms, terms and provisions are hereby delegated to such officers, and each is hereby authorized to execute and deliver them.

c. Forms, Terms and Provisions, and Execution and Delivery, of Bond Documents. The forms, terms and provisions of the Bond Documents in substantially the forms of such documents (including the exhibits thereto) presented at the meeting at which this Resolution is adopted, are hereby approved, with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the officers authorized to execute the documents including for the purposes described in Section 3(a) hereof, which approval will be conclusively demonstrated by the execution thereof, and the District Manager and the District Clerk or either of such officers are hereby authorized to execute the Bond Documents.

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

e. Other Actions Necessary. The District Manager, the District Clerk, the District Treasurer and the other officers of the District shall retain consultants and counsel necessary to carry out the purposes of this Resolution and shall take all other action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated by the Bond Documents.

f. Assessment. The Bonds shall be payable from installments paid or amounts otherwise collected from the Area Eight Assessment and from amounts available from time to time in the Reserve Fund. The amounts due pursuant to the Area Eight Assessment and unpaid are and shall be a first lien on the Area Eight Assessed

Property so assessed, subject only to general property taxes and prior special assessments and shall be collected as prescribed by Sections 48-599 and 600, Arizona Revised Statutes, as nearly as practicable or such other procedures as the Board may prescribe. In the event of nonpayment of amounts due pursuant to the Area Eight Assessment and, except as otherwise provided herein, the procedures for collection of delinquent amounts and sale of delinquent property prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes apply, as nearly as practicable, except that neither the District nor the Municipality is required to purchase the delinquent land at the sale if there is no other purchaser.

g. Obligations of Municipality. Nothing contained in this Resolution, the Bond Documents or any other instrument shall be construed as obligating the Municipality, except to the extent provided in such documents or instruments, or as incurring a charge upon the general credit of the Municipality nor shall the breach of any agreement contained in this Resolution, the Bond Documents or any other instrument or documents executed in connection therewith impose any charge upon the general credit of the Municipality.

h. Appointment of Trustee. Wells Fargo Bank, N.A. is hereby confirmed as Trustee, Registrar and Paying Agent for the purposes of the Indenture unless the District appoints another entity to act in such capacities.

4. Adoption of Procedures; Reservation of Rights. The Procedures are hereby adopted to establish policies and procedures related to the purposes set forth in the Recitals hereto. The right

to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

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

b. Severability; Amendment; Ratification. (1) If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

(2) This Resolution may only be amended as provided by the terms of the Indenture.

(3) All prior acts of the District Board, of the District Manager and of the District Treasurer with respect to all matters concerning the Report Resolution, the Development Agreement, the Report, the Area Eight Assessment, the Area Eight Warrant and this Resolution are hereby ratified and confirmed.

c. Effective Date. This Resolution shall be effective immediately.

PASSED by the District Board of Merrill Ranch Community  
Facilities District No. 1 this 29th day of March, 2016.

.....  
Chairperson, District Board, Merrill  
Ranch Community Facilities District  
No. 1

ATTEST:

.....  
District Clerk, Merrill Ranch  
Community Facilities District  
No. 1

APPROVED AS TO FORM:

.....  
District Counsel, Merrill Ranch  
Community Facilities District  
No. 1

ATTACHMENTS:

EXHIBIT "A" - Assessment Diagram  
EXHIBIT "B" - Method of Assessment

\* \* \*



DISTRICT BOARD  
MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 1 (FLORENCE, ARIZONA)

Re: Merrill Ranch Community Facilities District No. 1 (Florence, Arizona) Special Assessment Lien Bonds (Assessment Area Eight)

Upon the terms and conditions and based upon the representations, warranties and covenants set forth herein, Stifel, Nicolaus & Company, Incorporated (the "Placement Agent") offers to enter into this Placement Contract with Merrill Ranch Community Facilities District No. 1 (the "Issuer"), which, upon acceptance of this offer and subject to Paragraph 5 hereof, shall be binding upon the Issuer and the Placement Agent. This offer is made subject to acceptance of this Placement Contract by the Issuer on or before \_\_\_\_\_, 2016, and, if not so accepted, will be subject to withdrawal by the Placement Agent upon notice delivered to your office at any time prior to acceptance hereof. If the obligations of the Placement Agent shall be terminated for any reason permitted hereby, neither the Placement Agent nor the Issuer shall be under further obligation hereunder.

The above-captioned bonds (the "Bonds") are to be issued pursuant to Resolution No. MRCFD1 \_\_\_\_\_-16 (the "Bond Resolution"). Unless otherwise indicated, each capitalized, undefined term used herein shall have the meaning assigned to it in the Indenture (as such term is defined in Bond Resolution).

1. The Placement Agent shall use its best efforts to locate purchasers for all, but not less than all, of the Bonds (the "Purchasers") at a purchase price of not less than par (the "Purchase Price") and on terms consistent with the Bond Resolution. If the Purchasers purchase the Bonds on the Closing Date, the Issuer will pay a placement fee equal to \$ \_\_\_\_\_ (the "Fee") to the Placement Agent on the Closing Date.

2. The undersigned, on behalf of the Issuer, but not individually, hereby represents and warrants to the Placement Agent (and it shall be a condition of the obligation of the Placement Agent to perform under this Placement Contract that it shall be represented and warranted on the Closing Date) that:

(a) The Issuer is duly created and validly existing as a community facilities district of the State of Arizona (the "State") with power to adopt the Bond Resolution, perform the agreements on its part contained therein and in the agreements approved thereby and issue the Bonds.

(b) The Issuer has complied and, in all respects on the Closing Date will be in compliance, with all of the provisions of applicable law of the State.

(c) The Issuer has duly adopted the Bond Resolution, and the Issuer has duly authorized and approved the execution and delivery of the Indenture, the Collections Agreement (as such term is defined in the Bond Resolution) and this Placement Contract (collectively, the "Bond Documents"), as well as the performance of its obligations contained in the Bonds and the consummation by it of all other transactions contemplated hereby.

(d) The Issuer is not in breach of or default under any applicable law or administrative regulation of the State or any department, division, agency or instrumentality thereof, or of the United States, or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially and adversely affect the Issuer or its ability to perform its duties and obligations under the Bond Documents, and the execution and delivery of this Placement Contract, the execution of the other of the Bond Documents and the execution and issuance of the Bonds and compliance with the provisions of each will not conflict materially with or constitute a material breach of or default under any applicable law or administrative regulation of the State or under any certificate, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially and adversely affect the Issuer or its ability to perform its duties and obligations under the Bond Documents.

(e) No litigation is pending or overtly threatened in any court in any way affecting the existence of the Issuer or the title of the members of the District Board of the Issuer to their respective offices or seeking to restrain or to enjoin the sale, issuance or delivery of the Bonds, or the collection or pledge of any revenues pledged or to be pledged under the Bond Documents to pay the principal of and interest on the Bonds, or in anyway contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution or this Placement Contract, or contesting the powers of the Issuer or the members of the District Board with respect to the Bonds.

(f) The Issuer will apply the proceeds of the Bonds in accordance with the applicable terms of the Indenture.

3. (a) At or prior to 11 a.m. M.S.T. on the Closing Date, the Bonds will be delivered, in definitive fully registered form, duly executed, and, if to be registered in the name of The Depository Trust Company, New York, New York ("DTC"), registered in the name of Cede & Co., as the nominee of DTC, in denominations specified by the Purchasers, together with the other documents hereinabove mentioned, upon payment of the Purchase Price by wire transfer, in immediately available funds, to the Trustee. Delivery as aforesaid shall be made at a time and place, as shall have been mutually agreed upon by authorized representatives of the Placement Agent and the Issuer, and such

payment shall be made simultaneously therewith. This payment and delivery is herein called the "Closing."

(b) On the Closing Date, the Placement Agent shall receive a copy of each of the following documents, each dated the Closing Date:

(i) a certified copy of the Bond Resolution;

(ii) opinions of Bond Counsel, Greenberg Traurig, LLP ("Bond Counsel") in form and substance satisfactory to the Placement Agent;

(iii) a certificate, signed by an authorized officer of the Issuer, to the effect that (i) the representations, warranties and covenants of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date, with the same effect as if made on the Closing Date; (ii) no litigation is pending or, to the knowledge of such officer, threatened in any court in any way affecting the existence of the Issuer or the titles of its officers or directors to their respective positions, or seeking to restrain or to enjoin the sale, issuance or delivery of the Bonds, or the collection of any revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution or this Placement Contract, or contesting the powers of the Issuer or its authority with respect to the Bonds, the Bond Resolution or this Placement Contract (but in lieu of or in conjunction with such certificate, the Placement Agent may, in the sole discretion of an authorized representative thereof, accept certificates or opinions of counsel to the Issuer, acceptable to such representative, that in the opinion of such counsel the issues raised in any pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit) and (iii) the Issuer has complied in all material respects with the Bond Resolution and the terms of the Bonds and satisfied all material conditions on its part to be performed or satisfied at or prior to the delivery of the Bonds;

(iv) a letter from each of the Purchasers as required by the Indenture, in form and substance satisfactory to the Placement Agent and the Issuer and

(v) such additional certificates, instruments or opinions as Bond Counsel, the Issuer or the Placement Agent may deem necessary or desirable.

All certificates, instruments, opinions and documents referred to above and any resolutions shall be in form and substance satisfactory

to authorized representatives of Bond Counsel, the Issuer and the Placement Agent.

4. The obligation of the Placement Agent to use its best efforts to place the Bonds shall be subject to the performance by the Issuer of the obligations thereof provided hereby in all material respects at or prior to the Closing, and the accuracy in all material respects of the representations and warranties of the Issuer contained herein and shall also be subject to the following conditions:

(a) The Bond Documents shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to by the Placement Agent;

(b) The Issuer shall have arranged for payment of the Fee at the time of the Closing and

(c) All of the other obligations of the Issuer required under or specified in this Placement Contract and the Bond Resolution to be performed at or prior to the Closing shall have been performed in all material respects.

5. This Placement Contract may be terminated by the Placement Agent by notification in writing to you at your office if at any time subsequent to the date hereof and at or prior to the Closing: (i) the marketability or market price of the Obligations, in the reasonable opinion of the Placement Agent, has been materially adversely affected by (a) an amendment to the Constitution of the United States or the Constitution of the State, (b) any introduced or enacted federal or State legislation, (c) any decision of any federal or State court, (d) any ruling or regulation (final, temporary or proposed) of the Treasury Department of the United States, the Internal Revenue Service or other federal or State authority or (e) any bill favorably reported out of committee in either house of the Congress of the United States, in any such case affecting the tax status of the Issuer, its securities (including the Obligations) or the interest thereon, or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended, or the statutes of the State; (ii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the offering, sale and issuance of the Bonds without registration thereof or obligations of the general character of the Bonds is in violation of any provision of the Securities Act of 1933 or of the Trust Indenture Act of 1939; (iii) in the Congress of the United States, legislation shall be enacted or a bill shall be favorably reported out of committee of either house, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that securities of the issuer or of any similar body are not exempt from the registration, qualification or other requirements of the Securities Act of 1933 or the Trust Indenture Act of 1939; (iv) the United States shall have become engaged in hostilities which have

resulted in a declaration of war or a national emergency; (v) there shall have occurred a general suspension of trading on the New York Stock Exchange or (vi) a general banking moratorium shall have been declared by the United States, State of New York, or the State authorities.

6. There shall be paid solely from the proceeds of the sale of the Bonds, upon or promptly after the Closing: (a) the cost of the preparation and printing of the Bonds; (b) the fees and disbursements of Bond Counsel and of any other counsel or consultants retained by the Issuer; (c) the Fee and (d) the initial fees and expenses of the Trustee. The Placement Agent shall be under no obligation to pay any expenses incident to this Placement Contract.

7. The agreements and all representations and warranties herein set forth have been and are made for the benefit of the Placement Agent and the Issuer, and no other person shall acquire or have any right under or by virtue of this Placement Contract.

8. This Placement Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the Issuer and shall be valid and enforceable as of the time of such acceptance. This Placement Contract may be executed in several counterparts, each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

9. This Placement Contract shall be governed by and construed in accordance with the law of the State. As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, notice is hereby given that the State, its political subdivisions (including the Issuer) or any department or agency of either may, within three (3) years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This Section is not intended to expand or enlarge the rights of the Issuer hereunder except as required by such Section. Each of the parties hereto hereby certifies that it is not presently aware of any

violation of such Section which would adversely affect the enforceability of this Placement Contract and covenants that it shall take no action which would result in a violation of such Section.

10. If any provision of this Placement Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Placement Contract invalid, inoperative or unenforceable to any extent whatever.

Respectfully submitted,

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

.....  
B. Mark Reader, Managing Director

ACCEPTED this ..... day of  
....., 2016.

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 1

By.....  
Tom Rankin, Chairperson, District  
Board

.....  
Lisa Garcia, Clerk

APPROVED AS TO FORM:

.....  
Clifford Mattice, District Counsel

---

**MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO.1  
(Florence, Arizona)**

**ASSESSMENT METHODOLOGY  
ASSESSMENT AREA EIGHT  
(Units 50 and 53)**

**Prepared by:**

**WILLDAN  
1440 East Missouri Ave, Suite C170  
Phoenix, AZ 85014  
(602) 870-7600**

**March 15, 2016**



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# MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1

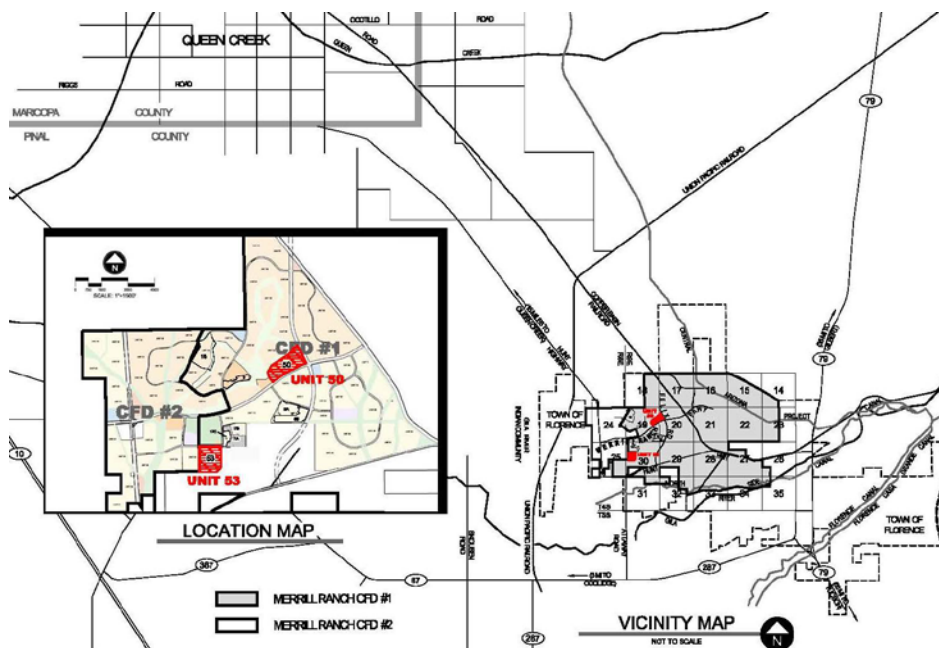
## ASSESSMENT AREA EIGHT – Units 50 and 53

Willdan, the District Engineer for the Merrill Ranch Community Facilities District No. 1, makes this report of benefit as directed by District staff in support of the *Feasibility Report for the Issuance of Not to Exceed \$987,000 Aggregate Principal Amount of Merrill Ranch Community Facilities District No.1 Special Assessment Bonds (Assessment Area Eight)*, dated March 29, 2016 (“Feasibility Report”). Since the estimated cost of the improvements in the Feasibility Report exceeds the amount intended to be financed through the Bond Issue, the estimated difference may be reimbursed from future bond issues.

### Project Description

The Merrill Ranch master planned community (“Project”) consists of 8,970 acres and is located in Florence Arizona. On December 19, 2005 the Merrill Ranch Community Facilities District No. 1 was established over 7,900 of such acres to finance the construction and/or acquisition of public infrastructure that are part of the Project. Assessment Area Eight of such district (“Assessment Area Eight”) consists of 282 residential lots within 66.43 gross acres. Special Assessment Bonds (Assessment Area Eight) (“Bond Issue”) relates to the acquisition of public infrastructure that will benefit development of Assessment Area Eight. Details related to the project area, infrastructure improvements, costs, and land use can be found in the Feasibility Report.

### Vicinity Map



## **Description of Improvements**

The improvements that will be funded by the Bond Issue are the subject of this report. “Improvements” will be public infrastructure that is eligible for funding according to Arizona Revised Statutes Title 48 Community Facilities Act of 1989. The Improvements are more fully described in Section 2 of the Feasibility Study. Briefly, the Improvements are described as follows:

### **Engineering**

Project Engineering includes engineering plans for grading and drainage, utilities, and paving relating to storm drains and curb, gutter and sidewalks. The plans will be reviewed and approved by the Town in accordance with Town guidelines and standards.

### **Storm Drain Improvements**

Storm drain consists of the design, survey and construction of local residential storm drain facilities within public right-of-ways along the frontage of each benefiting property, along with appurtenances and contingency.

Storm drain constructed with the Improvements will be within the public roadways of the Assessment Area. The storm drain will intercept runoff from the public roadways by either catch basins or scuppers, conveying to retention facilities by pipe or overland flow. The catch basins and scuppers will comply with MAG Standard Details. The pipe will be sized between 15 inches and 30 inches of concrete pipe, or approved alternate.

### **Street Improvements**

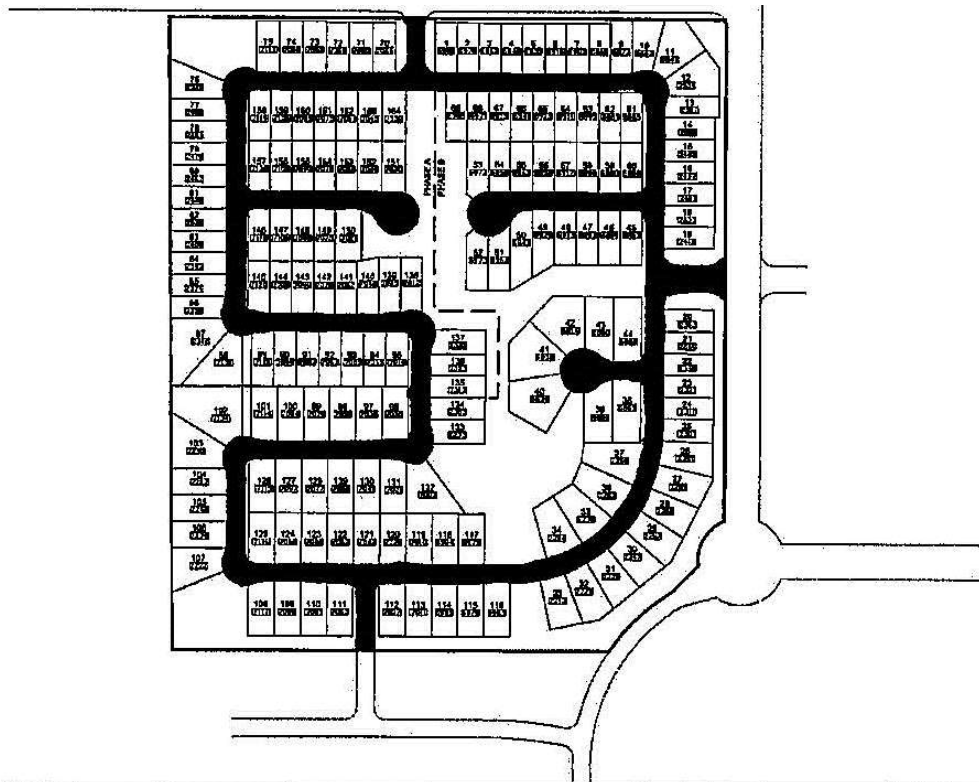
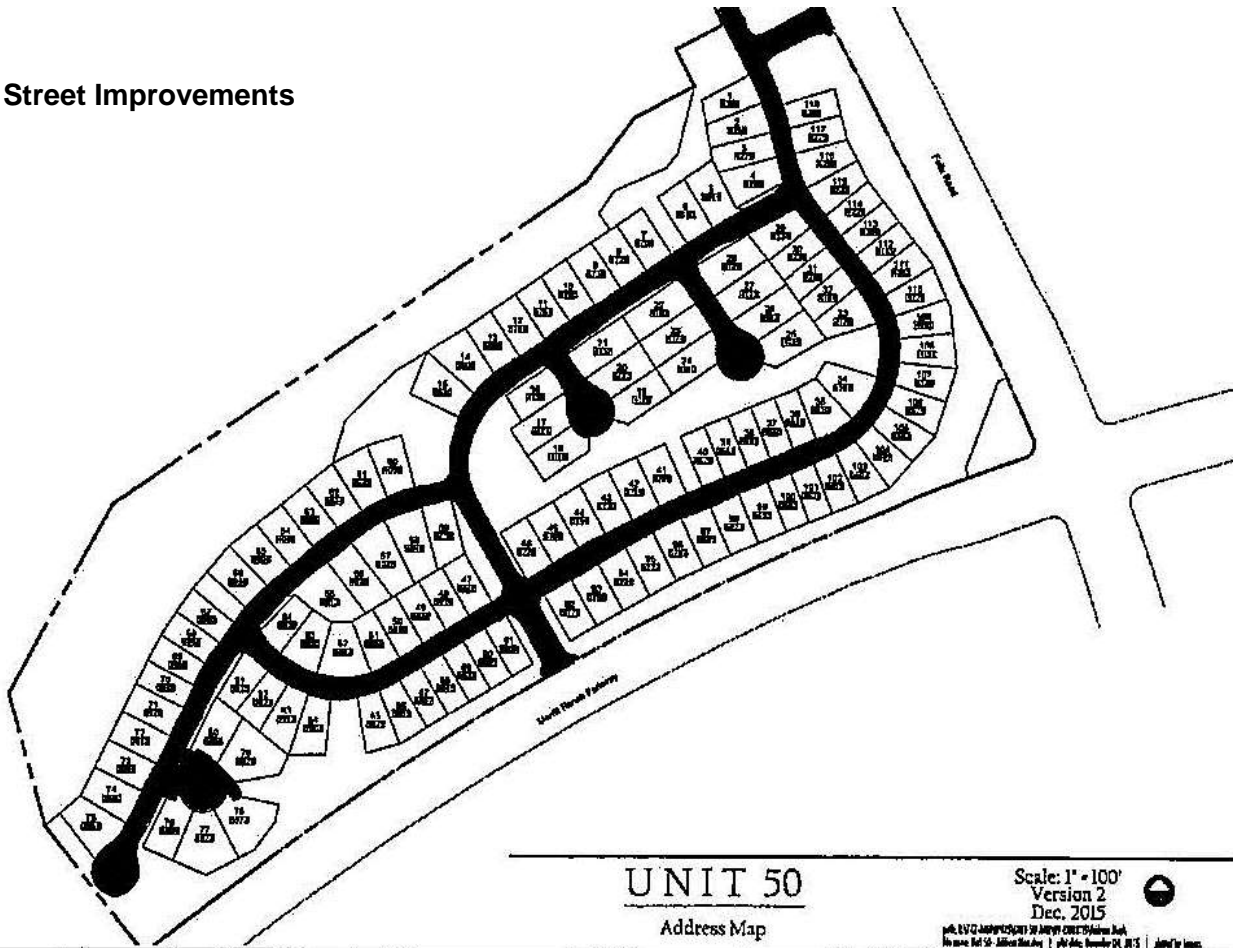
The design and construction of certain grading, trenching, staking, asphalt paving, base, concrete curb/gutter and sidewalk, signing, permits and fees, together with appurtenance, contingency, and appurtenant work within public right-of-ways within the defined parcels benefiting as per the Community Master Plan.

The Improvements consist of the installation of asphaltic paving and 4-inch roll and 6-inch vertical curb, 6-foot valley gutter, and 4-foot wide sidewalks within the public roadways of the Assessment Area. The pavement section is anticipated to be 2.5 inches of asphalt on 7 inches of aggregate base course (“ABC”). The Improvements will comply with the Maricopa Association of Governments (MAG) standard details. All improvement will be within the public roadways of the Assessment Area.

### **Location of Improvements**



Street Improvements



**Preliminary Cost Estimate**

The Bond Issue secured by unpaid assessments is proposed to be issued in accordance with the Arizona Revised Statutes, the Town of Florence, Arizona Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts, and Development, Financing Participation and Intergovernmental Agreement No. 1 (Merrill Ranch Community Facilities District No. 1) as amended. A summary of the costs of the Improvements are as follows, with details available in the Feasibility Report:

**MERRILL RANCH COMMUNITY FACILITIES DISTRICT No. 1  
ASSESSMENT AREA EIGHT (Units 50 and 53)**

**COST ESTIMATE**

<b><u>Improvement Projects</u></b>	<b><u>Estimated Costs Funded Through Bond Issue</u></b>
PARCEL 50 IMPROVEMENTS	
Engineering	\$ 155,600.00
Storm Drain	\$ 124,268.00
Streets	<u>\$ 647,953.00</u>
Subtotal	\$ 927,821.00
PARCEL 53 IMPROVEMENTS	
Engineering	\$ 157,800.00
Storm Drain	\$ 113,862.00
Streets	<u>\$ 656,455.00</u>
Subtotal	\$ 928,117.00
<b>TOTAL IMPROVEMENTS</b>	<b>\$1,855,938.00</b>
<b>BOND AMOUNT NOT TO EXCEED</b>	<b>\$ 987,000.00</b>

## **Assessment Methodology**

The State of Arizona Revised Statutes provides that assessments be allocated in proportion to the benefits received by each lot from the improvements. For purposes of the Bond Issue, the original assessed amount (prior to cash payments) and consequently the remaining assessments securing the Bond Issue of \$987,000 are allocated at a rate of not to exceed \$3,500.00 per lot to the lots within Assessment Area Eight Units 50 and 53 based upon the following benefit methodology:

The Improvements consist of local roadways and storm drains benefitting equally each of the 282 residential lots included with the Assessment Area. The roadways and storm drains provide a direct and special benefit to the developable lots to be assessed, in that primary access and required infrastructure is made available to the lots assessed for the improvements within the Assessment Area, and, as such, the assessments shall be set such that each lot will be assessed an equal amount.

To further support that the required benefit to each lot within the Assessment Area, no lot within the Assessment Area would be able to develop without the entire infrastructure for the parcel being in place and accepted by the Town of Florence. The standard is addressed in the Town of Florence Sub-Division Development Standards.

### **Introduction**

The Improvements consist of local residential streets and storm drain systems for the properties within Assessment Area Eight. The Improvements fall into the following categories:

- Engineering
- Storm Drain Facilities
- Residential Streets

### **Residential Streets Improvements**

The street related improvements to be installed within Assessment Area Eight consist of new construction of the local residential streets within each of the parcels to be assessed. Inclusive within the street improvements will be curb and gutter, sidewalks and valley gutters. These improvements provide a direct and special benefit equally on a per lot basis.

### **Local Storm Drain Improvements**

The local storm drain improvements will intercept runoff from local residential roadways by either catch basins or scuppers. The runoff will be conveyed to retention facilities will be by underground pipe systems or above ground channels. These improvements provide a direct and special benefit equally on a per lot basis.

**Estimated Special Assessment Lien Per Unit/Lot**

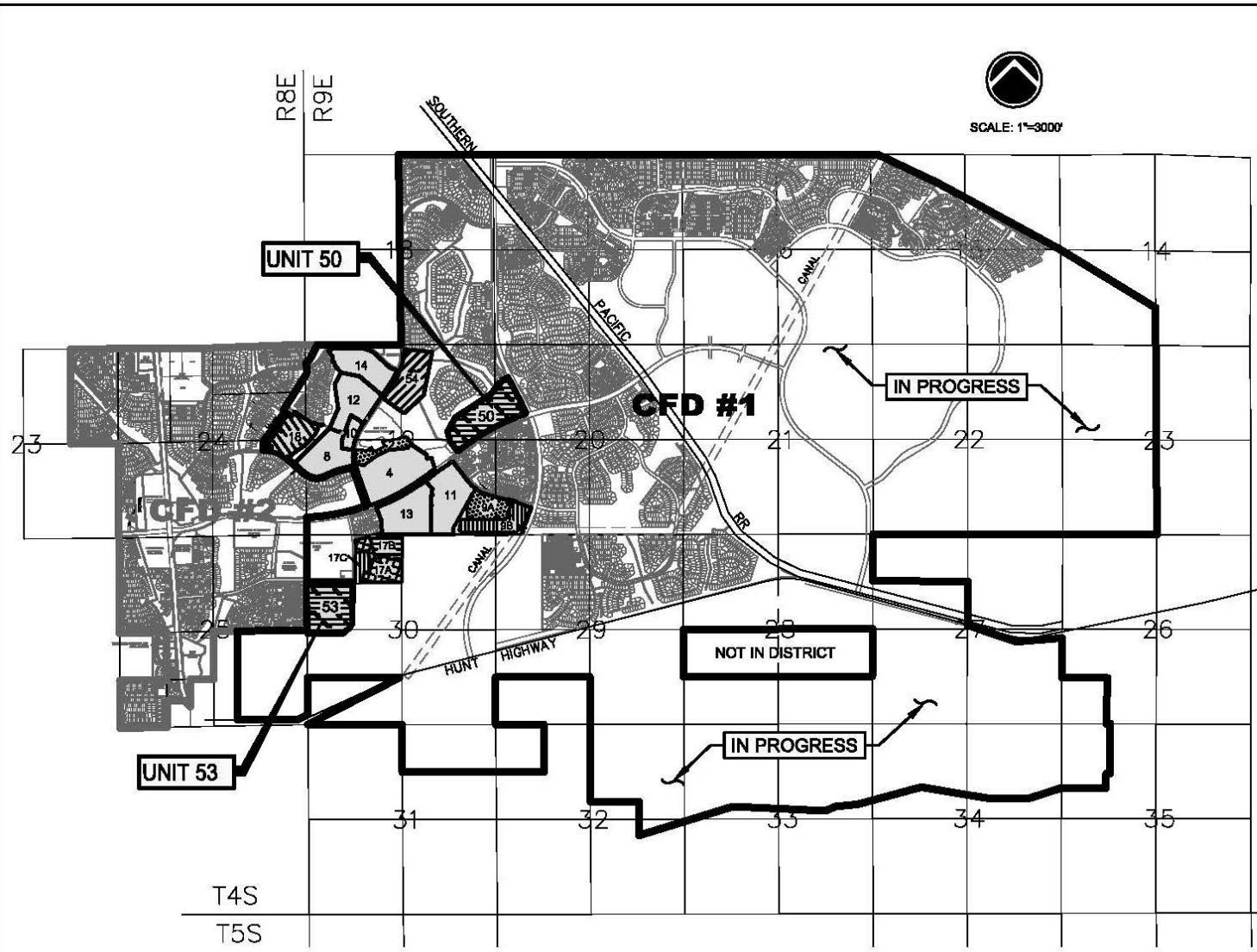
Based upon the information presented above, the assessment to be placed upon each of the parcels and lots located within Assessment Area Eight (Unit 50 and 53) are as follows:

Assessment Number	Unit /Parcel No.	Use	No. of Lots	Net Ac.	Assessment Lien Per Parcel	Assessment Lien Per Lot (3)
50	50	Res	118	43.948	\$ 413,000.00	\$3,500.00
53	53	Res	164	41.044	\$574,000.00	\$3,500.00
<b>TOTALS</b>					<b>\$ 987,000.00</b>	<b>\$3,500.00</b>

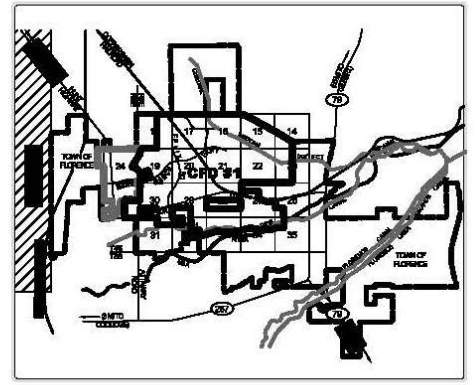
(1) Special assessment liens will not be placed upon common areas, areas owned by homeowner’s associations, public right-of-way, property owned by the District, or other governmental/public entities and will be per lot assessments which will not vary from amounts shown.



## **Assessment Diagram**



SCALE: 1"=3000'



VICINITY MAP  
NOT TO SCALE

**EXHIBIT B**  
**MERRILL RANCH**  
**Community Facilities District No. 1**  
**ASSESSMENT AREA EIGHT**  
**UNITS 50 AND 53**

**DISTRICT ENGINEER CERTIFICATION**  
 I HEREBY CERTIFY THAT THE PARCEL BOUNDARIES SHOWN ARE DEPICTED ON THIS PLAN WERE SUPPLIED BY BAXTER DESIGN GROUP AND ARE CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

ENGINEER \_\_\_\_\_ DATE \_\_\_\_\_

APPROVED BY RESOLUTION NO. \_\_\_\_\_ AT A MEETING OF THE BOARD OF DIRECTORS OF THE MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 2016

DISTRICT CLERK  
 SIGNED: THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2016

SUBMITTED: \_\_\_\_\_ DATE \_\_\_\_\_  
 SUPERINTENDENT OF STREETS

**LEGEND**

	CFD #1 - MERRILL RANCH, DISTRICT BOUNDARY		CFD #1 - ASSESSMENT AREA FOUR		CFD #1 - ASSESSMENT AREA EIGHT
	UNIT NO.		CFD #1 - ASSESSMENT AREA FIVE		
	CFD #1 - ASSESSMENT AREA ONE		CFD #1 - ASSESSMENT AREA SIX		
	CFD #1 - ASSESSMENT AREA TWO		CFD #1 - ASSESSMENT AREA SEVEN		
	CFD #1 - ASSESSMENT AREA THREE				

**WILLDAN Engineering**

PROJECT NO.: 13895-10005  
 DATE: 3-11-2016  
 SHEET NO.: 1 OF 3

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
1	050-01-001	7074	\$3,500.00
2	050-01-002	7805	\$3,500.00
3	050-01-003	7056	\$3,500.00
4	050-01-004	7269	\$3,500.00
5	050-01-005	8085	\$3,500.00
6	050-01-006	7693	\$3,500.00
7	050-01-007	7475	\$3,500.00
8	050-01-008	7475	\$3,500.00
9	050-01-009	7475	\$3,500.00
10	050-01-010	7475	\$3,500.00
11	050-01-011	7475	\$3,500.00
12	050-01-012	7475	\$3,500.00
13	050-01-013	7495	\$3,500.00
14	050-01-014	9300	\$3,500.00
15	050-01-015	9347	\$3,500.00
16	050-01-016	7477	\$3,500.00
17	050-01-017	8355	\$3,500.00
18	050-01-018	7956	\$3,500.00
19	050-01-019	7956	\$3,500.00
20	050-01-020	8355	\$3,500.00

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
21	050-01-021	9400	\$3,500.00
22	050-01-022	9401	\$3,500.00
23	050-01-023	9425	\$3,500.00
24	050-01-024	8798	\$3,500.00
25	050-01-025	9072	\$3,500.00
26	050-01-026	8647	\$3,500.00
27	050-01-027	9246	\$3,500.00
28	050-01-028	9686	\$3,500.00
29	050-01-029	7041	\$3,500.00
30	050-01-030	6095	\$3,500.00
31	050-01-031	6138	\$3,500.00
32	050-01-032	6223	\$3,500.00
33	050-01-033	7803	\$3,500.00
34	050-01-034	8419	\$3,500.00
35	050-01-035	7818	\$3,500.00
36	050-01-036	6095	\$3,500.00
37	050-01-037	6095	\$3,500.00
38	050-01-038	6113	\$3,500.00
39	050-01-039	6187	\$3,500.00
40	050-01-040	6200	\$3,500.00

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
41	050-01-041	7610	\$3,500.00
42	050-01-042	7693	\$3,500.00
43	050-01-043	7814	\$3,500.00
44	050-01-044	7660	\$3,500.00
45	050-01-045	7452	\$3,500.00
46	050-01-046	6691	\$3,500.00
47	050-01-047	6659	\$3,500.00
48	050-01-048	6659	\$3,500.00
49	050-01-049	6659	\$3,500.00
50	050-01-050	6659	\$3,500.00
51	050-01-051	9613	\$3,500.00
52	050-01-052	9621	\$3,500.00
53	050-01-053	8039	\$3,500.00
54	050-01-054	6579	\$3,500.00
55	050-01-055	10604	\$3,500.00



LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
96	050-01-096	7604	\$3,500.00
97	050-01-097	7604	\$3,500.00
98	050-01-098	7603	\$3,500.00
99	050-01-099	7577	\$3,500.00
100	050-01-100	6095	\$3,500.00
101	050-01-101	6095	\$3,500.00
102	050-01-102	6350	\$3,500.00
103	050-01-103	7197	\$3,500.00
104	050-01-104	7192	\$3,500.00
105	050-01-105	7192	\$3,500.00

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
106	050-01-106	7192	\$3,500.00
107	050-01-107	7196	\$3,500.00
108	050-01-108	7196	\$3,500.00
109	050-01-109	7135	\$3,500.00
110	050-01-110	7019	\$3,500.00
111	050-01-111	6762	\$3,500.00
112	050-01-112	6095	\$3,500.00
113	050-01-113	6095	\$3,500.00
114	050-01-114	6095	\$3,500.00
115	050-01-115	7078	\$3,500.00

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
116	050-01-116	7360	\$3,500.00
117	050-01-117	6095	\$3,500.00
118	050-01-118	6333	\$3,500.00

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
56	050-01-056	9129	\$3,500.00
57	050-01-057	10396	\$3,500.00
58	050-01-058	10230	\$3,500.00
59	050-01-059	8282	\$3,500.00
60	050-01-060	8094	\$3,500.00
61	050-01-061	8393	\$3,500.00
62	050-01-062	7899	\$3,500.00
63	050-01-063	7475	\$3,500.00
64	050-01-064	7591	\$3,500.00
65	050-01-065	7971	\$3,500.00
66	050-01-066	7013	\$3,500.00
67	050-01-067	6391	\$3,500.00
68	050-01-068	6387	\$3,500.00
69	050-01-069	6387	\$3,500.00
70	050-01-070	6226	\$3,500.00
71	050-01-071	7475	\$3,500.00
72	050-01-072	7475	\$3,500.00
73	050-01-073	7475	\$3,500.00
74	050-01-074	8088	\$3,500.00
75	050-01-075	9350	\$3,500.00
76	050-01-076	6389	\$3,500.00
77	050-01-077	11707	\$3,500.00
78	050-01-078	11083	\$3,500.00
79	050-01-079	12388	\$3,500.00
80	050-01-080	8991	\$3,500.00
81	050-01-081	8655	\$3,500.00
82	050-01-082	6687	\$3,500.00
83	050-01-083	7850	\$3,500.00
84	050-01-084	7852	\$3,500.00
85	050-01-085	7183	\$3,500.00
86	050-01-086	6781	\$3,500.00
87	050-01-087	6095	\$3,500.00
88	050-01-088	6095	\$3,500.00
89	050-01-089	6095	\$3,500.00
90	050-01-090	6095	\$3,500.00
91	050-01-091	6095	\$3,500.00
92	050-01-092	7574	\$3,500.00
93	050-01-093	7737	\$3,500.00
94	050-01-094	7740	\$3,500.00
95	050-01-095	7649	\$3,500.00

**MERRILL RANCH**  
**Community Facilities District No. 1**  
**ASSESSMENT AREA EIGHT**

**UNIT 50**

**ASSESSMENT NO.**

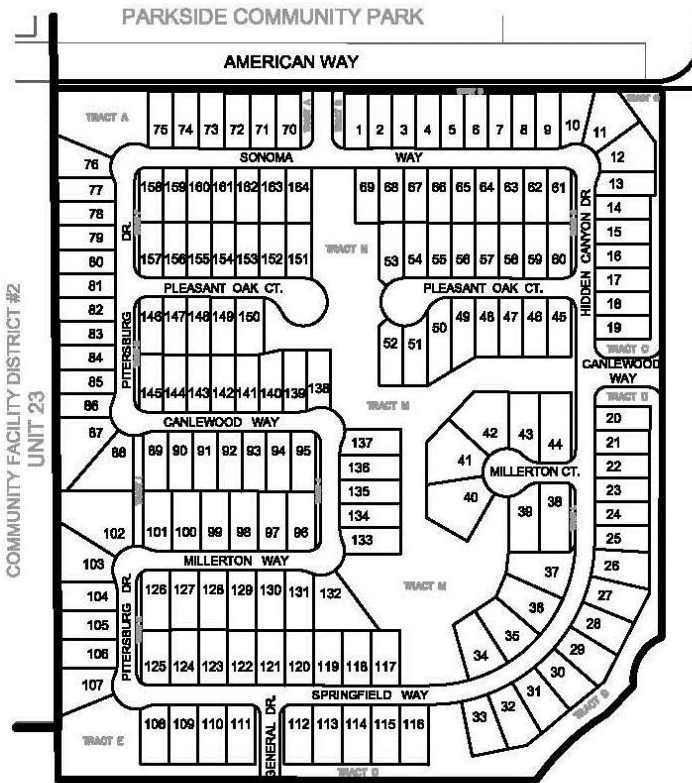
**050-01-001 thru 050-01-118**

NOTE: IMPROVEMENTS CONSISTS OF ROADWAY PAVING, CURB & GUTTER AND DRAINAGE FACILITIES AS DICTATED IN THE FEASIBILITY REPORT DATED OCTOBER 17, 2011 ON FILE WITH THE DISTRICT CLERK.

	PROJECT NO.:	13895-10005
	DATE:	3-11-2016
	SHEET NO.:	2 OF 3

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
1	053-01-001	5750	\$3,500.00
2	053-01-002	5750	\$3,500.00
3	053-01-003	5750	\$3,500.00
4	053-01-004	5750	\$3,500.00
5	053-01-005	5750	\$3,500.00
6	053-01-006	5750	\$3,500.00
7	053-01-007	5750	\$3,500.00
8	053-01-008	5750	\$3,500.00
9	053-01-009	6239	\$3,500.00
10	053-01-010	6962	\$3,500.00
11	053-01-011	6702	\$3,500.00
12	053-01-012	6931	\$3,500.00
13	053-01-013	6106	\$3,500.00
14	053-01-014	5750	\$3,500.00
15	053-01-015	5750	\$3,500.00
16	053-01-016	5750	\$3,500.00
17	053-01-017	5750	\$3,500.00
18	053-01-018	5750	\$3,500.00
19	053-01-019	5750	\$3,500.00
20	053-01-020	5750	\$3,500.00
21	053-01-021	5750	\$3,500.00
22	053-01-022	5750	\$3,500.00
23	053-01-023	5750	\$3,500.00
24	053-01-024	5750	\$3,500.00
25	053-01-025	6010	\$3,500.00
26	053-01-026	8009	\$3,500.00
27	053-01-027	8134	\$3,500.00
28	053-01-028	7857	\$3,500.00
29	053-01-029	8081	\$3,500.00
30	053-01-030	7851	\$3,500.00
31	053-01-031	7855	\$3,500.00
32	053-01-032	8487	\$3,500.00
33	053-01-033	7853	\$3,500.00
34	053-01-034	8892	\$3,500.00
35	053-01-035	8927	\$3,500.00
36	053-01-036	8979	\$3,500.00
37	053-01-037	10022	\$3,500.00
38	053-01-038	9334	\$3,500.00
39	053-01-039	8398	\$3,500.00
40	053-01-040	12810	\$3,500.00
41	053-01-041	11689	\$3,500.00
42	053-01-042	11693	\$3,500.00
43	053-01-043	8624	\$3,500.00
44	053-01-044	9522	\$3,500.00
45	053-01-045	6250	\$3,500.00
46	053-01-046	6250	\$3,500.00
47	053-01-047	6999	\$3,500.00
48	053-01-048	6146	\$3,500.00
49	053-01-049	6664	\$3,500.00
50	053-01-050	6562	\$3,500.00
51	053-01-051	6114	\$3,500.00
52	053-01-052	5750	\$3,500.00
53	053-01-053	5750	\$3,500.00
54	053-01-054	5750	\$3,500.00
55	053-01-055	5750	\$3,500.00
56	053-01-056	5750	\$3,500.00
57	053-01-057	5750	\$3,500.00
58	053-01-058	5750	\$3,500.00
59	053-01-059	5750	\$3,500.00
60	053-01-060	5726	\$3,500.00
61	053-01-061	5726	\$3,500.00
62	053-01-062	5750	\$3,500.00
63	053-01-063	5750	\$3,500.00
64	053-01-064	5750	\$3,500.00
65	053-01-065	5750	\$3,500.00

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
66	053-01-066	5750	\$3,500.00
67	053-01-067	5750	\$3,500.00
68	053-01-068	5750	\$3,500.00
69	053-01-069	5750	\$3,500.00
70	053-01-070	6133	\$3,500.00
71	053-01-071	6133	\$3,500.00
72	053-01-072	6133	\$3,500.00
73	053-01-073	6293	\$3,500.00
74	053-01-074	6293	\$3,500.00
75	053-01-075	6279	\$3,500.00
76	053-01-076	6082	\$3,500.00
77	053-01-077	6423	\$3,500.00
78	053-01-078	6439	\$3,500.00
79	053-01-079	6417	\$3,500.00
80	053-01-080	6395	\$3,500.00
81	053-01-081	6373	\$3,500.00
82	053-01-082	6562	\$3,500.00
83	053-01-083	6330	\$3,500.00
84	053-01-084	6308	\$3,500.00
85	053-01-085	6288	\$3,500.00



LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
86	053-01-086	6004	\$3,500.00
87	053-01-087	12972	\$3,500.00
88	053-01-088	10682	\$3,500.00
89	053-01-089	6376	\$3,500.00
90	053-01-090	6429	\$3,500.00
91	053-01-091	6429	\$3,500.00
92	053-01-092	6429	\$3,500.00
93	053-01-093	6429	\$3,500.00
94	053-01-094	6429	\$3,500.00
95	053-01-095	6405	\$3,500.00
96	053-01-096	7476	\$3,500.00
97	053-01-097	7500	\$3,500.00
98	053-01-098	7500	\$3,500.00
99	053-01-099	7500	\$3,500.00
100	053-01-100	7500	\$3,500.00
101	053-01-101	7441	\$3,500.00
102	053-01-102	16954	\$3,500.00
103	053-01-103	11007	\$3,500.00
104	053-01-104	7586	\$3,500.00
105	053-01-105	7579	\$3,500.00
106	053-01-106	7546	\$3,500.00
107	053-01-107	9294	\$3,500.00
108	053-01-108	7370	\$3,500.00
109	053-01-109	7500	\$3,500.00
110	053-01-110	7500	\$3,500.00
111	053-01-111	7476	\$3,500.00
112	053-01-112	7476	\$3,500.00
113	053-01-113	7500	\$3,500.00
114	053-01-114	7500	\$3,500.00
115	053-01-115	7500	\$3,500.00
116	053-01-116	7500	\$3,500.00
117	053-01-117	6900	\$3,500.00
118	053-01-118	16900	\$3,500.00
119	053-01-119	8900	\$3,500.00
120	053-01-120	6900	\$3,500.00
121	053-01-121	6900	\$3,500.00
122	053-01-122	6900	\$3,500.00
123	053-01-123	6900	\$3,500.00
124	053-01-124	6900	\$3,500.00
125	053-01-125	6876	\$3,500.00
126	053-01-126	7476	\$3,500.00
127	053-01-127	7500	\$3,500.00
128	053-01-128	7500	\$3,500.00
129	053-01-129	7500	\$3,500.00
130	053-01-130	7500	\$3,500.00
131	053-01-131	7411	\$3,500.00
132	053-01-132	10945	\$3,500.00
133	053-01-133	6717	\$3,500.00
134	053-01-134	6350	\$3,500.00
135	053-01-135	6350	\$3,500.00
136	053-01-136	6250	\$3,500.00
137	053-01-137	6717	\$3,500.00
138	053-01-138	6114	\$3,500.00
139	053-01-139	6489	\$3,500.00
140	053-01-140	6250	\$3,500.00
141	053-01-141	6000	\$3,500.00
142	053-01-142	6000	\$3,500.00
143	053-01-143	6000	\$3,500.00
144	053-01-144	6000	\$3,500.00
145	053-01-145	5976	\$3,500.00

LOT NO.	ASSESSMENT NO.	AREA (SF)	ASSESSMENT PER LOT
146	053-01-146	5976	\$3,500.00
147	053-01-147	6000	\$3,500.00
148	053-01-148	6000	\$3,500.00
149	053-01-149	6000	\$3,500.00
150	053-01-150	7187	\$3,500.00
151	053-01-151	6345	\$3,500.00
152	053-01-152	6325	\$3,500.00
153	053-01-153	5750	\$3,500.00
154	053-01-154	5750	\$3,500.00
155	053-01-155	5750	\$3,500.00
156	053-01-156	5750	\$3,500.00
157	053-01-157	5726	\$3,500.00
158	053-01-158	5726	\$3,500.00
159	053-01-159	5750	\$3,500.00
160	053-01-160	5750	\$3,500.00
161	053-01-161	5750	\$3,500.00
162	053-01-162	5750	\$3,500.00
163	053-01-163	6325	\$3,500.00
164	053-01-164	6325	\$3,500.00

**MERRILL RANCH**  
**Community Facilities District No. 1**  
**ASSESSMENT AREA EIGHT**  
**UNIT 53**  
**ASSESSMENT NO.**  
**053-01-001 thru 053-01-164**

NOTE: IMPROVEMENTS CONSISTS OF ROADWAY PAVING, CURB & GUTTER AND DRAINAGE FACILITIES AS DIPICTED IN THE FEASIBILITY REPORT DATED OCTOBER 17, 2011 ON FILE WITH THE DISTRICT CLERK.

	PROJECT NO.:	13895-10005
	DATE:	3-11-2016
	SHEET NO.	3 OF 3

**Legal Description of Assessment Area**



**Community Facilities District**  
**Legal Description**  
**Anthem at Merrill Ranch, Unit 50**

A parcel of land lying within the East Half Section 19 and the Northwest Quarter of Section 20, Township 4 South, Range 9 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northwest Corner of said Section 20 (3" Aluminum Cap, No ID, found) from which the North Quarter Corner of Section 20 (1-1/2" Aluminum Cap, No ID, found) bears North 89 degrees 57 minutes 31 seconds East (basis of bearing), 2634.19 feet and the West Quarter Corner of Section 20 (1/2" Rebar, No ID, found) bears South 00 degrees 15 minutes 55 seconds East, 2466.14 feet;

Thence South 00 degrees 15 minutes 55 seconds East along the West line of the Northwest Quarter of Section 20, a distance of 997.99 feet to a point from which the West Quarter Corner of Section 20 bears South 00 degree 15 minutes 55 seconds East, a distance of 1646.15 feet;

Thence departing said West line, North 89 degrees 44 minutes 05 seconds East, a distance of 178.60 feet to the **POINT OF BEGINNING**;

Thence, North 62 degrees 12 minutes 07 seconds East, a distance of 40.00 feet;

Thence, South 27 degrees 47 minutes 53 seconds East, a distance of 61.00 feet;

Thence, Southeasterly an arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, North 62 degrees 12 minutes 07 seconds East, a distance of 110.00 feet;

Thence, Northerly an arc distance of 47.12 feet along a curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 27 degrees 47 minutes 53 seconds East, a distance of 110.00 feet;

Thence, Westerly an arc distance of 47.12 feet along a non-tangent curve to the left having a radius of 30.00 and an included angle of 90 degrees 00 minutes 00 seconds. The radius point bears South 62 degrees 12 minutes 07 seconds West;

Thence, South 62 degrees 12 minutes 07 seconds West, a distance of 110.00 feet;

Thence, Southerly and arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 27 degrees 47 minutes 53 seconds East, a distance of 19.81 feet;

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Thence, Southerly an arc distance of 57.42 feet along a curve to the right having a radius of 320.0 and an included angle of 10 degrees 16 minutes 51 seconds;

Thence, North 72 degrees 28 minutes 58 seconds East, a distance of 115.64 feet;

Thence, South 14 degrees 24 minutes 00 seconds East, a distance of 111.18 feet;

Thence, South 27 degrees 47 minutes 13 seconds East, a distance of 96.35 feet;

Thence, South 38 degrees 35 minutes 04 seconds East, a distance of 218.05 feet;

Thence, South 23 degrees 59 minutes 00 seconds East, a distance of 101.46 feet;

Thence, South 06 degrees 09 minutes 54 seconds East, a distance of 126.93 feet;

Thence, South 17 degrees 37 minutes 22 seconds West, a distance of 147.44 feet;

Thence, South 41 degrees 20 minutes 48 seconds West, a distance of 147.42 feet;

Thence, South 64 degrees 59 minutes 25 seconds West, a distance of 73.71 feet;

Thence, South 68 degrees 26 minutes 54 seconds West, a distance of 164.56 feet;

Thence, South 67 degrees 28 minutes 04 seconds West, a distance of 129.21 feet;

Thence, South 64 degrees 54 minutes 22 seconds West, a distance of 129.09 feet;

Thence, South 61 degrees 04 minutes 29 seconds West, a distance of 258.45 feet;

Thence, North 30 degrees 35 minutes 31 seconds West, a distance of 114.94 feet;

Thence, Southerly an arc distance of 35.64 feet along a non-tangent curve to the left having a radius of 25.00 feet and an included angle of 81 degrees 40 minutes 57 seconds. The radius point bears South 54 degrees 54 minutes 34 seconds East;

Thence, South 30 degrees 35 minutes 31 seconds East, a distance of 101.22 feet;

Thence, Easterly an arc distance of 46.07 feet along a curve to the left having a radius of 30.00 feet and an included angle of 87 degrees 59 minutes 46 seconds;

Thence, Westerly an arc distance of 109.51 feet along a non-tangent curve to the left having a radius of 6057.50 feet and an included angle of 01 degrees 02 minutes 08 seconds. The radius point bears South 5 degrees 35 minutes 17 seconds East;

Thence, Northerly an arc distance of 47.63 feet along a non-tangent curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 58 minutes 05 seconds. The radius point bears North 37 degrees 37 minutes 26 seconds West;



Thence, North 30 degrees 35 minutes 31 seconds West, a distance of 98.37 feet;

Thence, Westerly an arc distance of 35.64 feet along a curve to the left having a radius of 25.00 feet and an included angle of 81 degrees 40 minutes 57 seconds;

Thence, South 30 degrees 35 minutes 31 seconds East, a distance of 114.74 feet;

Thence, South 59 degrees 24 minutes 29 seconds West, a distance of 332.41 feet;

Thence, South 74 degrees 48 minutes 15 seconds West, a distance of 74.38 feet;

Thence, North 09 degrees 23 minutes 02 seconds West, a distance of 118.15 feet;

Thence, Westerly and arc distance of 57.26 feet along a non-tangent curve to the right having a radius of 220.00 feet and an included angle of 14 degrees 54 minutes 44 seconds. The radius point bears North 09 degrees 23 minutes 02 seconds West;

Thence, South 05 degrees 31 minutes 42 seconds West, a distance of 117.76 feet;

Thence, South 88 degrees 19 minutes 50 seconds West, a distance of 78.83 feet;

Thence, South 25 degrees 15 minutes 46 seconds West, a distance of 45.59 feet;

Thence, South 80 degrees 12 minutes 41 seconds West, a distance of 114.72 feet;

Thence, Southerly an arc distance of 19.06 feet along a non-tangent curve to the right having a radius of 50.00 feet and an included angle of 21 degrees 50 minutes 16 seconds. The radius point bears South 80 degrees 12 minutes 41 seconds West;

Thence, South 77 degrees 57 minutes 03 seconds East, a distance of 115.00 feet;

Thence, South 12 degrees 02 minutes 57 seconds West, a distance of 37.36 feet;

Thence, South 27 degrees 14 minutes 26 seconds West, a distance of 72.84 feet;

Thence, South 62 degrees 25 minutes 55 seconds West, a distance of 114.98 feet;

Thence, North 67 degrees 11 minutes 07 seconds West, a distance of 160.60 feet;

Thence, Southerly and arc distance of 35.31 feet along a non-tangent curve to the left having a radius of 50.00 feet and an included angle of 40 degrees 27 minutes 50 seconds. The radius point bears South 71 degrees 47 minutes 21 seconds East;

Thence, Westerly an arc distance of 201.21 feet along a reverse curve to the right having a radius of 50.00 feet and an included angle of 230 degrees 34 minutes 07 seconds;

Thence, North 38 degrees 06 minutes 23 seconds West, a distance of 121.02 feet;





Thence, North 49 degrees 31 minutes 55 seconds East, a distance of 58.08 feet;  
Thence, North 26 degrees 15 minutes 12 seconds East, a distance of 316.73 feet;  
Thence, North 29 degrees 18 minutes 03 seconds East, a distance of 59.04 feet;  
Thence, North 33 degrees 48 minutes 20 seconds East, a distance of 59.04 feet;  
Thence, North 36 degrees 23 minutes 55 seconds East, a distance of 59.04 feet;  
Thence, North 40 degrees 10 minutes 56 seconds East, a distance of 45.66 feet;  
Thence, North 40 degrees 37 minutes 18 seconds East, a distance of 72.86 feet;  
Thence, North 51 degrees 57 minutes 48 seconds East, a distance of 279.09 feet;  
Thence, North 62 degrees 05 minutes 05 seconds East, distance of 83.61 feet;  
Thence, North 73 degrees 44 minutes 18 seconds East, a distance of 76.69 feet;  
Thence, South 14 degrees 54 minutes 56 seconds East, a distance of 116.42 feet;  
Thence, North 75 degrees 05 minutes 04 seconds East, a distance of 57.01 feet;  
Thence, Northeasterly an arc distance of 34.65 feet along a curve to the left having a radius of 25.00 feet and an included angle of 79 degrees 24 minutes 58 seconds;  
Thence, Northerly an arc distance of 112.23 feet along a reverse curve to the right having a radius of 220.00 feet and an included angle of 29 degrees 13 minutes 42 seconds;  
Thence, North 65 degrees 06 minutes 12 seconds West, a distance of 116.00 feet;  
Thence, North 22 degrees 20 minutes 38 seconds East, a distance of 94.87 feet;  
Thence, North 59 degrees 10 minutes 51 seconds East, a distance of 94.92 feet;  
Thence, North 56 degrees 17 minutes 57 seconds East, a distance of 455.45 feet;  
Thence, South 33 degrees 42 minutes 03 seconds East, a distance of 115.00 feet;  
Thence, North 56 degrees 17 minutes 57 seconds East, a distance of 40.00 feet;  
Thence, North 33 degrees 42 minutes 03 seconds West, a distance of 115.00 feet;  
Thence, North 56 degrees 17 minutes 57 seconds East, a distance of 140.61 feet;



Thence, North 10 degrees 30 minutes 42 seconds West, a distance of 126.14 feet;

Thence, North 62 degrees 12 minutes 07 seconds East, a distance of 115.00 feet;

Thence, North 27 degrees 47 minutes 53 seconds West, a distance of 149.40 feet to the **POINT OF BEGINNING.**

Containing 29.1213 acres, more or less.

**See Exhibit "A", attached.**



**Community Facilities District**  
**Legal Description**  
**Anthem at Merrill Ranch, Unit 53**

A parcel of land lying within the West Half Section 30, Township 4 South, Range 9 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the Northwest Corner of said Section 30 (2" Aluminum Cap, LS 21065, found) from which the West Quarter Corner of Section 30 (3" GLO Brass Cap "1928", found) bears South 00 degrees 25 minutes 29 seconds East (basis of bearing), a distance of 2644.96 feet and the North Quarter Corner of Section 30 (2" Aluminum Cap, LS 21065, found) bears South 89 degrees 54 minutes 48 seconds East, a distance of 2648.09 feet;

Thence, South 00 degrees 25 minutes 29 seconds East along the West line of the Northwest Quarter of Section 30, a distance of 1416.17 feet to a point from which the West Quarter Corner of Section 30 bears South 00 degree 25 minutes 29 seconds East, a distance of 1288.22 feet, said point being the **POINT OF BEGINNING**.

Thence, South 67 degrees 25 minutes 21 seconds East, a distance of 134.25 feet;

Thence, Easterly an arc distance of 81.45 feet along a non-tangent curve to the right having a radius of 50.00 feet and an included angle of 93 degrees 20 minutes 15 seconds. The radius point bears South 67 degrees 25 minutes 21 seconds East;

Thence, Easterly and arc distance of 5.95 feet along a reverse curve to the left having a radius of 50.00 feet and an included angle of 06 degrees 49 minutes 20 seconds;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 115.27 feet;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 160.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 3.00 feet;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 160.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 115.00 feet;

Thence, Northeasterly an arc distance of 39.27 feet along a non-tangent curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds. The radius point bears North 00 degrees 04 minutes 23 seconds East;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 85.00 feet;

Thence, Northerly an arc distance of 15.50 feet along a curve to the left having a radius of 30.00 feet and an included angle of 29 degrees 35 minutes 52 seconds;

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CITY  
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Thence, South 89 degrees 55 minutes 50 seconds East, a distance of 47.83 feet;

Thence, Southerly an arc distance of 15.50 feet along a non-tangent curve to the left having a radius of 30.00 feet and an included angle of 29 degrees 36 minutes 18 seconds. The radius point bears South 60 degrees 19 minutes 19 seconds East;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 85.00 feet;

Thence, Southeasterly an arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 115.00 feet;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 400.00 feet;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 9.85 feet;

Thence, South 89 degrees 55 minutes 51 seconds East, a distance of 167.80 feet;

Thence, South 35 degrees 56 minutes 36 seconds East, a distance of 137.51 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 111.16 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 10.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 300.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 115.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 13.79 feet;

Thence, Southeasterly an arc distance of 39.27 feet along a curve to the left, having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 85.00 feet;

Thence, Northeasterly an arc distance of 47.12 feet along a curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 120.00 feet;

Thence, Northwesterly an arc distance of 47.12 feet along a non-tangent curve to the left having a radius of 30.00 feet and an included angle of 90 degrees 00 minutes 00 seconds. The radius point bears North 89 degrees 55 minutes 37 seconds West;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 85.00 feet;



Thence, Southwesterly and arc distance of 39.27 feet along a curve to the left having a radius of 25.00 feet and an included angle of 90 degrees 00 minutes 00 seconds;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 15.00 feet;

Thence, South 89 degrees 55 minutes 37 seconds East, a distance of 115.00 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 388.78 feet;

Thence, South 26 degrees 59 minutes 32 seconds West, a distance of 208.51 feet;

Thence, South 50 degrees 32 minutes 56 seconds West, a distance of 209.86 feet;

Thence, South 78 degrees 51 minutes 09 seconds West, a distance of 116.24 feet;

Thence, North 11 degrees 08 minutes 51 seconds West, a distance of 116.00 feet;

Thence, Westerly an arc distance of 67.56 feet along a non-tangent curve to the right having a radius of 345.00 feet and an included angle of 11 degrees 13 minutes 14 seconds. The radius point bears North 11 degrees 08 minutes 51 seconds West;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 1.95 feet;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 125.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 30.00 feet;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 120.00 feet;

Thence, Southerly an arc distance of 23.18 feet along a non-tangent curve to the left having a radius of 25.00 feet and an included angle of 53 degrees 07 minutes 49 seconds. The radius point bears South 36 degrees 47 minutes 48 seconds East;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 132.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 40.00 feet;

Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 132.00 feet;

Thence, Northerly an arc distance of 23.18 feet along a curve to the left having a radius of 25.00 feet and an included angle of 53 degrees 07 minutes 48 seconds;

Thence, South 00 degrees 04 minutes 23 seconds West, a distance of 120.00 feet;

Thence, North 89 degrees 55 minutes 37 seconds West, a distance of 240.00 feet;



Thence, North 00 degrees 04 minutes 23 seconds East, a distance of 115.82 feet;

Thence, Westerly and arc distance of 68.28 feet along a non-tangent curve to the right having a radius of 50.00 feet and an included angle of 78 degrees 14 minutes 52 seconds. The radius point bears North 10 degrees 17 minutes 48 seconds West;

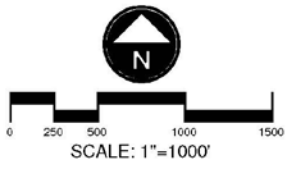
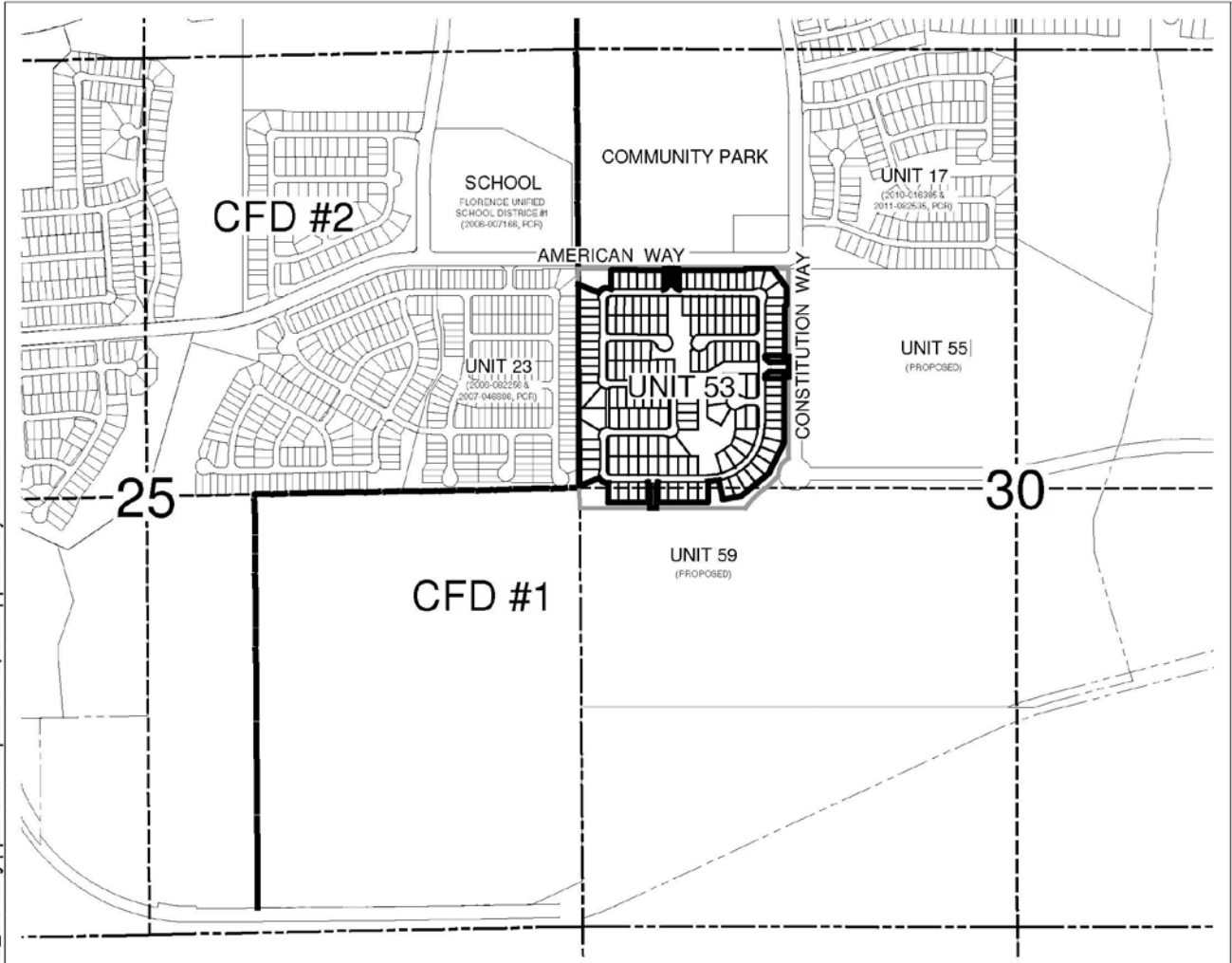
Thence, South 67 degrees 57 minutes 04 seconds West, a distance of 127.73 feet;

Thence, North 00 degrees 25 minutes 29 seconds West, a distance of 1217.50 feet to the **POINT OF BEGINNING.**

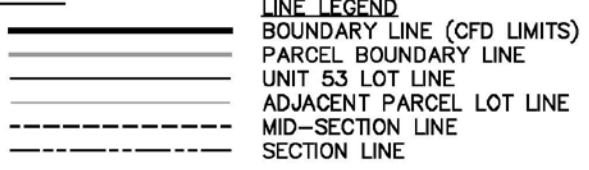
Containing 37.3131 acres, more or less.

**See Exhibit "A", attached.**

path: R:\742-AMR\UNITS\UNIT-53-AMR\09-EXHIBITS\CFD Exhibit\ file name: UNIT 53 CFD LEGAL\_EXHB\_BNDY.dwg | plot date: September 16, 2015 | plotted by: ssanders



**VICINITY MAP**



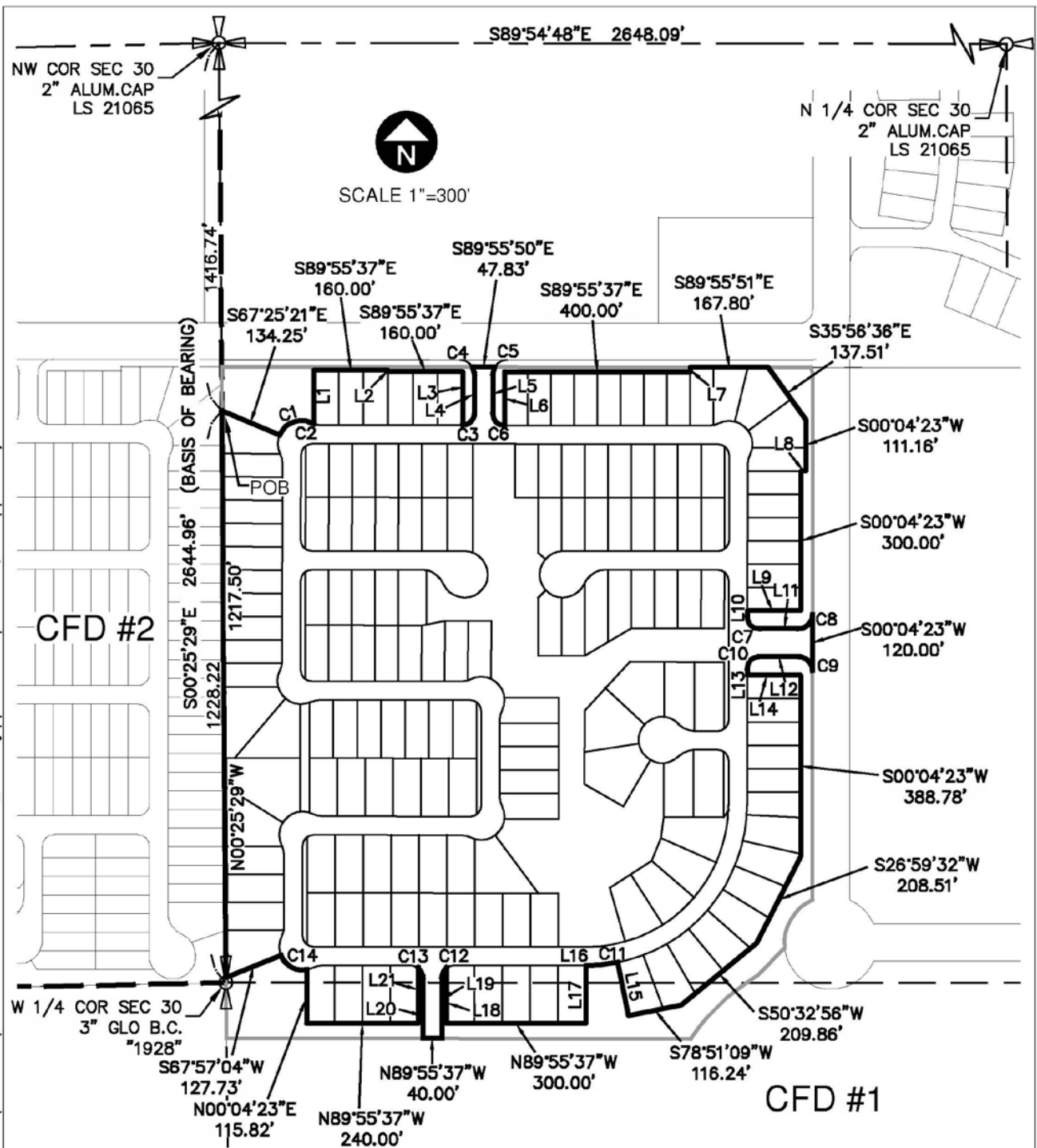
- ABBREVIATIONS**  
 CFD COMMUNITY FACILITIES DISTRICT  
 BOB BASIS OF BEARING  
 POB POINT OF BEGINNING

CURVE TABLE				
CURVE	LENGTH	RADIUS	DELTA	TANGENT
C1	81.45'	50.00'	93°20'15"	53.00'
C2	5.95'	50.00'	6°49'20"	2.98'
C3	39.27'	25.00'	90°00'00"	25.00'
C4	15.50'	30.00'	29°35'52"	7.93'
C5	15.50'	30.00'	29°36'18"	7.93'
C6	39.27'	25.00'	90°00'00"	25.00'
C7	39.27'	25.00'	90°00'00"	25.00'
C8	47.12'	30.00'	90°00'00"	30.00'
C9	47.12'	30.00'	90°00'00"	30.00'
C10	39.27'	25.00'	90°00'00"	25.00'
C11	67.56'	345.00'	11°13'15"	33.89'
C12	23.18'	25.00'	53°07'48"	12.50'
C13	23.18'	25.00'	53°07'48"	12.50'
C14	68.28'	50.00'	78°14'52"	40.67'

**BAXTER DESIGN GROUP**

EXHIBIT "A"  
**ANTHEM AT MERRILL RANCH**  
**UNIT 53 CFD BOUNDARY**  
 SHEET 1 OF 3

path: R:\742-AMR\UNITS\UNIT-53-AMR\09-EXHIBITS\CFD Exhibit\ file name: UNIT 53 CFD LEGAL EXHB\_BNDY.dwg | plot date: September 16, 2015 | plotted by: asanders



LINE TABLE		
LINE	BEARING	DISTANCE
L1	N00°04'23"E	115.27'
L2	S00°04'23"W	3.00'
L3	S00°04'23"W	115.00'
L4	N00°04'23"E	85.00'
L5	S00°04'23"W	85.00'
L6	N00°04'23"E	115.00'
L7	N00°04'23"E	9.85'
L8	N89°55'37"W	10.00'
L9	N89°55'37"W	115.00'
L10	S00°04'23"W	13.79'
L11	S89°55'37"E	85.00'

LINE TABLE (CONT.)		
LINE	BEARING	DISTANCE
L12	N89°55'37"W	85.00'
L13	S00°04'23"W	15.00'
L14	S89°55'37"E	115.00'
L15	N11°08'51"W	116.00'
L16	S89°55'37"E	1.95'
L17	S00°04'23"W	125.00'
L18	N00°04'23"E	120.00'
L19	S00°04'23"W	132.00'
L20	N00°04'23"E	132.00'
L21	S00°04'23"W	120.00'



EXHIBIT "A"  
**ANTHEM AT MERRILL RANCH**  
**UNIT 53 CFD BOUNDARY**  
 SHEET 2 OF 3



path:R:\742--MR\UNITS\UNIT-53--MR\742-EXHIBITS\CFD Exhibit\ file name:UNIT 53 CFD EXHIBIT\_SHT3.dwg | plot date: September 16, 2015 | plotted by: sanders

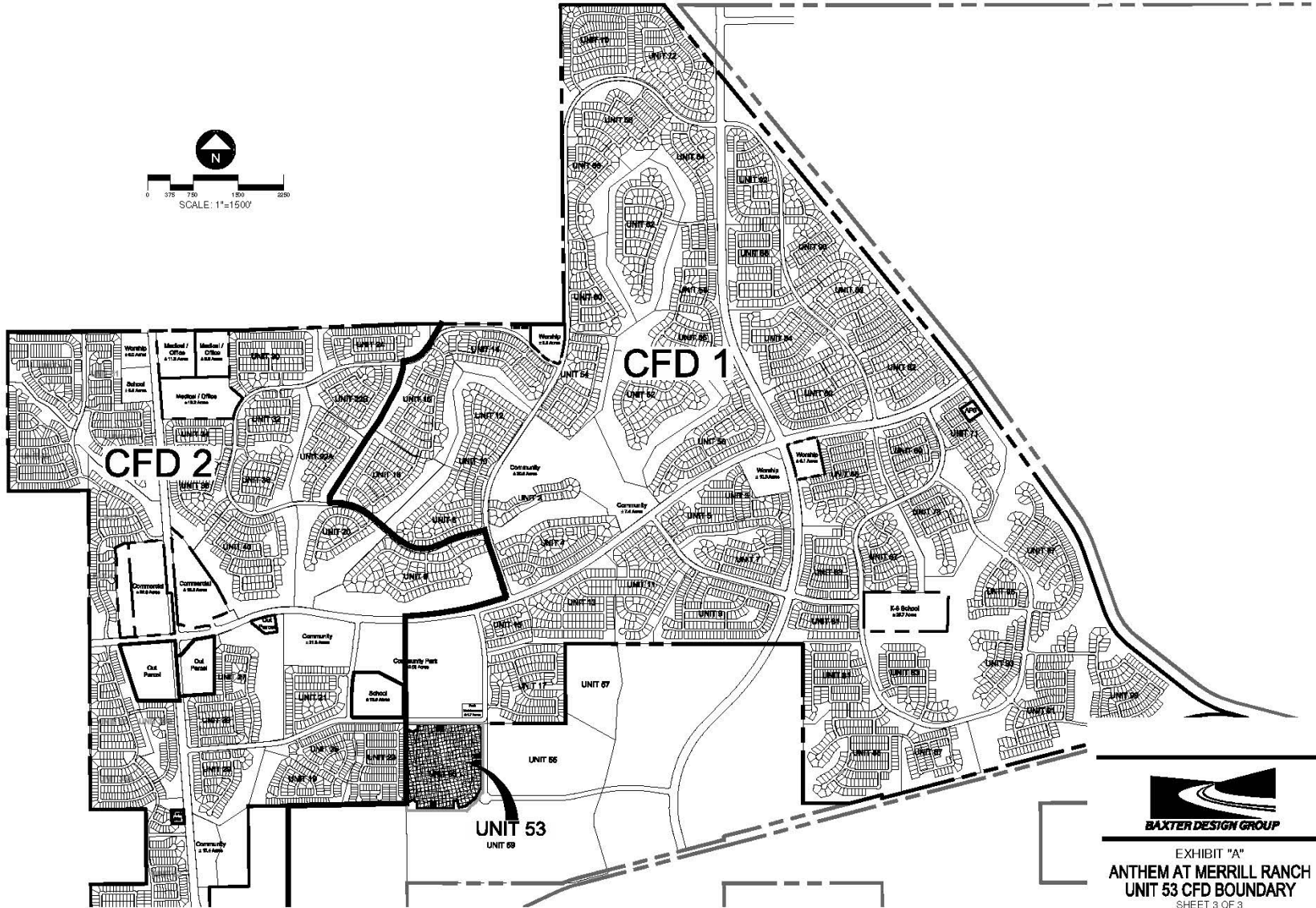


EXHIBIT "A"  
**ANTHEM AT MERRILL RANCH**  
**UNIT 53 CFD BOUNDARY**  
 SHEET 3 OF 3

**Conclusion**

Based upon the information presented herein, it is our opinion that the special assessment allocation methodology results in assessments being allocated in proportion to the benefits received by each Lot therein for the improvements to be provided thereby.

---

**WILLDAN**  
**Grant I. Anderson, P.E.**  
**District Engineer**

[seal]

When recorded, please return to:

Michael Cafiso, Esq.  
Greenberg Traurig, LLP  
Suite 700  
2375 East Camelback Road  
Phoenix, Arizona 85016

EIGHTH AMENDMENT AND WAIVERS  
(ASSESSMENT AREA EIGHT - Units 50 and 53),  
FOR DISTRICT DEVELOPMENT, FINANCING PARTICIPATION,  
WAIVER AND INTERGOVERNMENTAL AGREEMENT  
(MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1)

THIS EIGHTH AMENDMENT AND WAIVERS (ASSESSMENT AREA EIGHT - Units 50 and 53), dated as of April 1, 2016 (hereinafter referred to as this "Amendment"), for DISTRICT DEVELOPMENT, FINANCING PARTICIPATION, WAIVER AND INTERGOVERNMENTAL AGREEMENT (MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1), dated as of December 1, 2005, as amended by the First Amendment and Waivers (Assessment Area One), dated as of February 1, 2006, the Second Amendment and Waivers (Assessment Area Two - Unit 54), dated as of November 1, 2008, the Third Amendment and Waivers (Assessment Area Three - Unit 17A), dated as of September 1, 2010, the Fourth Amendment and Waivers (Assessment Area Four - Unit 18), dated as of January 1, 2012, the Fifth Amendment and Waivers (Assessment Area Five - Unit 17B), dated as of July 1, 2012, the Sixth Amendment and Waivers (Assessment Area Six - Units 2 and 9A), dated as of July 1, 2013, and the Seventh Amendment and Waivers (Assessment Area Seven - Units 9B, 16 and 17C), dated as of October 1, 2014 (as so amended hereinafter referred to as the "Agreement"), by and between Merrill Ranch Community Facilities District No. 1, a community facilities district formed by the Municipality (as such term is hereinafter defined), and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter referred to as the "District"), and Pulte Home Corporation, a corporation duly incorporated and validly existing pursuant to the laws of the State of Michigan and having an interest in certain property within the boundaries of the District (hereinafter referred to as the "Owner");

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "Act"), and

Section 9-500.05, Arizona Revised Statutes, the Town of Florence, Arizona, a municipality duly incorporated and validly existing pursuant to the laws of the State of Arizona (the "*Municipality*"); the District; the Owner; CMR/Casa Grande, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Arizona and having an interest in certain property within the boundaries of the District; Roadrunner Resorts, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Arizona and having an interest in certain property within the boundaries of the District, and WHM Merrill Ranch SPE, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware, entered into the Agreement as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Act) and the financing of public infrastructure and subsequent reimbursements or repayments over time; and

WHEREAS, with regard to the Property (as such term and all other undefined terms used in these Recitals are defined in the Agreement), the Municipality, the District and the Owner specified some of such matters in the Agreement, particularly matters relating to the construction or acquisition of certain public infrastructure by the District, the acceptance thereof by the Municipality and the reimbursement or repayment of the Owner with respect thereto, all pursuant to the Act, such public infrastructure being necessary for the Owner to develop the Property prior to the time at which the District can itself pay for the construction or acquisition thereof; and

WHEREAS, the Agreement provided that the Assessment Bonds shall be issued if certain conditions are met to provide moneys for certain public infrastructure purposes described in the General Plan of the District, and the use of the proceeds of the sale of the Assessment Bonds was a subject of the Agreement; and

WHEREAS, the Agreement provided that an amendment thereto would provide (1) for the designation from time to time of Assessed Property and of the portions of the Infrastructure, the acquisition of which is to be financed with the proceeds of the sale of Assessment Bonds and (2) the means by which the Owner would accept the Assessments and have the Assessments allocated and recorded against the various parcels comprising the Assessed Property; and

WHEREAS, Section 10.5 of the Agreement provides that the Agreement can be altered and otherwise amended if the amendment is solely for the purpose of designating certain parcels of "Property" and portions of "Infrastructure" (as contemplated by the definitions of "Assessed Property" and "Work" in connection with "Assessments") and accepting, allocating and recording Assessments against such parcels (as contemplated by Section 6.2(c)(2) of the Agreement) and waivers related thereto and need be signed only by (and shall be effective against only) the District and the owner of such parcels; and

WHEREAS, subsequent to the execution and delivery of the Agreement, State law was amended to provide that the District may provide that the collection of installments of the Assessments be paid to such owner for the costs of public infrastructure purposes, until the District Board of the District determined, if ever, that the Assessment Bonds for such purposes should be issued and that, until such Assessment Bonds are issued, the Assessments may bear interest at the rate specified by the District Board of the District, as all such terms are defined in the Development Agreement; and

WHEREAS, this Amendment as an amendment to a "development agreement" is consistent with the "general plan" of the Municipality, as defined in Section 9-461, Arizona Revised Statutes applicable to the Property on the date this Agreement is executed; and

WHEREAS, the Owner is the current fee owner of the Area Eight Assessed Property (as such term is hereinafter defined), and there are no holders of any other interests, legal or equitable, in the Area Eight Assessed Property; and

WHEREAS, the appropriate representatives of the Owner (i) have, independently with the assistance of legal counsel, reviewed and evaluated all of the law of the State as it relates to the subject matter of this Amendment; (ii) have a full and complete knowledge and understanding of such law; (iii) are sufficiently knowledgeable and experienced in such matters to be able to evaluate the risks and merits of matters provided by this Amendment and (iv) are voluntarily causing the Owner to enter into this Amendment knowing that the terms and provisions of this Amendment shall run with and encumber the Area Eight Assessed Property and bind the entities executing this Amendment and their successors and assigns; and

WHEREAS, such representatives of the Owner have reviewed the boundaries of the Area Eight Assessed Property as well as the Area Eight Estimate, the Area Eight Work Plans and Specifications and the Area Eight Assessment Diagram (as such terms are hereinafter defined); and

WHEREAS, the Owner is receiving fair consideration and reasonably equivalent value for its execution hereof; the Owner is not now insolvent, nor will the execution hereof, render the Owner insolvent; no obligation of the Owner has been incurred with the intent to hinder, delay or defraud present or future creditors and the execution hereof does not involve the incurrence by the Owner of an obligation or debt which the Owner reasonably believes is or will become beyond the ability of the Owner to pay as it becomes due;

NOW, THEREFORE, in the joint and mutual exercise of their powers, in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, and subject to the conditions set forth herein, the parties hereto amend the Agreement by providing for the purposes described hereinabove to provide that they agree that:

Section 1. (a) For all purposes of this Amendment, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section have the meanings assigned to them in this Section and include, as appropriate, the plural as well as the singular, and otherwise the terms used herein have the meanings assigned to them in the Agreement:

"*Area Eight Assessed Property*" means the parcels of the Property described in the Exhibit to this Amendment.

"*Area Eight Assessment Bonds*" means the bonds entitled "Special Assessment Lien Bonds (Assessment Area Eight)" of the District or such other title approved by the District Board and authorized to be sold and issued by the District as described in this Amendment, payable from amounts collected from, among other sources, the Area Eight Assessments.

"*Area Eight Assessment Diagram*" means the assessment diagram to be on file with the District Clerk, prepared by the District Engineer and the Superintendent of Streets, as amended from time to time, showing estimated maximum dollar amounts of benefits derived from the Area Eight Work for each parcel of the Area Eight Assessed Property and assessing against each such parcel the maximum proportionate share of costs and expenses of the Area Eight Work, the contents of which are hereby incorporated herein by this reference.

"*Area Eight Assessments*" means, as to be originally levied and as thereafter reallocated as described herein, the proportionate share of costs and expenses of Area Eight Work levied against each parcel of the Area Eight Assessed Property pursuant to Title 48, Chapter 4, Article 2, Arizona Revised Statutes.

"*Area Eight Estimate*" means the estimate included in the Area Eight Report, such portion of the contents of which are hereby incorporated herein by this reference, being the total of amounts necessary to pay (1) the total of all amounts due pursuant to the Agreement for the Area Eight Work not otherwise paid from cash collections of the Area Eight Assessments and (2)(i) all other amounts indicated in this Amendment, (ii) all relevant issuance costs related to the Area Eight Assessment Bonds and (iii) an amount necessary to fund a debt service reserve fund in an amount not in excess of that permitted by the Act and described elsewhere herein, but not to exceed in aggregate \$1,000,000.

"*Area Eight Report*" means the Report applicable to the Area Eight Work on file with the District Clerk.

"*Area Eight Work*" means the portions of the Infrastructure described in the Area Eight Report, such portion of the contents of which are hereby incorporated herein by this reference, the acquisition of which is to be financed with the proceeds of the sale of Area Eight Assessment Bonds.

"Area Eight Work Plans and Specifications" means the Plans and Specifications for the corresponding Acquisition Projects on file with the District Clerk, which shall compose the Area Eight Work, the contents of which are hereby incorporated herein by this reference.

"Assessment Collection Agreement" means the Community Facilities District Assessment Collection Agreement (Merrill Ranch Community Facilities District No. 1), dated as of September 1, 2009, by and between the Treasurer of Pinal County, Arizona, and the District.

(b) All references in this Amendment to designated "Exhibits," "Sections" and other subdivisions are to the designated Exhibits, Sections and other subdivisions of this Amendment as originally executed unless otherwise indicated.

(c) The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Amendment as a whole and not to any particular Exhibit, Section or other subdivision.

Section 2. (a) Notwithstanding any provision of the Agreement to the contrary, this Section shall apply to this Amendment and, if ever issued, the Area Eight Assessment Bonds to the exclusion of any conflicting provision therein:

(1) (A) The Area Eight Assessments shall be levied based on the Area Eight Estimate upon all of the Area Eight Assessed Property based on the benefits received by and as allocated to the parcels into which the Area Eight Assessed Property is or is to be divided, but in any case shall, subject to Section 6.2(c)(6)(A) of the Agreement, not exceed \$3,500 per typical equivalent dwelling unit lot based on the actual, final number of lots; provided, however, that unless the Owner pays the difference to the District in cash which the District hereby agrees to apply to the payment of Area Eight Assessment Bonds according to their terms, the amount allocated per lot shall never be in total less than the principal amount of the Area Eight Assessment Bonds. With respect to each such allocation, the Owner shall provide to the District Manager evidence satisfactory to the District Manager of any matters the District Manager may reasonably request, including particularly with respect to the condition of title of any lot and that the value of the remaining lots after such allocation is at least equal to the remaining total of the principal amount of the Area Eight Assessment Bonds, in each case as applicable, evidencing such values on a lot by lot basis, if necessary.

(B) The Owner accepts the Area Eight Assessments which are in an amount not more than the total amount of the Area Eight Estimate against the Area Eight Assessed Property and shall have the Area Eight Assessments allocated and recorded with the County Recorder of Pinal County, Arizona, by means of this Amendment against the various parcels comprising the Area Eight Assessed Property.

(C) The Area Eight Assessed Property receives benefits from the Area Eight Work equal to not less than the Area Eight Assessments as so allocated to the parcels into which the Area Eight Assessed Property is or is to be divided, and the Area Eight Assessments shall be final, conclusive and binding upon the Owner whether or not the Area Eight Work is completed in substantial compliance with the Area Eight Work Plans and Specifications.

(2) (A) The Owner approves the boundaries of the Area Eight Assessed Property as well as the Area Eight Estimate, the Area Eight Work Plans and Specifications and the Area Eight Assessment Diagram.

(B) This Amendment shall be construed to be an express consent by the Owner that (I) the District may, with respect to the Area Eight Assessed Property, incur costs and expenses necessary to complete the Area Eight Work and (II) the District may levy and collect the Area Eight Assessments in amounts sufficient to pay the amounts indicated in the Area Eight Estimate, including for the Area Eight Work, but not in excess of the total amount of the Area Eight Estimate.

(C) The mailing to the governing body of the Municipality of the Area Eight Estimate and the Area Eight Work Plans and Specifications in the form of the Area Eight Report pursuant to Section 48-715, Arizona Revised Statutes shall satisfy the filing requirements of Section 48-577, Arizona Revised Statutes and the publication of the notice of hearing on the Area Eight Report pursuant to Section 48-715, Arizona Revised Statutes, as amended, shall satisfy the publication and posting requirements of Section 48-578, Arizona Revised Statutes.

(3) Notwithstanding that Section 32-2181(I), Arizona Revised Statutes may be construed to prevent any waiver of the right to appear before the District Board on any hearing required at or prior to the confirmation of the Area Eight Assessments, the Owner instead hereby requests that the District Board hold hearings on any protests with respect to the Area Eight Work and objections to the extent of the Area Eight Assessed Property (all of which is to be assessed) pursuant to Sections 48-579 and 580, Arizona Revised Statutes, any objections to award of applicable contracts with respect to the Area Eight Work pursuant to Section 48-584, Arizona Revised Statutes and any objections with respect to the Area Eight Assessments or to any previous proceedings connected therewith or claim that the Area Eight Work has not been performed according to any applicable contract or the Area Eight Work Plans and Specifications pursuant to Section 48-590, Arizona Revised Statutes should any protests or objections or any requests for hearings with respect thereto be made prior to the confirmation of the Area Eight Assessments. The Owner hereby waives all formal requirements of notice (whether to be mailed, posted or published) and the passage of time prior to such hearings and further consents that hearings and proceedings may be consolidated and held by the District Board on the same day or days.



(4) The Owner, with full knowledge of the provisions, and the rights thereof pursuant to such provisions, of applicable law, waives:

(I) any and all defects, irregularities, illegalities or deficiencies in the proceedings establishing the Area Eight Assessed Property;

(II) any and all notices and time periods related thereto provided by Section 48-576, et seq., Arizona Revised Statutes, including, but not limited, to mailing, posting and publication, as applicable, of any notice required in connection with the adoption of the resolution of intention with respect to the Area Eight Work, the noticing of proposed improvements with respect to the Area Eight Work, the adoption of the resolution ordering the improvements with respect to the Area Eight Work, the noticing of ordering of the improvements with respect to the Area Eight Work, the noticing of award of applicable contracts with respect to the Area Eight Work, the Area Eight Assessments and any other procedural steps and related proceedings necessary in connection with the Area Eight Work;

(III) any and all protests with respect to the Area Eight Work and objections to the extent of the Area Eight Assessed Property (all of which is to be assessed) and including any right to file a written protest or objection for such purpose and any right to any hearing on such matters;

(IV) any and all defects, irregularities, illegalities or deficiencies in, or in the adoption by the District Board of, the Area Eight Assessed Property (all of which is to be assessed), the Area Eight Work Plans and Specifications, the Area Eight Estimate and the Area Eight Assessment Diagram, all of which provide for and effectuate the completion of the Area Eight Work;

(V) any and all defects, irregularities, illegalities or deficiencies in, or in the awarding of, any contracts for or with respect to, the Area Eight Work, including, but not limited to, any right to claim that any of the acts or proceedings relating to the Area Eight Work are irregular, illegal or faulty pursuant to Section 48-584(E), Arizona Revised Statutes, any right to file a notice specifying in which respect the acts and proceedings are irregular, illegal or faulty and any right to any hearing in connection therewith;

(VI) any and all actions and defenses against the Area Eight Assessments, this Amendment or any of the Area Eight Assessment Bonds, including, but not limited to, the judicial review granted by Section 48-721(A), Arizona Revised Statutes as to whether the Area Eight Property (all of which is to be assessed) is benefited by the Area Eight Work;

(VII) any right to object to the legality of any of the Area Eight Assessments or to any of the previous proceedings connected therewith or claim that the Area Eight Work has not been performed according to any applicable contract or the Area Eight Work Plans and Specifications in each case as permitted pursuant to Section 48-590(G), Arizona Revised Statutes and including any right to file a written notice specifying the grounds of such objection and any right to any hearing in connection therewith;

(VIII) any right to demands for, or of cash payment of the Area Eight Assessments pursuant to Section 48-590, Arizona Revised Statutes, except as may otherwise be ordered by the District Board and

(IX) any and all provisions of any collateral security instruments relating to the Area Eight Assessed Property (all of which is to be assessed) which prohibit the establishment of the Area Eight Assessed Property, designation of the boundaries of the Area Eight Assessed Property (all of which is to be assessed), completion of the Area Eight Work and levying and recording of the Area Eight Assessments.

(5) The Area Eight Work is of more than local or ordinary public benefit, and the Area Eight Assessed Property receives a benefit from the Area Eight Work in an amount not less than shown in the Area Eight Assessment Diagram.

(6) Instead of the public bidding, bonding and contracting requirements set forth in Sections 48-581 and 584, Arizona Revised Statutes, the provisions therefor provided by the Agreement have been or will be complied with with respect to the Area Eight Work.

(b) The Owner shall execute all documents necessary, appropriate or incidental to the purposes of this Amendment, particularly as they relate to this Section thereof, as long as such documents are consistent with this Amendment and do not create additional liability of any type to the signers by virtue of execution thereof.

(c) Notwithstanding any provision of the Agreement to the contrary, this Amendment as it relates to the Owner shall be a covenant and agreement running with the Area Eight Assessed Property and shall be recorded in the records of the County Recorder of Pinal County, Arizona, as a lien and encumbrance against the Area Eight Assessed Property. In the event of any sale, transfer or other conveyance by the Owner of the right, title or interest of the Owner in the Area Eight Assessed Property or any part thereof, the Property or such part thereof shall continue to be bound by all of the terms, conditions and provisions hereof; any purchaser, transferee or other subsequent owner shall take such property subject to all of the terms, conditions and provisions hereof and any purchaser, transferee or other subsequent owner shall take such property entitled to all of the rights, benefits and protections afforded the predecessor in interest

thereof by the terms hereof. To the extent that the Area Eight Assessments after levied remain unpaid, the Area Eight Assessments shall constitute liens against the Area Eight Assessed Property in the amounts indicated in the Area Eight Assessment Diagram, as provided by, and pursuant to, this Amendment and the Act and shall be enforceable and collectable with the same force and effect originally provided to them.

(d) (1) The Area Eight Assessment Bonds were issued at the request and for the benefit of the Owner to finance the amount of the Area Eight Estimate.

(2) The "sale proceeds" of the sale of the Area Eight Assessment Bonds include an amount sufficient to fund a reserve fund, which shall be a reserve to secure payment of debt service on the Area Eight Assessment Bonds, in an amount equal to the maximum amount permitted by the Internal Revenue Code of 1986, as amended, and the Treasury Regulations applicable thereto. Payment from such reserve shall not effect a reduction in the amount of the Area Eight Assessments, and any amount collected with respect to the Area Eight Assessments thereafter shall be deposited to such reserve to the extent the Area Eight Assessments are so paid therefrom.

Section 3. In the event that the Owner fails to perform its obligations arising under or in connection herewith, including a failure to timely pay the Area Eight Assessments, the District shall have the right to enforce its legal, equitable and contractual rights hereunder and under applicable law. If a bankruptcy case that would have the effect of staying the District from enforcement of its rights and remedies hereunder or under applicable law is commenced: (1) in addition to all other rights and remedies, the District shall be entitled to immediate stay relief under 11 U.S.C. § 362 with respect to the enforcement of its rights and remedies hereunder or applicable law for cause, and (2) the Owner shall be obligated to pay, as "adequate protection" under 11 U.S.C. § 361(1), periodic payments in amounts not less than, and at times no less frequently than, the payments required by the Area Eight Assessments.

Section 4. All the provisions of this Amendment, including but not limited to all general waivers, waivers of statutory provisions, waivers of due process and other substantive rights, remedies and indemnities contained herein shall be enforceable in strict accordance with their terms.

Section 5. (a) The provisions of the Agreement not excluded by Sections 2(a), (c) and (d) hereof are, in all other respects, applicable to this Amendment, including particularly, but not by way of limitation, those provided in Section 10.9 of the Agreement, and are ratified and confirmed in all respects.

(b) With respect to the Agreement and to the extent applicable under Section 41-440, Arizona Revised Statutes, the Owner shall comply with all federal immigration laws and regulations that

relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Owner of the foregoing shall be deemed a material breach of the Agreement and may result in the termination of the Agreement. The District may randomly inspect the papers and records of the Owner to ensure that the Owner is complying with the above-mentioned covenant. The Owner shall keep such papers and records open for random inspection during normal business hours by the Owner. The Owner shall cooperate with the random inspections by the District including granting the District entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

IN WITNESS WHEREOF, the officers of the District have duly affixed their signatures and attestations, and the officers of the Owner their signatures, all as of the day and year first written above.

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 1

By.....  
Tom J. Rankin, Chairperson, District  
Board

ATTEST:

.....  
Lisa Garcia, District Clerk

PULTE HOME CORPORATION, a Michigan  
corporation

By.....  
Bruce E. Robinson, Vice President  
and Treasurer of Pulte Home  
Corporation

STATE OF ARIZONA            )  
                                  ) ss.  
COUNTY OF PINAL            )

The foregoing instrument was acknowledged before me this  
..... day of ....., 2016, by Tom J. Rankin, as  
Chairperson of the District Board of Merrill Ranch Community  
Facilities District No. 1, an Arizona community facilities district.

.....  
Notary Public

My commission expires:  
.....

STATE OF ..... )  
                                  ) ss.  
COUNTY OF ..... )

The foregoing instrument was acknowledged before me this  
..... of ....., 2016, by Bruce E. Robinson, Vice  
President and Treasurer of Pulte Home Corporation, a Michigan  
corporation.

.....  
Notary Public

My commission expires:  
.....

ATTACHMENTS:

EXHIBIT        -     Legal Description Of The Area Eight Assessed Property

Notice required by A.R.S. Section 41-313: The foregoing  
notarial certificate(s) relate(s) to the Eighth Amendment And Waivers  
(Assessment Area Eight - Units 50 and 53), dated April 1, 2016,  
executed by the Merrill Ranch Community Facilities District No. 1, a  
municipal corporation, and Pulte Home Corporation, a Michigan  
Corporation, (the "Notarized Document"). The Notarized Document  
contains a total of ..... pages.

EXHIBIT

LEGAL DESCRIPTION OF THE AREA EIGHT ASSESSED PROPERTY

LEGAL DESCRIPTION  
MERRILL RANCH, Units 50 and 53

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1

and

WELLS FARGO BANK, N.A.,  
as Trustee

INDENTURE OF TRUST

AND

SECURITY AGREEMENT

Dated as of April 1, 2016

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MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1  
(FLORENCE, ARIZONA)

SPECIAL ASSESSMENT LIEN BONDS (ASSESSMENT AREA EIGHT)

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\* \* \*

THIS INDENTURE OF TRUST AND SECURITY AGREEMENT, dated as of April 1, 2016 (as originally executed or as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof, hereinafter referred to as this "*Indenture*"), from Merrill Ranch Community Facilities District No. 1, a community facilities district formed by the Town of Florence, Arizona, and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "*Issuer*"), to Wells Fargo Bank, N.A., a national banking association authorized to perform trust services in the State of Arizona, as trustee (hereinafter together with any successor to the trust herein granted referred to as the "*Trustee*"),

W I T N E S S E T H:

WHEREAS, pursuant to (1) Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "*Enabling Act*"), (2) Section 9-500.05, Arizona Revised Statutes, (3) Resolution No. 978-05, adopted on December 19, 2006, by the Mayor and Common Council of the Town of Florence, Arizona, a municipality duly incorporated and validly existing pursuant to the laws of the State of Arizona (hereinafter referred to as the "*Municipality*"), (4) Resolution No. 201-05, adopted on December 19, 2006 (hereinafter referred to as the "*District Resolution*"), by the district board of the Issuer (hereinafter referred to as the "*Board*") and (5) Resolution No. MRCFD1\_\_\_\_\_-16, adopted on March 29, 2016 (hereinafter referred to as the "*Resolution of Intention*"), by the Board, (1) the Municipality, (2) the Issuer and (3) the owners of the real property in the District (hereinafter referred to as the "*Property Owners*"), entered into a District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 1), dated as of December 1, 2005, as amended by an Eighth Amendment and Waivers (Assessment Area Eight - Units 50 and 53), dated as of April 1, 2016, to District Development, Financing Participation and Intergovernmental Agreement, dated as of December 1, 2005 (as so amended, hereinafter referred to as the "*Development Agreement*"), as a "development agreement" to specify, among other things, (1) conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Enabling Act) and the financing of public infrastructure and (2) with regard to the property which makes up the real property included within the boundaries of the Issuer (hereinafter referred to as the "*Property*"), particularly matters relating to the construction of certain public infrastructure by the Issuer, including the acquisition of interests in certain real property therefor, and the acceptance thereof by the Municipality, all pursuant to the Enabling Act; and

WHEREAS, pursuant to (1) the Enabling Act and (2) the Resolution of Intention, the Board has caused to be prepared a study of the feasibility and benefits of the projects relating to certain public infrastructure provided for in the General Plan of the Issuer heretofore approved by the Municipality and the Issuer and to be

financed with proceeds of the sale of a portion of certain hereinafter described bonds of the District, such study having included a description of certain public infrastructure to be acquired or constructed and all other information useful to understand the projects, a map showing, in general, the location of the projects, an estimate of the cost to construct, acquire, operate and maintain the projects, an estimated schedule for completion of the projects, a map or description and a plan for financing the projects (hereinafter referred to as the "Report"); and

WHEREAS, a public hearing on the Report was held on March 29, 2016, after provision for publication and mailing of notice thereof as provided by law, and, pursuant to the (1) Enabling Act and (2) the Resolution of Intention, the Report was ratified and approved in all respects; and

WHEREAS, pursuant to Resolution No. MRCFD1 \_\_\_\_\_-16, adopted on March 29, 2016 (hereinafter referred to as the "Bond Resolution"), by the Board, the Board determined that special assessment lien bonds of the Issuer (hereinafter, being all bonds authenticated and delivered hereunder, referred to as the "Bonds") should be issued if certain conditions are met to provide moneys for certain "public infrastructure purposes" (as such term is defined in the Enabling Act) described in the Development Agreement and the Report (hereinafter referred to, collectively, including incidental expenses with respect thereto, as the "Work"); and

WHEREAS, the Board, pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as nearly as practicable, and the other procedures the Board has provided in the Development Agreement, has caused to be levied assessments of the costs of the Work (hereinafter referred to as the "Assessment") on the portion of the Property (hereinafter referred to as the "Area Eight Assessed Property") as provided in each case in the Development Agreement and the Report, based on the benefit determined by the Board to be received by the Property, and, in that respect, the Property Owners owning the Area Eight Assessed Property (hereinafter referred to as the "Affected Owners") have waived certain matters and agreed to certain other matters with respect thereto pursuant to the Development Agreement, including (1) as to the manner in which the Assessment is (i) to be allocated as the Area One Assessed Property is to be divided into more than one parcel and (ii) is to be prepaid and reallocated and (2) as to disbursement and investment of proceeds of the Bonds; and

WHEREAS, pursuant to the Resolution of Intention and the Bond Resolution, the Board (1) resolved its intent with respect to and ordered the Work, (2) determined that the Bonds should be issued to represent the costs and expenses thereof, (3) declared the Work to be of more than local or ordinary public benefit and that the costs and expenses thereof be assessed upon the Area One Assessed Property and (4) provided that the Work be performed under the provisions of the Enabling Act, the Development Agreement and the Report, the Area One Assessed Property to be assessed being more fully described in the

Development Agreement, the Report and the Resolution of Intention hereinafter referred to as, collectively, the "Resolution of Intention Documents") to which reference is hereby made for such description, and pursuant to the Development Agreement, the Affected Owner has waived or otherwise agreed to the satisfaction of, among other things, any publication, posting, protest or objection right or obligation or hearing right or obligation with respect to the Resolution of Intention Documents; and

WHEREAS, pursuant to the Resolution of Intention, the Board found and determined that they had jurisdiction to order the Work and ordered that the Work be done as described in the Resolution of Intention Documents and in accordance with the plans and specifications theretofore approved and adopted by the Board which are a part of the Resolution of Intention Documents, and pursuant to the Development Agreement, the Affected Owners have waived or otherwise agreed to the satisfaction of, among other things, any publication, posting, protest or objection right or obligation or hearing right or objection with respect to the Bond Resolution; and

WHEREAS, (1) pursuant to the Bond Resolution, duplicate diagrams of the Area One Assessed Property along with the proposed methodology for the Assessment were approved and adopted and the levy of the Assessment was ordered, (2) thereafter the District Manager levied and recorded the Assessment for the Issuer and executed a warrant to the District Treasurer to collect the amounts with respect to the Assessment (hereinafter referred to as the "Warrant") on \_\_\_\_\_, 2016, and (3) thereafter, the Warrant and the Assessment were returned by the District Manager and the District Treasurer as prescribed by law on \_\_\_\_\_, 2016, indicating that the Assessment remained unpaid in full, and on the same day, the certified list of unpaid amounts with respect to the Assessment was filed with the District Clerk by the District Manager indicating the same amount; and

WHEREAS, pursuant to the Bond Resolution, the Board has authorized the issuance of the Bonds to be payable from installments paid on amounts therein collected from the Assessment and from amounts available from time to time in the Reserve Fund (as such term is hereinafter defined); and

WHEREAS, pursuant to (1) the Enabling Act and (2) the Bond Resolution, the Issuer has entered into this Indenture to secure, and process the issuance, registration, transfer and payment, and the disbursement and investment of proceeds of, the Bonds; and

WHEREAS, the Board has, by the Bond Resolution, duly authorized the issuance of the Bonds and, in order to provide terms for, to secure and to provide for authentication and delivery of the Bonds by the Trustee, has duly authorized the execution and delivery of this Indenture and

WHEREAS, all things have been done which are necessary to make the Bonds, when executed by the Issuer, (or, as to any Bonds issued in exchange therefor or in lieu or upon transfer thereof, authenticated and delivered by the Trustee hereunder), valid obligations of the Issuer, and to constitute this Indenture a valid security agreement, collateral assignment and contract for the security of the Bonds, in accordance with the terms thereof and of this Indenture;

#### GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, to secure, except as otherwise provided herein, the payment of the principal of and interest on the Outstanding Secured Bonds (hereinafter defined) and the performance of the covenants therein and herein contained and to declare the terms and conditions on which the Outstanding Secured Bonds are secured, and in consideration of the premises and of the purchase of the Bonds by the holders thereof, the Issuer by these presents does grant, bargain, sell, remise, release, convey, collaterally assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Trustee, forever, all and singular the following described properties, and grants a security interest therein for the purposes herein expressed, to-wit:

#### GRANTING CLAUSE FIRST

All money and investments held for the credit of the Principal Account, the Interest Account and the Prepayment Account of the Bond Fund established with the Trustee as hereinafter described;

#### GRANTING CLAUSE SECOND

All money and investments held for the credit of the Reserve Fund established with the Trustee as hereinafter described;

#### GRANTING CLAUSE THIRD

Any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Issuer or by anyone in its behalf (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions which shall be set forth in a written instrument executed by the Issuer or the person so acting in its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof;



TO HAVE AND TO HOLD all said property of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental indenture or otherwise) granted, bargained, sold, aligned, remised, released, conveyed, collaterally assigned, transferred, mortgaged, hypothecated, pledged, set over or confirmed as aforesaid, or intended, agreed or covenanted so to be, together with all the appurtenances thereto appertaining (said properties together with any cash and securities hereafter deposited or required to be deposited with the Trustee (other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate) being herein collectively referred to as the "Trust Estate"), unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for, the equal and proportionate benefit and security of the holders from time to time of all the Outstanding Secured Bonds without any priority of any such Bond over any other such Bond and to secure the observance and performance of all terms, covenants, conditions, agreements and obligations of the Issuer hereunder, except as herein otherwise expressly provided;

UPON CONDITION that, if the Issuer, its successors or assigns shall well and truly pay the principal of and interest on the Outstanding Secured Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee or an escrow agent such amounts in such form in order that none of the Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof and the observance or performance of all terms, covenants, conditions, agreements and obligations hereunder, then upon the full and final payment of all such sums and amounts secured hereby, or upon such deposit, this Indenture and the rights, titles, liens, security interests and assignments herein granted shall cease, determine, and be void and this Indenture shall be released by the Trustee in due form at the expense of the Issuer, except only as herein provided and otherwise this Indenture to be and remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that all the Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, subject to the further covenants, conditions, and trust hereinafter set forth, and the Issuer hereby covenants and agrees to and with the Trustee, for the equal and proportionate benefit of all Holders of the Outstanding Secured Bonds except as herein otherwise expressly provided, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS  
OF GENERAL APPLICATION

SECTION 1.01. *Definitions.*

Including the definitions provided in the Recitals, for all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

A. The terms defined in this Article and such Recitals, except when used in the forms set forth in Article Two, have the meanings assigned to them in this Article and such Recitals hereto and include the plural as well as the singular.

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

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

"*Acquisition and Construction Fund*" means the fund of the Issuer so defined in Section 5.03(A).

"*Act*" when used with respect to any Bondholder or Bondholders has the meaning stated in Section 1.02.

"*Authorized Denomination*" means \$1,000 of principal amount and integral multiples of \$1,000 of principal amount in excess thereof, but in no case ever less than the minimum amount of the Authorized Denomination unless necessary to accommodate redemption of the Bonds.

"*Board Resolution*" means a resolution of the Board certified by the District Clerk to be in full force and effect on the date of such certification and delivered to the Trustee.

"*Bond Fund*" means the fund of the Issuer so defined in Section 5.01.

"*Bondowner*" means a Holder of a Bond.

"*Bond Register*" and "*Bond Registrar*" have the respective meanings stated in Section 3.04.

"*Business Day*" means any day other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for

banking institutions generally in the city where the designated corporate trust office of the Trustee is located.

"*Closing Date*" means the date of the authentication and delivery of the Bonds to the initial purchasers thereof.

"*Code*" means the Internal Revenue Code of 1986, as amended, and in force and effect on the Closing Date.

"*Costs of Acquisition and Construction*" means all items of expense directly or indirectly relating to the cost of the Work as provided in the Resolution of Intention Documents and to be paid pursuant to the terms of the Development Agreement.

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the Issuer relating to the execution, sale and delivery of the Bonds and the execution and delivery of this Indenture, including but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, legal fees and charges, insurance fees and charges, financial, appraisal and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing, including reimbursement to the Owner for any such item paid on behalf of the Issuer by the Owner.

"*Costs of Issuance Fund*" means the fund of the Issuer so defined in Section 5.03(B).

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

"*Debt Service*" means, collectively, (i) the principal (whether due as a result of Stated Maturity or Maturity due to mandatory redemption) of and interest and premium, if any, on the Bonds and (ii) expenses and costs of the Issuer arising from the activities of the Issuer (such activities being the financing of the Work including the issuance of the Bonds) including, particularly, but not by way of limitation, expenses and costs for agents or third parties required to administer the Bonds, levy and collect taxes for payment of the Bonds, prepare annual audits and budgets and provide for any purposes otherwise related to such activities of the District.

"*Defaulted Interest*" has the meaning stated in Section 3.07.

"*Expenses Account*" means the account of the Bond Fund so defined in Section 5.01.

"*Governmental Obligations*" means (1) direct obligations of, or obligations the timely payment of principal of is fully and uncon-

ditionally guaranteed by, the United States of America or (2) obligations described in Section 103(a) of the Internal Revenue Code of 1954 or the Code, provision for the payment of the principal of and premium, if any, and interest on which shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in Clause (1) the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the principal of and premium, if any, and interest on such obligations, and which securities described in Clause (1) are not available to satisfy any other claim, including any claim of the trustee or escrow agent, or any claim of one to whom the trustee or escrow agent may be obligated which, at the time of deposit pursuant to Section 6.02, have been assigned ratings in the highest rating category of S&P, but in the case of both Clause (1) and Clause (2) of this paragraph, for purposes of Section 6.02, only if such obligations are non-callable prior to the Maturity of the Bonds. Governmental Obligations also includes for purposes other than Section 6.02, a "no load," open-end management investment company or trust (mutual fund), registered with the federal Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and which money market fund invests in short term United States Treasury obligations, agencies guaranteed by the United States, and repurchase agreements secured by the same.

"*Interest Account*" means the account of the Bond Fund so designated in Section 5.01.

"*Interest Payment Date*" means each January 1 and July 1 commencing \_\_\_\_\_ 1, 20\_\_.

"*Issuer Request*" means a written request signed in the name of the Issuer by the District Manager or by the District Clerk and delivered to the Trustee.

"*Maturity*" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by call for redemption or otherwise.

"*Moody's*" means Moody's Investor Services or any entity succeeding to the duties and obligations thereof.

"*Officers' Certificate*" means a certificate signed by the District Manager and delivered to the Trustee.

"*Opinion of Counsel*" means a written opinion of counsel who may (except as otherwise expressly provided in this Indenture) be counsel for the Issuer and shall be acceptable to the Trustee and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bank-

ruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

"*Outstanding*" when used with respect to Bonds means, as of the date of determination, all Bonds of a series theretofore authenticated and delivered under this Indenture, except, without duplication:

1. Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

2. Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any Paying Agent for the Owners of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture, or waived, or provision therefor satisfactory to the Trustee has been made;

3. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture;

4. Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in Section 3.06 and

5. Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified in Section 6.02.

"*Outstanding Secured Bonds*" means, as of the date of determination, (1) all Bonds then Outstanding and (2) all Bonds, if any, alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.06 but whose ownership and enforceability by the Owner thereof have been established by a court of competent jurisdiction or other competent tribunal or otherwise established to the satisfaction of the Issuer and the Trustee.

"*Owner*" when used with respect to any Bond, means the Person in whose name such Bond is registered in the Bond Register.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of and interest and premium, if any, on any Bonds on behalf of the Issuer.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Permitted Investments" means:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States:

- 1. U.S. Export-Import Bank  
Direct obligations or fully guaranteed certificates of beneficial ownership.
- 2. Farmers Home Administration  
Certificates of beneficial ownership
- 3. Federal Financing Bank
- 4. Federal Housing Administration Debentures
- 5. General Services Administration  
Participation certificates
- 6. Government National Mortgage Association ("GNMA")  
Guaranteed mortgage-backed bonds  
Guaranteed pass-through obligations
- 7. U.S. Maritime Administration  
Guaranteed Title XI financing
- 8. New Communities Debentures  
U.S. government guaranteed debentures
- 9. U.S. Public Housing Notes and Bonds  
U.S. government guaranteed public housing notes and bonds
- 10. U.S. Department of Housing and Urban Development  
Project Notes  
Local Authority Bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following United States government agencies (non-full faith and credit agencies):

- 1. Federal Home Loan Bank System  
Senior debt obligations

2. Federal Home Loan Mortgage Corporation  
Participation Certificates  
Senior debt obligations
  3. Federal National Mortgage Association ("FNMA")  
Mortgage-backed securities and senior debt obligations
  4. Student Loan Marketing Association  
Senior debt obligations
- D. Money market funds registered with the federal Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and having a rating by Standard & Poor's Corporation ("S&P") of AAAm-G; AAAm; or AAm.
- E. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Company.
- F. Investment agreements provided by entities with ratings on their long term obligations or claims paying ability of "AA" by S&P and required to be collateralized to the then current requirements of S&P to always have a rating of at least "A." An investment agreement may not be amended, and no investment agreement may be entered into in substitution for an investment agreement unless any rating agency which has rated the Bonds has confirmed that the rating of such rating agency will not be withdrawn or lowered upon the effective date of such amendment or substitute investment agreement.
- G. Commercial paper rated, at the time of purchase, "A-1" or better by S&P.
- H. Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by S&P.
- I. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P.
- J. Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the issuer (buyer/lender), and the transfer of cash from the issuer to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash

plus a yield to the Issuer in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

1. Repo must be between the Issuer and a dealer bank or securities firm
  - a. Primary dealers on the Federal Reserve reporting dealer list or
  - b. Banks rated "A" or above by S&P.
2. The written repo contract must include the following:
  - a. Securities which are acceptable for transfer are:
    - (1) Direct U.S. government or
    - (2) Federal agencies backed by the full faith and credit of the U.S. government.
  - b. The term of the repo may be up to 30 days.
  - c. The collateral must be delivered to the Issuer, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
  - d. Valuation of Collateral
    - (1) The securities must be valued weekly, marked-to market at current market price plus accrued interest.
    - (2) The value of collateral must be equal to 103% of the amount of cash transferred by the Issuer to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 103% of the value of the cash transferred by the Issuer, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collat-



eral are FNMA, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the municipal entity:

- a. Repo meets guidelines under state law for legal investment of public funds.

K. Governmental Obligations.

L. Obligations, representing interest on obligations of the Resolution Funding Corporation, the payment of such interest, if other revenues are insufficient is required to be paid from the United States Treasury, which interest obligations are "stripped" by the Federal Reserve Bank of New York.

"*Predecessor Bonds*" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond authenticated and delivered under Section 3.06 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

"*Prepayment Account*" means the account of the Bond Fund so designated in Section 5.01.

"*Principal Account*" means the account of the Bond Fund so designated in Section 5.01.

"*Rating Agency*" means Moody's or S&P.

"*Redemption Date*" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms thereof and this Indenture.

"*Redemption Price*" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to this Indenture, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"*Regular Record Date*" for the interest payable on the Bonds on any Interest Payment Date means the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

"*Reserve Fund*" means the fund of the Issuer so defined in Section 5.05.

"*Reserve Fund Requirement*" means, at any applicable time, the least of ten percent (10%) of the Outstanding principal amount of the Bonds, the maximum annual principal and interest requirements with

respect to the Outstanding Bonds and one hundred twenty-five percent (125%) of the average annual principal and interest requirements with respect to the Outstanding Bonds, or such lesser amount as required by the Code to obtain or maintain the exclusion of interest from gross income for federal income tax purposes for the Bonds, as approved by an Opinion of Counsel requested by the Issuer and addressed to the Trustee.

"*Responsible Officer*" means the chairman or vice chairman of the board of directors of the relevant entity, the chairman or vice chairman of the executive committee of said board, the president, any 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, any assistant controller or any other officer or authorized Person of the relevant entity customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the relevant entity to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"*S&P*" means Standard & Poor's Financial Consulting, LLC, or any entity succeeding to the duties and obligations thereof.

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

"*Special Record Date*" has the meaning stated in Section 3.07.

"*State*" means the State of Arizona.

"*Stated Maturity*" when used with respect to any Bond or any installment of interest on any Bond means the date specified in such Bond as the fixed date on which the principal or such installment of interest on any such Bond is due and payable.

"*Trust Estate*" has the meaning stated in the habendum to the Granting Clauses.

#### SECTION 1.02. *Acts of Bondowners.*

A. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Bondowners may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondowners in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Bondowners signing such instrument or instruments. Proof of

execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Issuer and (subject to Section 8.01) the Trustee, if made in the manner provided in this Section.

B. The fact and date of the execution by any Bondowner of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of execution of any such instrument or writing and the authority of any Person executing as or on behalf of any Bondowner may also be proved in any other manner which the Trustee deems sufficient.

C. The ownership of any Bond shall be proved by the Bond Register for such series of the Bonds.

D. Any request, demand, authorization, direction, notice, consent, waiver or other action by the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer, whether or not notation of such action is made upon such Bond.

SECTION 1.03. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver or Act of Bondowners or other document provided or permitted by this Indenture by any Bondowner, the Issuer, or the Trustee to be made upon, given or furnished to, or filed with,

1. the Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its principal corporate trust office or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at Suite 5A, 333 South Grand Avenue, Los Angeles, California 90071, Attention: Corporate Trust Services (MAC E2064-05A), or at any other address furnished in writing to such Person by the Trustee, or

2. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to it at c/o Town of Florence, Arizona, 775 North Main Street, Florence, Arizona 85232, Attention: District Clerk, or at any other address previously furnished in writing to such Person by the Issuer.

B. Where this Indenture provides for notice to Bondowners of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid or in acceptable electronic form, to each Bondowner affected by such event, at the address of such Bondowner as it appears in the Bond Register for such series of the Bonds. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondowner shall affect the sufficiency of such notice with respect to other Bondowners.

C. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondowners shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.04. *Form and Contents of Documents Delivered to the Trustee.*

A. Whenever several matters are required to be certified by, or covered by an opinion of, any specified type of person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such person, or that they be so certified or covered by only one document, but one such person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such person may certify or give an opinion as to such matters in one or several documents.

B. Any certificate or opinion of an officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that such certificate or opinion or representations are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Issuer stating that the information with respect to such factual matters is in the possession of the Issuer unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

C. Whenever any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

D. Wherever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of compliance by the Issuer with any term hereof, it is intended that the truth and

accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report.

SECTION 1.05. *Effect of Headings and Table of Contents.*

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

SECTION 1.06. *Successors and Assigns.*

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

SECTION 1.07. *Severability Clause.*

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

SECTION 1.08. *Benefits of Indenture.*

Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Owners of Outstanding Secured Bonds, any benefit or any legal or equitable right, remedy, or claim under this Indenture.

SECTION 1.09. *Governing Law.*

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

SECTION 1.10. *Incorporation of State Statutes.*

A. The Issuer may, within three (3) years after its execution, cancel this Indenture, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Indenture on behalf of the Issuer is, at any time while this Indenture is in effect, an employee or agent of the Trustee in any capacity or a consultant to any other party of this Indenture with respect to the subject matter of this Indenture and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Indenture on behalf of the Issuer from the Trustee arising as the result of this Indenture.

B. To the extent applicable under Section 41-440, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Indenture and may result in the termination of the services of the Trustee. The Issuer may randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned covenant. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

SECTION 1.11. *Business Days.*

If the specified date for any payment, submission, certification, determination or other action shall be other than a Business Day, then such payment, submission, certification, determination or other action may be made or done on the next succeeding day which is a Business Day without, in the case of any payment, additional interest (except in the event of a moratorium) and with the same force and effect as if made or done on the specified date.

\* \* \*

ARTICLE TWO

FORM OF BONDS

SECTION 2.01. *Forms Generally.*

A. The Bonds, including the form of Certificate of Authentication and the form of Assignment to be reproduced on each of the Bonds, shall be substantially in the forms set forth in this Article with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Indenture, and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an Opinion of Counsel) placed thereon (or attached thereto) as may, consistently herewith, be determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

B. The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

SECTION 2.02. *Form of Bonds.*

The Bonds shall be in the following form:

REGISTERED

REGISTERED

NO. ....

\$. ....

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.\*

**[UNLESS THE PROVISIONS OF THE HEREINAFTER DESCRIBED INDENTURE PROVIDE OTHERWISE, BENEFICIAL OWNERSHIP INTERESTS IN THE HEREINAFTER DESCRIBED BONDS ARE ONLY TRANSFERABLE IN CONNECTION WITH A SALE TO OR THROUGH A BROKER/DEALER (1) OF A PRINCIPAL AMOUNT OF \$100,000 OR MORE PURSUANT TO THE RULES AND REGULATIONS APPLICABLE TO SALES TO "SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS" OR (2) UPON RECEIPT BY THE HEREINAFTER DESCRIBED TRUSTEE OF A "QUALIFIED INVESTOR LETTER" IN THE FORM INCLUDED IN THIS BOND.???)]**

United States of America  
State of Arizona

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1  
(FLORENCE, ARIZONA)  
SPECIAL ASSESSMENT LIEN BOND (ASSESSMENT AREA EIGHT)

<u>Interest Rate:</u>	<u>Maturity Date:</u>	<u>Original Issue Date:</u>	<u>CUSIP No.:</u>
_____ %	July 1, 20__	_____, 2016	590209 _____

REGISTERED OWNER: CEDE & CO.\*

PRINCIPAL AMOUNT ..... DOLLARS

Merrill Ranch Community Facilities District No. 1, a community facilities district formed by the Town of Florence, Arizona, and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter referred to as the "Issuer"), for value received, hereby promises to pay to the "Registered Owner" specified above or registered assigns (herein referred to as the "Owner"), on the "Maturity Date" specified above, the "Principal Amount" specified above and to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid portion thereof from the "Original Issue Date" specified above, or from the most recent "Interest Payment Date" (as such term is hereinafter defined) to which interest

\* Insert if DTC is the Securities Depository.



has been paid or duly provided for, until paid or the payment thereof is duly provided for at Maturity (as such term is defined in the hereinafter described "Indenture"), semiannually on each January 1 and July 1 commencing \_\_\_\_\_ 1, 20\_\_ (each an "Interest Payment Date"), at the per annum "Interest Rate" specified above.

As provided in the Indenture hereinafter referred to, the interest so payable on any Interest Payment Date shall be paid to the Person (as such term and all other initially capitalized terms not defined herein are defined in the Indenture) in whose name this Bond (or one or more Predecessor Bonds evidencing the same debt) is registered in the Bond Register of the Issuer at the close of business on the "Regular Record Date" therefor, which shall be the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for within 15 days after such Interest Payment Date shall forthwith cease to be payable to the Owner on such Regular Record Date and shall be paid to the Person in whose name this Bond (or one or more such Predecessor Bonds) is registered at the close of business on a "Special Record Date" for the payment of such defaulted interest to be fixed by the Trustee in accordance with the Indenture, notice whereof being given to the Owner hereof not less than 10 days prior to such Special Record Date. All such interest shall be payable at the agency of the Issuer for such purpose (herein referred to as the "Paying Agent"), which shall initially be the designated corporate trust office of ....., by check mailed to the Owner as of the relevant record date at the address specified in the Bond Register or pursuant to customary arrangements made by such Owner acceptable to the Paying Agent. The principal and Redemption Price of this Bond are payable at the designated corporate trust office of the Paying Agent, upon presentation and surrender of this Bond.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city where the designated corporate trust office of the Trustee is located then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment, except that in the event of a moratorium for banking institutions generally at the city where the designated corporate trust office of the Trustee is located, such payment may be made on such next succeeding day except that the Bonds on which such payment is due shall continue to accrue interest until such payment is made or duly provided for.

This Bond is one of a duly authorized issue of bonds of the Issuer having the designation specified in its title (herein referred to as the "Bonds"), issued and to be issued in one series under, and all equally and ratably secured by, an Indenture of Trust and Security Agreement, dated as of April 1, 2016 (herein, together with all indentures supplemental thereto, referred to as the "Indenture"), from the Issuer to .....

as trustee (herein referred to as the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder of the Owners of the Bonds, the Trustee and the Issuer and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Owner of this Bond hereby consents. The Bonds are authorized to be issued by a Resolution of the District Board of the Issuer adopted on March 29, 2016 (herein referred to as the "Bond Resolution"), for the purposes therein described and in strict conformity with Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "Enabling Act").

The Bonds are limited obligations of the Issuer payable only out of the special fund to be collected from installments due with respect to a special assessment (the "Assessment") levied against certain land (but not all of the land) within the boundaries of the Issuer which is benefited by certain public infrastructures purposes (as such term as defined in the Enabling Act) financed from proceeds of the sale of the Bonds, all as provided for by the Enabling Act. Such special fund is set apart in accordance with the laws of the State of Arizona and pursuant to the Indenture for the payment of the Bonds and can be used for no other purpose. Notwithstanding any provision hereof or of the Bond Resolution, however, the Indenture may be released and the obligation of the issuer to make money available to pay this Bond may be defeased by the deposit of money and/or direct or indirect obligations of the United States of America sufficient for such purpose as described in the Indenture.

The Bonds are issuable as fully registered bonds only in the denominations of principal amount of \$1,000 and any integral multiple of \$1,000 of principal amount in excess thereof unless necessary to accommodate redemption of the Bonds.

The Bonds are subject to redemption at the option of the Issuer as a whole or from time to time in part on any date, as randomly determined by the Trustee within the Stated Maturity, upon not more than 60 nor less than 30 days prior notice given by mail as provided in the Indenture, upon payment of the Redemption Price, which shall consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date, without a premium.

The Bonds maturing on July 1 of the following years shall be redeemed on the following Redemption Dates and in the following amounts upon not more than 60 nor less than 30 days prior notice given by mail as provided in the Indenture, upon payment of the Redemption Price, which shall consist of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date:

<u>Redemption Date</u> <u>(July 1)</u>	<u>Principal Amount</u>
<u>Maturing 20</u>	
20__	\$ ____, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
<u>Maturing 20</u>	
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
<u>Maturing 20</u>	
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000

Whenever Bonds of the Stated Maturity are purchased, redeemed (other than pursuant to a mandatory redemption) or delivered by the Issuer to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited on a pro-rata basis against the remaining mandatory redemption requirements for Bonds of the Stated Maturity as selected by the Issuer.

Bonds of a denomination larger than \$1,000 of principal amount may be redeemed in part (\$1,000 of principal amount or an integral multiple thereof) and upon any partial redemption of any such Bond the same shall, except as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Bonds of the same Stated Maturity in authorized form and Authorized Denominations for the unredeemed portion of principal. Bonds (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture and the Bond Resolution shall thereupon cease to be entitled to the benefits of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

If less than all the Outstanding Bonds of a Stated Maturity are to be redeemed, the particular Bonds to be redeemed shall be selected not more than forty-five (45) days prior to the Redemption Date by the Trustee from the Outstanding Bonds of that Stated Maturity which have not previously been called for redemption, by such random method as the Trustee shall in its sole discretion deem appropriate and which may provide for the selection for redemption of portions (equal to \$1,000 of principal amount or a multiple thereof) of the principal of Bonds of a denomination larger than \$1,000 of principal amount. The Trustee shall promptly notify the Issuer in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

The Bond Resolution and the Indenture permit, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Owners of the Bonds under the Bond Resolution and the Indenture at any time by the Issuer with the consent of the Owners of a majority in principal amount of the Bonds at the time Outstanding affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Owners of specified percentages in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Owners of all the Bonds, to waive compliance by the Issuer with certain past defaults under the Bond Resolution or the Indenture and their consequences. Any such consent or waiver by the Owner of this Bond or any Predecessor Bond evidencing the same debt shall be conclusive and binding upon such Owner and upon all future Owners thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to the Paying Agent duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by, the registered Owner hereof or his attorney duly authorized in writing, and thereupon one or more new fully registered Bonds of authorized denominations and for the same Stated Maturity and aggregate principal amount shall be issued to the designated transferee or transferees.

As provided in the Indenture, Bonds are exchangeable for a like Stated Maturity and aggregate principal amount of Bonds in authorized denominations, as requested by the Owner, upon surrender of the Bonds to be exchanged to the Paying Agent.

**In both of the foregoing circumstances, the Paying Agent may require payment of a sum sufficient to cover any tax or other charges payable in connection therewith.**

The Issuer, the Trustee, and any agent of either of them may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and none of the Issuer, the Trustee and any such agent shall be affected by notice to the contrary.

**NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE ISSUER, THE TOWN OF FLORENCE, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE ONLY FROM THE AMOUNTS DESCRIBED HEREIN.**

Unless the Certificate of Authentication hereon has been executed by the Trustee, by manual signature, this Bond shall not be entitled to any benefit under the Bond Resolution or the Indenture or be valid or obligatory for any purpose.

It is hereby certified, covenanted and represented that all acts, conditions and things required to be performed, exist and be done precedent to or in the issuance of this Bond in order to render the same a legal, valid and binding general obligation of the Issuer have been performed, exist and have been done, in regular and due time, form and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. This Bond shall be construed in accordance with and governed by the laws of the State of Arizona and the federal laws of the United States of America.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed.

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 1

By.....  
.....

ATTEST:

.....  
.....

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture.

[Name of Trustee], as Trustee

By.....  
Authorized Representative

DATE: .....

ASSIGNMENT

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

UNIF GIFT MIN ACT

TEN COM --	as tenants in common	..... Custodian .....
TEN ENT --	as tenants by the	(Cust.) (Minor)
	entireties under Uniform	
	Gifts to Minors Act	
JT TEN --	as joint tenants with	.....
	right of survivorship	State
	and not as tenants in	
	common	

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

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address and zip code of transferee)

.....  
.....  
.....

(Print or typewrite Social Security or other identifying number of transferee: .....) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints (Print or typewrite name of attorney:) ....., attorney, to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: .....	.....
Signature(s) guaranteed:	NOTICE: The signature(s) on this
[Insert proper legend]	assignment must correspond with the
	name(s) of the registered owner(s)
	appearing on the face of the within
	Bond in every particular.

**In first use only:** "PRIVATE PLACEMENT INVESTOR LETTER"

**Thereafter:** "QUALIFIED INVESTOR LETTER"

....., .....

Merrill Ranch Community Facilities District No. 1  
....., as Trustee

[**In first use only:** Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus]

Re: Merrill Ranch Community Facilities District No. 1  
Special Assessment Lien Bonds (Assessment Area Eight)

Please be advised that the undersigned is purchasing a beneficial ownership interest in the captioned bonds (hereinafter referred to as the "Bonds") in the aggregate principal amount of \$..... The undersigned hereby acknowledges that the Bonds (i) are not being registered under the federal Securities Act of 1933, as amended (the "Securities Act"), in reliance upon certain exemptions set forth in the Securities Act, (ii) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of the State of Arizona or any other state, (iii) will not be listed on any stock or other securities exchange, (iv) will not carry any bond rating from any rating service and (v) are not readily marketable. The undersigned assumes all responsibility for complying with any applicable federal and state securities laws in connection with any subsequent offer and sale of such interest in the Bonds and, in that regard, **agrees to only offer and sell such interest to or through a broker, dealer or broker-dealer.** The undersigned agrees that a "Qualified Investor Letter" in substantially the form hereof will be provided to the addressee Trustee if as a result of such offer and sale of such interest in the Bonds (i) an amount less than \$100,000 of principal amount will be transferred or (ii) the broker, dealer or broker-dealer involved therein indicates to the undersigned that the proposed transferee is not a "sophisticated municipal market professional" (as such term is used in the contest of the rules of the Municipal Securities Rulemaking Board).

In regard to the foregoing, the undersigned hereby certifies, acknowledges, warrants and represents that:

(1) The undersigned is one of the following:

(i) a bank as defined in Section 3(a)(2) of the Securities Act, or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act; investment company registered under the Investment Company Act of 1940 or a business



development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; plan established and maintained by a state, its, political subdivision, or any agency or instrumentality of a state or its political subdivision, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(ii) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iii) an organization described in Section 501(c)(3) of the Internal Revenue Code with total assets in excess of \$5,000,000;

(iv) a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of purchase exceeds \$1,000,000 and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth;

(v) a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with the person's spouse in excess of \$300,000 in each of those years and who reasonably expects reaching the same income level the current year and the purchase price of the Bonds does not exceed ten percent (10%) of such person's net worth;

(vi) an officer of Stifel Nicolaus and Company, Incorporated and

(vii) an entity in which all of the equity owners, either directly or indirectly, are of the type described under paragraph (i), (ii), (iii), (iv), (v) or (vi) above.

The undersigned expressly waives all responsibility of the addressee District for complying with any applicable federal and state securities laws with respect to the sale of

the Bonds including any requirement to provide any information that is relevant to the investment decision to purchase the Bonds, and agrees to hold the addressee District and the Town of Florence, Arizona (hereinafter referred to as the "Town"), harmless for, from and against any and all liabilities claims, damages or losses resulting directly or indirectly from such failure to comply.

(2) Such purchase of such interest in the Bonds is for the account of the undersigned, for the purpose of investment and not with a present intent for distribution or resale.

(3) An opportunity was available to obtain and that the undersigned has obtained all information which was regarded as necessary to evaluate and has independently evaluated the merits and risks of investment in the Bonds, and after such evaluation, the undersigned understood and knew that investment in the Bonds involved certain risks, including, but not limited to, those related to limited security and source for payment of the Bonds, the status of development and its impact on payment of the Bonds, the possible transfer of land by the owners of land in the addressee District, failure or inability of owners to complete proposed development of such land, bankruptcy and foreclosure delays, and the lack of any secondary market for the Bonds.

(4) The undersigned is not relying on the addressee District or the Town in making its decision to purchase the Bonds and agrees that the Town is not obligated in any manner for the issuance or payment of the Bonds.

(5) Neither the addressee District nor the Town, nor the respective officials, officers, directors, council members, advisors, employees and agents of either have undertaken to furnish, nor has the undersigned requested, information that may have been furnished to the undersigned by any third party in connection with investment in the Bonds. [**Insert the following in first use only:** Notwithstanding the foregoing, the undersigned acknowledges that it has received from Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus ("S&Y") the following documents and/or materials related to the work being financed with proceeds of the sale of the Bonds and the addressee District:

- a. District Development Financing Participation and Intergovernmental Agreement, dated as of November 1, 2005, as amended by the Eighth Amendment and Waivers (Assessment Area Eight - Units 50 and 53), dated as of

April 1, 2016, by and between Merrill Ranch Community Facilities District No. 1 and Pulte Homes Corporation.

- b. Compilation of information from Feasibility Reports for the Issuance of Special Assessment Bonds (Assessment Area Eight).]

(6) The undersigned is experienced in transactions such as those relating to the Bonds, is knowledgeable and fully capable of independent evaluation of the risks involved in investing in the Bonds and did not rely on the addressee District or the Town, or any official, officer, director, council member, advisor, employee or agent of either in making its decision to invest in the Bonds.

(7) None of the Town, the addressee District nor Pulte Home Corporation has prepared or requested the preparation of an appraisal with respect to the Assessment Area, and none of the above make any representations with respect to the value of the lots and parcels within such Assessment Area.

**[Insert in first use only:**

(8) S&Y is acting as placement agent and not as an underwriter with respect to the Bonds. As placement agent, S&Y has not undertaken an independent evaluation or investigation of the agreements or feasibility report referenced in the immediately preceding paragraph 5 and does not guarantee the accuracy, enforceability or completeness of such documents.]

.....

By.....

Printed Name:.....

Title:.....

\* \* \*

ARTICLE THREE

TERMS AND ISSUANCE OF THE BONDS

SECTION 3.01. *Title and Terms.*

A. There shall be one series of bonds, dated \_\_\_\_\_, 2016, issued and secured hereunder entitled

"MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1  
(FLORENCE, ARIZONA)  
SPECIAL ASSESSMENT LIEN BONDS (ASSESSMENT AREA EIGHT)"

(herein referred to as the "Bonds").

B. The Bonds shall be issued in the Authorized Denominations.

C. The aggregate principal amount of the Bonds which may be authenticated and delivered and Outstanding is limited to \$\_\_\_\_\_,000, and the Stated Maturities, the principal amounts thereof maturing thereon and the rates of interest the Bonds so maturing shall bear shall be as follows:

<u>Year</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
20__	\$____,000	____%
20__	____,000	____

D. The Bonds shall bear interest from and including \_\_\_\_\_, 2016, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each January 1 and July 1 commencing \_\_\_\_\_ 1, 20\_\_ (herein each referred to as an "Interest Payment Date").

E. The principal of, Redemption Price for and premium, if any, on the Bonds shall be payable upon surrender of the Bonds to the Paying Agent when due. Interest on the Bonds payable on any Interest Payment Date shall be payable as provided in Section 3.07.

SECTION 3.02. *Redemption of Bonds.*

A. The Bonds maturing on July 1 of the following years shall be redeemable at the option of the Issuer prior to their Stated Maturity in accordance with Article Four in whole or from time to time in part on any date, upon not more than sixty (60) nor less than thirty (30) days prior notice given as provided in Section 4.04, upon payment of the Redemption Price which shall consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date, without a premium.

B. 1. The Bonds shall be redeemed from funds of the Issuer prior to their Stated Maturity in accordance with Article Four on the following Redemption Dates and in the following amounts upon not more than sixty (60) nor less than thirty (30) days prior notice given as provided in Section 4.04, upon payment of the Redemption Price which consists of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date:

<u>Redemption Date</u> <u>(July 1)</u>	<u>Principal Amount</u>
<u>Maturing 20</u>	
20__	\$ __, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
<u>Maturing 20</u>	
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
<u>Maturing 20</u>	
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000
20__	__, 000

2. Whenever Bonds of the Stated Maturity are purchased, redeemed (other than pursuant to a mandatory redemption) or delivered by the Issuer to the Trustee for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited on a pro-rata basis against the remaining mandatory redemption requirements for the Bonds of the Stated Maturity as selected by the Issuer.

SECTION 3.03. *Execution, Authentication, Delivery and Dating.*

A. The Bonds shall be executed on behalf of the Issuer by the Chairman or Vice Chairman of the Board and attested by the District Clerk. The signature of any of these officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were at the time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall cease to hold such offices prior to the certification or authentication and delivery of such Bonds or shall not have held such offices at the date of such Bonds.

B. Forthwith upon the execution and delivery of this Indenture, the Issuer shall deliver to the Trustee the Bonds, executed by the Issuer, and the Trustee shall thereupon authenticate the Bonds and deliver the Bonds to the Persons and in the principal amounts designated in writing to the Trustee upon receipt by the Trustee of:

1. the Bond Resolution, duly and validly adopted by the Board, authorizing the execution and delivery of this Indenture and the authentication and delivery of the Bonds and

2. the purchase price for the Bonds specified in the Bond Resolution.

C. At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Bonds executed by the Issuer to the Trustee for authentication, and the Trustee shall authenticate and deliver such Bonds as provided in this Indenture.

D. No Bond shall be entitled to any right or benefit under this Indenture, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication substantially in the form provided in Section 2.03, executed by the Trustee by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or authenticated and delivered.

E. All Bonds authenticated and delivered by the Trustee hereunder shall be dated the date of their authentication.

SECTION 3.04. *Registration, Transfer and Exchange.*

A. The Issuer shall cause to be kept (at its agency for payment of the Bonds) a register (herein referred to as the "Bond Register") for the Bonds in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of the Bonds and registration of transfers of Bonds as herein provided. The Trustee is hereby appointed "Bond Registrar" for the purpose of registering Bonds and transfer of Bonds as herein provided.

B. 1. Upon surrender for transfer of any Bond to a Paying Agent therefor at the designated corporate trust office thereof, accompanied by such other documents as are required in the form of Bond in Section 2.02 in connection with the transfer thereof, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same Stated Maturity, of any Authorized Denominations (provided, however, that no Bond shall ever be issued in a denomination less than the minimum applicable Authorized Denomination of such Bond) and of a like aggregate principal amount as requested by the transferor.

2. The restrictions on transfer of beneficial interests in the Bonds included in the form of Bond prescribed in Section 2.02 shall be eliminated after receipt by the Trustee of (a) proof of a rating on the Bonds of one of the four highest investment grade ratings from a Rating Agency or (b) defeasance of the Bonds pursuant to this Indenture.

C. At the option of the Owner, Bonds may be exchanged for other Bonds, of any Authorized Denominations, and of like Stated Maturity and aggregate principal amount, upon surrender of the Bonds to a Paying Agent therefor. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Owner of Bonds making the exchange is entitled to receive.

D. All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits hereunder and under the Bond Resolution, as the Bonds surrendered upon such transfer or exchange.

E. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed (if so required by the Trustee), or be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed, by the Owner thereof or his attorney duly authorized in writing.

F. The Bond Registrar may require payment of a sum sufficient to cover any tax or other charges that may be imposed in connection with any transfer or exchange of Bonds.

G. Neither the Issuer nor the Trustee shall be required (1) to issue, transfer, or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Bonds under Section 4.04 and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange any Bond to be redeemed in whole or in part pursuant to such notice.

H. 1. The Trustee and the Issuer may from time to time enter into, and discontinue, an agreement with the Securities Depository

tory, which is the owner of the Bonds, to establish procedures with respect to the Bonds not inconsistent with the provisions of this Indenture; provided, that, notwithstanding any other provisions of this Indenture, any such agreement may provide that different provisions for notice to the Securities Depository may be set forth herein and that a legend shall appear on each Bond so long as the Bonds are subject to such agreement.

2. With respect to Bonds registered in the name of a Securities Depository (or its nominee), neither the Trustee nor the Issuer shall have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Bonds.

3. If such agreement is with DTC, while such agreement is in effect, the procedures established therein shall apply to the Bonds notwithstanding any other provisions of this Indenture to the contrary. As long as DTC is the Securities Depository with respect to the Bonds, the Trustee shall be a "DTC Direct Participant."

SECTION 3.05. *Temporary Bonds.*

A. Pending the preparation of definitive Bonds, the Issuer may execute, and upon Issuer Request the Trustee shall authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, any denomination and Stated Maturities, substantially of the tenor of the definitive Bonds in lieu of which they are issued, in fully registered form, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

B. If temporary Bonds are issued, the Issuer shall cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds to the Trustee without charge to the Owner. Upon surrender for cancellation of any one or more temporary Bonds the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of the same Stated Maturities and of authorized denominations. Until so exchanged, temporary Outstanding Secured Bonds shall in all respects be entitled to the security and benefits of this Indenture.

SECTION 3.06. *Mutilated, Destroyed, Lost and Stolen Bonds.*

A. If (1) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (2) there is delivered to the Trustee such security or indemnity as may be required by it to save each of the Issuer and Trustee harmless, then, in the absence of notice to the Issuer or the Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon a request of the "District Manager" of the Issuer, the Trustee shall authenti-



cate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor, Stated Maturity and aggregate principal amount bearing a number not contemporaneously outstanding. If, after the delivery of such new Bond, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued presents for payment such original Bond, the Issuer and the Trustee shall be entitled to recover such new Bond from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expenses incurred by the Issuer or the Trustee in connection therewith.

B. In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer or the Trustee in its discretion may pay such Bond instead of issuing a new Bond.

C. Upon the issuance of any new Bond under this Section, the Issuer or the Trustee may require the payment of a sum sufficient to cover any tax or other charges that may be imposed in relation thereto and any other expenses connected therewith.

D. Every new Bond issued pursuant to this Indenture in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Board Resolution authorizing the Bonds and of this Indenture equally and ratably with all other Outstanding Bonds.

E. The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

SECTION 3.07. *Payment of Interest on Bonds; Interest Rights Preserved.*

A. Interest on any Bond which is payable on, and is punctually paid or duly provided for on, any Interest Payment Date shall be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest. Such interest, in the absence of other arrangements acceptable to the Paying Agent made by the Owner as of such date, shall be paid by check payable to the order and mailed to the address of such Owner as the same appears on the Bond Register.

B. Any interest on any Bond which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (herein referred to as "Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by

virtue of such Owner having been such Owner. Such Defaulted Interest shall thereupon be paid by the Issuer to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided. The Issuer shall promptly notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Owners entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate for the other than Outstanding Secured Bonds. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid or provided by acceptable electronic means, to each Owner of a Bond of such series at his address as it appears in the Bond Register not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been provided as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date.

C. Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

#### SECTION 3.08. *Cancellation.*

All Bonds surrendered for payment, redemption, transfer, exchange, replacement or conversion, and all Bonds, if surrendered to the Trustee, shall be promptly canceled by it and, if surrendered to the Issuer or any Paying Agent, shall be delivered to the Trustee and, if not already canceled, shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously certified or authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Trustee. No Bond shall be

authenticated in lieu of or in exchange for any Bond canceled as provided in this Section, except as expressly provided by this Indenture.

SECTION 3.09. *Persons Deemed Owners.*

The Issuer, the Trustee, and their agents may treat the Person in whose name any Bond is registered as the owner of such bond for the purpose of receiving payment of the principal (and Redemption Price) of and interest on such Bond as provided herein and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, none of the Issuer, the Trustee and any such agent shall be affected by notice to the contrary.

\* \* \*

ARTICLE FOUR

REDEMPTION OF BONDS

SECTION 4.01. *General Applicability of Article.*

The Bonds shall be redeemable before their Stated Maturity in accordance with Section 3.02 and this Article.

SECTION 4.02. *Election to Redeem; Notice to Trustee.*

The exercise by the Issuer of its option to redeem any Bonds shall be evidenced by a Board Resolution. In case of any redemption at the election of the Issuer of less than all of the Outstanding Bonds the Issuer shall, at least sixty (60) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the Stated Maturities and principal amounts of Bonds to be redeemed.

SECTION 4.03. *Selection of Bonds to be Redeemed.*

A. If less than all the Outstanding Bonds of a Stated Maturity are to be redeemed, the particular Bonds of that Stated Maturity to be redeemed shall be selected not more than forty-five (45) days prior to the Redemption Date by the Trustee from the Outstanding Bonds which have not previously been called for redemption, by such random method as the Trustee shall in its sole discretion deem appropriate and which may provide for the selection for redemption of portions (equal to \$1,000 of principal amount or an integral multiple of principal amount of \$1,000 thereof, but in no case less than the minimum of the allowable Authorized Denomination unless necessary to redeem the Bonds) of the principal of Bonds of such series of the Bonds of a denomination larger than the Authorized Denomination allowable. (A Bond shall not be redeemed if such redemption would result in the remaining principal amount of the Bond being less than the minimum of the allowable Authorized Denomination.)

B. The Trustee shall promptly notify the Issuer in writing of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 4.04. *Notice of Redemption.*

A. Notice of redemption shall be given by the Trustee in the name and at the expense of the Issuer, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to each Owner of the Bonds to be redeemed, at his address appearing in the Bond Register.

B. All notices of redemption shall include a statement as to

1. the Redemption Date,

2. the Redemption Price,

3. the principal amount of Bonds to be redeemed and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of Bonds of such series of the Bonds to be redeemed,

4. that on the Redemption Date, the Redemption Price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date and

5. that the Bonds to be redeemed are to be surrendered for payment of the Redemption Price to the Paying Agent and the address of such Paying Agent.

SECTION 4.05. *Deposit of Redemption Price.*

On or before the Business Day preceding the earliest date for mailing of the notice required by Section 4.04 with regard to any Redemption Date, the Issuer shall deposit or cause to be deposited with the Trustee an amount of money which, together with any amounts in the Prepayment Account available for such purpose, is sufficient to pay the Redemption Price of all the Bonds then to be redeemed and interest, if any, accrued thereon to the Redemption Date. Such money and amounts shall be segregated and shall be held in trust, uninvested, for the benefit of the Owners entitled to such Redemption Price and shall not be deemed to be part of the Trust Estate.

SECTION 4.06. *Bonds Payable on Redemption Date.*

A. Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Issuer at the Redemption Price, but solely from the sources therein provided. Installments of interest with a Stated Maturity on or prior to the Redemption Date shall be payable to the Owners of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 3.07.

B. If any Bond to be redeemed shall not be so paid upon surrender thereof for redemption, the principal shall, until paid,

continue to bear interest at the rate prescribed therefor in such Bond.

SECTION 4.07. *Bonds Redeemed in Part.*

Any Bond which is to be redeemed only in part shall be surrendered at the principal corporate trust office of the Trustee, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner of such Bond, without service charge, a new Bond or Bonds of any Authorized Denomination or Denominations as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

\* \* \*

ARTICLE FIVE

FUNDS

SECTION 5.01. *Bond Fund.*

There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Special Assessment Lien Bonds (Assessment Area Eight) Bond Fund" (herein referred to as the "*Bond Fund*") and within the Bond Fund (1) a special account designated the "*Principal Account*," (2) a special account designated the "*Interest Account*," (3) a special account designated the "*Prepayment Account*" and (4) a special account separate and apart from the Trust Estate designated the "*Expenses Account*." The money deposited to the Principal Account, the Interest Account, the Prepayment Account and the Expenses Account, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Sections 5.02 and 7.03.

SECTION 5.02. *Deposits to and Application of Bond Fund.*

A. The Issuer shall, upon receipt, deposit to the credit of

1. the Principal Account:

a. amounts collected by or remitted to the Issuer from the collection of the principal portion of installments with respect to the Assessment to the extent provided in Section 10.01(A) and which are allocated in the budget of the Issuer for the applicable fiscal year for the payment of principal (whether due as a result of Stated Maturity or Maturity due to mandatory redemption) of the Bonds with respect to Debt Service;

b. amounts transferred from the Reserve Fund pursuant to Section 5.06(B), (C) or (E) and

c. such other funds as the Issuer shall, at the option of the Board, deem advisable.

2. the Interest Account:

a. amounts collected by or remitted to the Issuer from the collection of the interest portion of installments with respect to the Assessment to the extent provided in Section 10.01(A) and which are allocated in the budget of the Issuer for the applicable fiscal year for payment of the interest on the Bonds with respect to Debt Service;

b. amounts transferred from the Reserve Fund pursuant to Section 5.06(B), (C)(2) or (E) and

c. such other funds as the Issuer shall, at the option of the Board, deem advisable.

3. the Prepayment Account:

a. amounts transferred from the Acquisition and Construction Fund to the extent provided in Sections 5.04(A)(2) and 5.04(B)(2);

b. amounts remitted to the Issuer as prepayments of installments with respect to the Assessment to the extent provided in Section 10.01(A) and not necessary to pay principal of or interest on the Bonds (which shall be held in the Principal Account and the Interest Account, respectively) prior to the application of such amounts to prepay the Bonds;

c. amounts received by the Issuer as proceeds from any foreclosure sale of any real property which is the subject of the Assessment due to a failure to pay an installment which is the subject of the Assessment to the extent described in Section 10.01(A);

d. amounts transferred from the Reserve Fund pursuant to Section 5.06(C)(1) and

e. amounts paid pursuant to Section 4.05.

4. the Expenses Account amounts collected by or remitted to the Issuer from the collection of amounts to be applied for the payment of the expenses described in Clause (ii) of the definition of Debt Service as a portion of the interest portion of installments with respect to the Assessment to the extent provided in Section 10.01(A) and which are allocated in the budget of the Issuer for the applicable fiscal year for the payment of such expenses.

B. The amounts in the Principal Account, the Interest Account, the Prepayment Account and the Expenses Account shall be applied solely to pay Debt Service as follows:

1. the amounts in the Principal Account shall be applied to pay principal of the Bonds as indicated in Section 3.01;

2. the amounts in the Interest Account shall be applied to pay interest on the Bonds as indicated in Section 3.01;



3. the amounts in the Prepayment Account shall be applied to pay the Redemption Price on the Redemption Date for any of the Bonds as described in Section 3.02 and

4. the amounts in the Expenses Account shall (a) be retained by the Trustee in the Expenses Account for the purposes described in Section 9.1(b) of the Development Agreement and (b) upon an Issuer Request, be paid to the Issuer for the purposes described in Section 9.1(b) of the Development Agreement.

SECTION 5.03. *Acquisition and Construction Fund and Costs of Issuance Fund.*

A. There is hereby created by the Issuer and established with the Trustee a special trust fund of the Issuer separate and apart from the Trust Estate and designated its "Special Assessment Lien Bonds (Assessment Area Eight) Acquisition and Construction Fund" (herein referred to as the "Acquisition and Construction Fund"). The money deposited to the Acquisition and Construction Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Section 5.04(A).

B. There is hereby created by the Issuer and established with the Trustee a special trust fund of the Issuer separate and apart from the Trust Estate and designated its "Special Assessment Lien Bonds (Assessment Area Eight) Costs of Issuance Fund" (herein referred to as the "Costs of Issuance Fund"). The money deposited to the Costs of Issuance Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Section 5.04(B).

SECTION 5.04. *Deposits to and Application of Acquisition and Construction Fund and the Costs of Issuance Fund.*

A. 1. The Issuer shall deposit to the credit of the Acquisition and Construction Fund the proceeds of the sale of the Bonds provided in Section 5.07(C) as well as amounts transferred for deposit therein pursuant to Section 5.06(C)(2).

2. Upon an Issuer Request which shall state with respect to Costs of Acquisition and Construction (1) the name and address of the Person to whom the payment is to be made (which, if the Cost of Acquisition and Construction in question is for an "Acquisition Project" (as such term is defined in the Development Agreement), may be the Owner); (2) the amount to be paid; (3) the obligation on account of which the payment is to be made, showing the total obligation, any amount previously paid and the unpaid balance as well as the provision of the Development Agreement to which the foregoing relates; (4) that the obligation was properly incurred and is a proper charge against the Acquisition and Construction Fund; (5) that the amount requisitioned is due and unpaid or owing to such Person;

(6) that with respect to items covered in the Issuer Request, there are no vendors', mechanics' or other liens, bailments, leases or conditional sale contracts which must be satisfied or discharged before the payments as requisitioned therein are made or which will not be discharged by such payment and (7) the aggregate amount of all disbursements previously made from the Acquisition and Construction Fund, amounts on deposit in the Acquisition and Construction Fund shall be applied by the Trustee solely to pay the Costs of Acquisition and Construction and, to the extent the funds deposited to the Acquisition and Construction Fund and investment income attributable thereto are in excess of the amounts required for any such purpose, then at the discretion of the Issuer as provided by an Issuer Request which shall state that (1) the Work has been completed in accordance with the Resolution of Intention Documents and all labor, services, materials and supplies used in the Work have been paid for and acknowledgments of such payments have been obtained from all contractors and suppliers and (2) all other facilities necessary in connection with the Work have been constructed, acquired and installed in accordance with the Resolution of Intention Documents therefor and all Costs of Acquisition and Construction for and incurred in connection therewith have been paid, to transfer such unexpended proceeds or income to the Prepayment Account; provided, however, that if any such amounts remain on deposit on July 1, 2018, such amounts shall be transferred by the Trustee to the Prepayment Account.

B. 1. The Issuer shall deposit to the credit of the Costs of Issuance Fund the proceeds of the sale of the Bonds provided in Section 5.07(B).

2. Upon an Issuer Request, amounts on deposit in the Costs of Issuance Fund shall be applied by the Trustee solely to pay the Costs of Issuance; provided, however, that if any such amounts remain on deposit in the Costs of Issuance Fund on December 1, 2016, such amounts shall be transferred by the Trustee to the Prepayment Account.

SECTION 5.05. *Reserve Fund.*

There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "Special Assessment Lien Bonds (Assessment Area Eight) Reserve Fund" (herein referred to as the "Reserve Fund"). The money deposited to the Reserve Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Section 5.06.

SECTION 5.06. *Deposits to and Application of Reserve Fund.*

A. The Issuer shall deposit to the credit of the Reserve Fund the amount received from the proceeds of the sale of the Bonds indicated in Section 5.07(A).

B. On, or, if either day is not a Business Day, before June 15 and December 15 of each year, the Trustee shall, to the extent there are sufficient amounts in the Reserve Fund, transfer from the Reserve Fund to the Principal Account and the Interest Account, as applicable, the difference between the amount in the Principal Account and the Interest Account, as applicable, on such date and the amount necessary to pay the principal of and interest on the Bonds on the next succeeding July 1 or January 1, as the case may be.

C. (1) With respect to maturity or redemption of the Bonds, the Trustee shall examine the Reserve Fund in relation to the Reserve Fund Requirement to determine if such maturity or the redemption of Bonds pursuant to Section 3.02 allows the Reserve Fund Requirement to be reduced and shall transfer the amount of any such permitted reduction to the level equal to the Reserve Fund Requirement as reduced after such examination from the Reserve Fund to the Principal Account with respect to such maturity and to the Prepayment Account to be applied to such redemption.

(2) On April 15 of each year, the Trustee shall examine the Reserve Fund in relation to the Reserve Fund Requirement to determine if any amounts which constitute investment earnings on the amounts in the Reserve Fund allow the amount on deposit in the Reserve Fund to be reduced to a level equal to the Reserve Fund Requirement and shall transfer the excess over the Reserve Fund Requirement from the Reserve Fund to the Acquisition and Construction Fund until July 1, 2018, and thereafter to the Interest Account to be applied to pay interest on the Bonds.

D. If, after a withdrawal from the Reserve Fund for any reason, the Reserve Fund is less than the Reserve Fund Requirement, the Issuer shall reimburse the Reserve Fund to the extent of proceeds from any delinquent amount due with respect to the Assessment including any foreclosure sale of any real property which is the subject of the Assessment due to a failure to pay an installment which is the subject of the Assessment as described in Section 10.01(A).

E. On June 15, 20\_\_, any amounts that remain on deposit in the Reserve Fund shall be transferred by the Trustee to the Principal Account and the Interest Account, as applicable, to pay Debt Service.

SECTION 5.07. *Disposition of Proceeds of Bonds.*

Simultaneously with delivery of the Bonds to the initial purchasers thereof, the Issuer shall cause the Trustee to deposit the proceeds thereof as follows:

A. Reserve Fund. An amount equal to \$\_\_\_\_\_ of the proceeds of the sale of the Bonds (which equals the Reserve Fund Requirement) shall be deposited to the credit of the Reserve Fund.

B. Costs of Issuance Fund. An amount equal to \$\_\_\_\_\_ of the proceeds of the sale of the Bonds shall be deposited to the credit of the Costs of Issuance Fund for the purposes described in Section 5.04(B).

C. Acquisition and Construction Fund. The balance remaining from the proceeds of the sale of the Bonds after the deposits described in Paragraphs A and B of this Section shall be deposited to the credit of the Acquisition and Construction Fund for the purposes described in Section 5.04(A).

SECTION 5.08. *Investment of and Security for Funds.*

A. Money held for the credit of the Bond Fund shall, as nearly as may be practicable and except as otherwise provided in Section 4.05, be continuously invested and reinvested by the Trustee in Governmental Obligations as directed in writing by the Issuer. Absent such written direction such money shall be invested in Permitted Investments described in clause D of the definition thereof.

B. Money held for the credit of the Acquisition and Construction Fund, the Costs of Issuance Fund and the Reserve Fund shall, as nearly as may be practical, be continuously invested and reinvested by the Trustee in Permitted Investments as directed in writing by the Issuer. Absent such written direction such money shall be invested in Permitted Investments described in clause D of the definition thereof.

C. The Trustee shall sell or present for redemption any obligations so purchased as an investment hereunder whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money required hereby. Investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder without penalty, not later than the respective dates when such money is expected to be required for the purpose intended. Obligations so purchased as an investment of any money credited to any fund established hereunder shall be deemed at all times to be a part of such fund. The interest accruing on obligations so purchased and any profit realized from such investment shall be credited to such Fund and any loss resulting from such investment shall be charged to such fund.

D. All money held by the Trustee hereunder shall be continuously secured in the manner and to the fullest extent then required by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. The Trustee shall not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from disregard or negligent implementation of any permitted direction by the Issuer.

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ARTICLE SIX

DEFEASANCE AND RELEASES

SECTION 6.01. *Payment of Indebtedness; Satisfaction and Discharge of Indenture.*

A. Whenever

1. all Bonds theretofore authenticated and delivered have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding, however:

a. Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent as provided in Section 4.05,

b. Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.06, except for any such Bond which, prior to the satisfaction and discharge of this Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Owner thereof and where enforceability has not been determined adversely against such Owner by a court of competent jurisdiction,

c. Bonds, other than those referred to in the foregoing Clauses, for the payment or redemption (under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name and at the expense of the Issuer) of which the Issuer has deposited or caused to be deposited with the Trustee in trust for such purpose an amount (to be immediately available for payment, except in the case of Bonds excepted from the foregoing Clause (b) prior to the time the ownership and enforceability of such Bonds has been established) sufficient to pay and discharge the entire indebtedness on the Bonds for principal (and premium, if any) and interest to the date of Maturity thereof which have become due and payable or to the Stated Maturity or Redemption Date, as the case may be and

d. Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both as described in Section 6.02; and

2. the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer;

then, upon Issuer Request, this Indenture and the lien, rights and interests created hereby shall cease, determine and become null and void (except as to any surviving rights of transfer or exchange of Bonds herein or therein provided for), and the Trustee and each co-trustee and separate trustee, if any, then acting as such hereunder shall, at the expense of the Issuer, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Issuer or upon Issuer Request all cash, securities and other personal property then held by it hereunder as a part of the Trust Estate.

B. In the absence of an Issuer Request as aforesaid, the payment of all Outstanding Secured Bonds shall not render this Indenture inoperative or prevent the Issuer from issuing Bonds from time to time thereafter as herein provided.

C. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer to the Trustee under Section 8.06 shall survive.

SECTION 6.02. *Defeasance.*

Any Bond shall be deemed to be no longer Outstanding when payment of the principal of and premium, if any, such Bond, plus interest thereon to the Maturity thereof (whether such Maturity be by reason of the Stated Maturity thereof or giving of notice redemption therefor, if notice of such redemption has been given or waived or irrevocable arrangements therefor satisfactory to the Trustee have been made) shall have been provided for by depositing for such payment from funds of the Issuer under the terms provided in this Section (1) money sufficient to make such payment or (2) money and Governmental Obligations certified by an independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as shall, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom be sufficient to make such payment, provided that all necessary and proper fees, compensation, and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Any such deposit shall be made either with the Trustee or, if notice of such deposit is given to the Trustee, with a state or nationally chartered bank with a minimum combined capital and surplus of \$50,000,000, as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Trustee or the Paying Agents in the amounts and at the times required to pay principal of and interest on the Bonds with respect to which such deposit is made at the Maturity thereof and of such interest or the Stated Maturity, as the case may be. If such deposit is made with respect to some but not all of the Bonds then Outstanding, the Trustee shall select the Outstanding Bonds in the same manner as provided in Section 4.03 for the selection of Bonds to be redeemed. Notwithstanding anything herein to the contrary however, no such deposit shall have the effect hereinabove described

(1) if made during the existence of default hereunder of which the Trustee has received written notice unless made with respect to all of the Bonds then Outstanding and (2) unless there shall be delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose shall be held by the Trustee in a segregated account in trust for the Owners of the Bonds with respect to which such deposit is made and together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on the Bonds when due. No money or Governmental Obligations so deposited pursuant to this Section shall be invested or reinvested unless in Governmental Obligations and unless such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for purposes of any such payment from such money or Governmental Obligations.

SECTION 6.03. *Application of Deposited Money.*

Money or Governmental Obligations deposited with the Trustee pursuant to Section 6.01 or 6.02 shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 4.03, such money or Governmental Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent as the Trustee may determine) to the Owners entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Trustee.

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ARTICLE SEVEN

REMEDIES

SECTION 7.01. *Suits for Enforcement; Mandamus.*

A. The Trustee in its discretion, subject to the provisions of Section 7.10, may proceed to protect and enforce its rights and the rights of the Bondowners under this Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture or in aid of the execution of any power granted in this Indenture or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Bondowners.

B. In addition to all rights and remedies of any Owner of Bonds provided herein, in the event the Issuer defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution or in this Indenture, the Trustee shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the directors and other officers of the Issuer to make such payment or to observe and perform any covenant, obligation, or condition prescribed in such Board Resolution or in this Indenture.

SECTION 7.02. *Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment.*

A. If

1. default occurs in the payment of any interest on any Bond when such interest becomes due and payable or

2. default occurs in the payment of the principal of (or premium, if any, on) any Bond at its Maturity,

then upon demand of the Trustee, the Issuer shall pay or cause to be paid to the Trustee for the benefit of the Owners of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any) and interest and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of administration and collection, including the reasonable compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the Issuer fails to pay or cause to be paid such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and recover judgment against the Issuer for the amount then so due and unpaid.

B. The Trustee shall be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any



proceedings for the enforcement of the lien of this Indenture, and in case of a sale of the Trust Estate and the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Secured Bonds, for the benefit of the Owners thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the Issuer shall affect or impair the lien of this Indenture upon the Trust Estate or any rights, powers, or remedies of the Trustee hereunder, or any rights, powers, or remedies of the Owners of the Bonds.

SECTION 7.03. *Application of Money Collected.*

Any money collected by the Trustee pursuant to this Article, together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

A. First: To the payment of all unpaid amounts due the Trustee under Section 8.06;

B. Second: To the payment of the whole amount then due and unpaid upon the Outstanding Secured Bonds, for principal of and premium, if any and interest on the Bonds and with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any), and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest without any preference or priority, ratably according to the aggregate amount so due and

C. Third: To the payment of the remainder, if any, to the Issuer, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 7.04. *Trustee May File Proofs of Claim.*

A. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Issuer or the property of the Issuer, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether

the Trustee shall have made any demand on the Issuer or the Participant for the payment of overdue principal, premium, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

1. to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Outstanding Secured Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Bondowners allowed in such judicial proceeding and

2. to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bondowner to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondowners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 8.06.

B. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondowner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Bondowner in any such proceeding.

SECTION 7.05. *Trustee May Enforce Claims Without Possession of Bonds.*

All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

SECTION 7.06. *Unconditional Right of Bondowners to Receive Principal and Interest.*

Notwithstanding any other provision in this Indenture, the Owner of any Bond shall have the right which is absolute and unconditional to receive, after payment of all amounts due to the Trustee hereunder, payment of the principal of and (subject to Section 7.10) interest on any such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date), and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Owner; provided, however, that no Bondowner shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver or loss of the lien of this Indenture upon the Trust Estate, or any part thereof, as security for Bonds held by any other Bondowner.

SECTION 7.07. *Rights and Remedies Cumulative.*

No right or remedy herein conferred upon or reserved to the Trustee or the Bondowners is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Except as otherwise provided herein with regard to the rights or remedies of Bondowners, the assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 7.08. *Delay or Omission Not Waiver.*

No delay or omission of the Trustee or any Owner of any Bond to exercise any right or remedy accruing upon a default under this Article shall impair any such right or remedy or constitute a waiver of any such default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Bondowners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondowners, as the case may be.

SECTION 7.09. *Control by Bondowners.*

A. The Owners of a majority in aggregate principal amount of the Outstanding Bonds affected thereby shall have the right

1. to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of

this Indenture, the sale of the Trust Estate, or otherwise;  
and

2. to direct 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 hereunder, provided that

a. such direction shall not be in conflict with any rule of law or this Indenture,

b. the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction,

c. the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction and

d. if the remedy requires the consent of a certain number of the Owners, such consent has been provided.

B. Before taking action pursuant to this Section, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the District shall reimburse the Trustee for all of the expenses of the Trustee pursuant to Section 8.06.

SECTION 7.10. *Waiver of Past Defaults.*

A. Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in this Article, the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds affected thereby may, by Act of such Bondowners delivered to the Trustee and the Issuer, on behalf of the Owners of all the Bonds waive any past default hereunder and its consequences, except a default in respect of a covenant or provision hereof which under Article Twelve cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected.

B. Upon any such waiver, such default shall cease to exist for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 7.11. *Undertaking for Costs.*

All parties to this Indenture agree, and each Owner of any Bond by his acceptance thereof shall be deemed to have agreed, that

any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Bondowner, or group of Bondowners of the Bonds affected thereby, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondowner for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

SECTION 7.12. *Remedies Subject to Applicable Law.*

All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable, or not entitled to be recorded, registered or filed under the provisions of any applicable law.

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ARTICLE EIGHT

THE TRUSTEE

SECTION 8.01. *Certain Duties and Responsibilities.*

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

B. No provision of this 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, except that

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

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

3. the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture and

4. no provision of this 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 hereunder, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in Section 7.09(B).

C. Whether or not therein expressly so provided, every provision of this 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 8.02. *Certain Rights of Trustee.*

Except as otherwise provided in Section 8.01 hereof:

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

1. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper Persons and

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

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

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

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

E. the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Bondowners pursuant to this Indenture, unless such Bondowners 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;

F. the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document (including particularly, but not by way of limitation) Acts, Board Resolutions, Issuer Requests and Officers' Certificates, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be enti-

tled to examine the books, records and premises of the Issuer, personally or by agent or attorney and

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

SECTION 8.03. *Not Responsible for Recitals or Application of Proceeds.*

The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of the Bonds or the proceeds thereof.

SECTION 8.04. *May Hold Bonds.*

The Trustee, any Paying Agent, the Bond Registrar and any other agent appointed hereunder, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee, Paying Agent, Bond Registrar or such other agent.

SECTION 8.05. *Money Held in Trust.*

Money held by the Trustee hereunder need not be segregated from other funds except to the extent required by law or the provisions of this Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Issuer.

SECTION 8.06. *Compensation and Reimbursement.*

A. The Issuer shall

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

2. except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by



the Trustee in accordance with any provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith.

B. As security for the performance of the obligations of the Issuer under this Section, the Trustee shall be secured under this Indenture by a lien and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any trust funds held by it hereunder after payment of other amounts due hereunder as provided by the terms hereof.

SECTION 8.07. *Corporate Trustee Required; Eligibility.*

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

SECTION 8.08. *Resignation and Removal; Appointment of Successor.*

A. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.09.

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

C. The Trustee may be removed at any time by Act of the Owners of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the Issuer.

D. If at any time:

1. the Trustee shall cease to be eligible under Section 8.07 and shall fail to resign after written request therefor by the Issuer or any such Bondowner or

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

then, in either such case, (a) the Issuer by Board Resolution may remove the Trustee or (b) subject to Section 8.12, any Bondowner who has been a bona fide Owner of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

E. If the Trustee shall resign, be removed or become incapable of acting, the Issuer, by Board Resolution, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed by the Bondowners. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Owners of a majority in principal amount of the Outstanding Bonds and delivered to the Issuer and the retiring Trustee, then the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Issuer or the Bondowners and accepted appointment in the manner hereinafter provided, any Bondowner who has been a bona fide Owner of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

F. The Issuer shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Owners of the Bonds. Each notice shall include the name of the successor Trustee and the address of its principal corporate trust office.

SECTION 8.09. *Acceptance of Appointment by Successor.*

A. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to the Issuer and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein

expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer, and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 8.06. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

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

SECTION 8.10. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

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ARTICLE NINE

SUPPLEMENTAL INDENTURES;  
AMENDMENTS TO BOND RESOLUTION

SECTION 9.01. *Supplemental Indentures or Amendments to Bond Resolution Without Consent of Bondowners.*

Without the consent of the Owners of any Bonds, the Issuer, when authorized by Board Resolution, and the Trustee may from time to time enter into one or more indentures supplemental hereto in form satisfactory to the Trustee, or the Issuer may amend the Bond Resolution, for any of the following purposes:

1. to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property; or

2. to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds, as herein set forth, and additional conditions, limitations and restrictions thereafter to be observed; or

3. to evidence the succession of another entity to the Issuer and the assumption by any such successor of the covenants of the Issuer herein, in the Bond Resolution, or in the Bonds contained; or

4. to add to the covenants of the Issuer for the benefit of the Owners of all of the Bonds or to surrender any right or power herein or in the Bond Resolution conferred upon the Issuer or

5. to cure any ambiguity, to correct or supplement any provision herein or in the Bond Resolution which may be inconsistent with any other provision herein or in the Bond Resolution, or to make any other provisions, with respect to matters or questions arising under this Indenture or the Bond Resolution, which shall not be inconsistent with the provisions of this Indenture or the Bond Resolution, provided such action shall not, in the Opinion of Counsel, materially, adversely affect the interests of the Owners of the Bonds.

SECTION 9.02. *Supplemental Indentures or Amendments to the Bond Resolution With Consent of Bondowners.*

A. With the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds affected by such

supplemental indenture, by Act of such Owners delivered to the Issuer and the Trustee, the Issuer, when authorized by Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or the Bond Resolution or of modifying in any manner the rights of the Owners of the Bonds under this Indenture or the Bond Resolution; provided, however, that no such supplemental indenture or amendments to the Bond Resolution shall, without the consent of the Owner of each Outstanding Bond affected thereby

1. change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of, or the interest on, any Bond, or the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

2. reduce the percentage in principal amount of the Outstanding Bonds the consent of the Owners of which is required for any such supplemental indenture or amendment to the Bond Resolution, or the consent of Owners of which is required for any waiver provided for in this Indenture of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences; or

3. modify or alter the provisions of the proviso to the definition of the term "Outstanding" or

4. modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby.

B. The Trustee, based upon an Opinion of Counsel, may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Board Resolution authorizing issuance of the Bonds and any such determination shall be conclusive upon every Owner of Bonds, whether theretofore or thereafter authenticity dated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

C. It shall not be necessary for any Act of Bondowners under this Section to approve the particular form of any proposed supplemental indenture or any such amendment to a Board Resolution, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03. *Execution of Supplemental Indentures and Amendments to Bond Resolution.*

In executing, or accepting the additional trusts created by, any supplemental indenture or amendment to the Bond Resolution permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall receive and, subject to Section 8.01, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture or adoption of such amendment is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture or be governed by any amended Bond Resolution which affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise.

SECTION 9.04. *Effect of Supplemental Indentures and Amendments to Bond Resolution.*

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Indenture for all purposes, and upon the amendment of the Bond Resolution under this Article, the Bond Resolution shall be modified in accordance therewith, and such amendment shall form a part of the Bond Resolution for all purposes, and every Owner of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05. *Reference in Bonds to Supplemental Indentures or Amendments to Bond Resolution.*

Bonds authenticated and delivered after the execution of any supplemental indenture or amendment to the Bond Resolution pursuant to this Article may bear a notation as to any matter provided for in such supplemental indenture or amended Bond Resolution. If the Issuer shall so determine, new Bonds so modified as to conform to any such supplemental indenture or amended Bond Resolution may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

\* \* \*

ARTICLE TEN

COVENANTS

SECTION 10.01. *Application of Amounts from Assessment.*

A. The amounts available because of the Assessment (calculated after being reduced by any amounts available in the Bond Fund not required for payment of Debt Service in the then current Bond Year for, and whether in the form of, regularly payable installments with respect thereto, prepayments thereof, proceeds of the sale of land related to delinquent installments thereof or otherwise) shall be collected as provided in the Bond Resolution pursuant to the procedures prescribed by Sections 48-599 and 600, Arizona Revised Statutes, as nearly as practicable, or such other procedures as the Board provides, and applied, and are hereby pledged, to pay Debt Service when due and as such shall be paid to the Trustee and deposited in the Principal Account, the Interest Account, the Prepayment Account (unless necessary for the purpose described in Section 5.06(D) to be deposited to the Reserve Fund) and the Expenses Account and applied, in each case, as described in Section 5.02. The Assessment shall either be collected (i) in a manner substantially similar to the provisions of Section 48-600, Arizona Revised Statutes, or any successor statutes thereto; provided, however, publication of the notice shall not be required or (ii) by the Treasurer of Pinal County, Arizona, as part of its regular tax bills pursuant to the terms of an assessment collection agreement between the Issuer and such Treasurer.

B. Such amounts when collected constitute funds to pay Debt Service and shall be kept separately from other funds of the Issuer by depositing them in the accounts and amounts provided in Section 5.02(A).

C. The Issuer has levied the Assessment in accordance with the Enabling Act and the Resolution of Intention Documents in an amount sufficient to pay Debt Service on all Outstanding Secured Bonds and shall take or cause to be taken all actions required by law to collect and enforce the payment thereof.

D. If any portion of the Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Issuer shall be satisfied that any portion of the Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Issuer shall have omitted to make any portion of the Assessment when it might have done so, the Issuer shall either (1) take all necessary steps to cause a new assessment to be made pursuant to the Enabling Act for the whole or any part of the Work or (2), in its sole discretion, make up the amount of such portion of the Assessment from legally available funds of the Issuer, which funds shall be deposited into the applicable account of the Bond Fund.

E. The Assessment shall be enforced pursuant to the provisions of the Enabling Act and the Resolution of Intention Documents, including but not limited to declaring the entire unpaid balance of any portion of the Assessment to be in default and causing the lien with respect to such portion of the Assessment on the related delinquent land to be foreclosed pursuant to the Enabling Act and the Resolution of Intention Documents. Notwithstanding the foregoing, neither the Issuer nor the Municipality shall be required under any circumstances to purchase or make payment for the purchase of the delinquent portion of the Assessment or the related land.

F. The Board shall make and adopt before the date set by law for certifying the annual budget of the Municipality an annual budget for each fiscal year of the Issuer, as required by the Enabling Act, which shall include statements and estimates of the amount to be raised to pay Debt Service, including, particularly, the amounts to be shown in such budget as described in Section 5.02.

SECTION 10.02. *Payment of Debt Service.*

A. The Issuer shall duly and punctually pay Debt Service in accordance with the terms of this Indenture.

B. If the specified date for any such payment, or any payment required by Section 6.01, shall be other than a Business Day, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest (except in the event of a moratorium) and with the same force and effect as if made on the specified date for such payment.

SECTION 10.03. *Maintenance of Agency.*

The Issuer shall maintain an agency where Bonds of each series may be presented or surrendered for payment, where Bonds of each series entitled to be registered, transferred, exchanged or converted may be presented or surrendered for registration, transfer, exchange or conversion, and where notices and demands to or upon the Issuer in respect of the Bonds of each series and this Indenture may be served. The Trustee is hereby, appointed as Paying Agent for such purposes. The Issuer shall give prompt written notice to the Trustee of the location, and of any change in the location, of any such agency. If at any time the Issuer shall fail to maintain such an agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices, and demands may be made or served at the principal corporate trust office of the Trustee, and the Issuer hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices, and demands.

SECTION 10.04. *Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.*

A. The amounts which are segregated by the Trustee or deposited with any other Paying Agent to pay the principal of or



interest on any Bonds becoming due on any due date shall be held in trust for the benefit of the Owners of such Bonds. Amounts so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Owners entitled to such principal or interest, as the case may be. Amounts held by the Trustee or any other paying Agent for the payment of the principal of (and premium, if any) or interest on the Bonds need not be segregated from other funds, except to the extent required by law.

B. The Issuer shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall

(a) hold all amounts held by it for the payment of principal of (and premium, if any) or interest on the Bonds for the benefit of the Owners of such Bonds until such sums shall be paid to the Owners or otherwise disposed of as herein provided and

(b) at any time, upon the written request of the Trustee, forthwith pay to the Trustee all amounts so held in trust by such Paying Agent.

C. The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Request direct any Paying Agent to pay to the Trustee all money held by such Paying Agent, such amounts to be held by the Trustee upon the same trusts as those upon which such money was held by such Paying Agent, and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

D. In the event any check for payment of interest on a Bond is returned to any Paying Agent unendorsed or is not presented for payment within two (2) years from its payment date or any Bond is not presented for payment of principal at Maturity or Redemption Date, if amounts sufficient to pay such interest or principal due upon such Bond shall have been made available to such Paying Agent for the benefit of the Owner thereof, it shall be the duty of such Paying Agent to hold such funds or invest the same in Government Obligations, without liability for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. Such obligation of the Paying Agent to hold such funds shall continue for two (2) years and six (6) months following the date on which such interest or principal payment became due, whether at Maturity or Stated Maturity, or at the Redemption Date, or otherwise, at which time such Paying Agent shall surrender such unclaimed funds so held to the Issuer, whereupon any claim of whatever nature by the Owner of such Bond arising under such Bond shall be made upon the Issuer.

SECTION 10.05. *Further Assurances; Recording.*

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

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

SECTION 10.06. *Covenants as to Arbitrage and Other Tax Matters.*

A. As further described in the Certificate as to Federal Tax Matters relating to the Bonds delivered by the District on the Closing Date, the Board shall not make or direct the making of any investment or other use of the proceeds of any Bonds which would cause such Bonds to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code and shall comply with the requirements of such sections and related regulations of the Code throughout the term of the Bonds. (Particularly, the Board shall be the owner of the Work for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), the Board shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Work unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time, or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Work. Also, the payment of principal and interest with respect to the Bonds shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States.) The proceeds of the Bonds, or amounts treated as proceeds of the Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund, or (iii) may be invested in obligations issued by the United States Treasury. The Board shall also comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Bonds (including as provided in Section 10.07) for so

long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. In consideration of the purchase and acceptance of the Bonds by such holders from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the Board covenants, and the appropriate officials of the Issuer are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by such Code which would adversely affect in any respect such exclusion.

B. The procedures required by any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Bonds shall be complied with for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. However, as the District Board hereby represents and warrants that (i) the District has general taxing powers, (ii) the Bonds are not "private activity bonds" within the meaning of the Code, (iii) 95 percent or more of the "net proceeds" of the Bonds shall be used for local governmental activities of the District and (iv) the aggregate face amount of all tax-exempt bonds or obligations (other than private activity bonds within the meaning of the Code) issued by the District during the 2016 calendar year is not reasonably expected to exceed \$5,000,000, there is presently an exception to the need for any such procedures.

C. The Bonds are hereby designated as a "qualified tax-exempt obligations" within the meaning of and pursuant to the provisions of Section 265(b) of the Code as the reasonably anticipated amount of "qualified tax-exempt obligations" (other than private activity bonds within the meaning of the Code) which will be issued by the District during the 2016 calendar year will not exceed \$10,000,000.

D. (i) The Board shall take all necessary and desirable steps to comply with the requirements hereunder in order to ensure that interest on the Bonds is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the Issuer receives a Bond Counsel's Opinion that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the Issuer receives such a Bond Counsel's Opinion, this Indenture shall be supplemented to conform to the requirements set forth in such opinion. If for any reason any requirement hereunder is not complied with, the Board shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the Issuer shall pay any required interest or penalty under Regulations section 1.148-3(h) of the Code.

(ii) If the Board is of the opinion that it is necessary to restrict or limit the yield on the investment of any money paid to or held by the Trustee hereunder in order to avoid classification of any Bonds as "arbitrage bonds" within the meaning of the Code, the Board may issue to the Trustee a written instrument to such effect (along with appropriate written instructions), in which event the Trustee shall take such action as is necessary so to restrict or limit the yield on such investment in accordance with such instrument and instructions, irrespective of whether the Trustee shares such opinion. The Trustee may conclusively rely upon any such instructions and shall be responsible for no loss resulting from investment of any money held hereunder in accordance with such instructions.

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

\* \* \*

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

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

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 1

By.....  
District Manager

ATTEST:

.....  
District Clerk

WELLS FARGO BANK, N.A., as Trustee

By.....  
Authorized Representative

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

Merrill Ranch Community Facilities District No. 1 (the “Issuer”), has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, “tax-advantaged obligations”) that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the “Code”).

The Issuer has established the policies and procedures contained herein (the “Procedures”) as of March 29, 2016, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the “Tax Certificate”) executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

### **A. GENERAL MATTERS.**

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

contents of the Procedures, review of the requirements contained in the Code applicable to each tax-advantaged obligation, identification of all tax-advantaged obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.

5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the “remedial action” regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service (“IRS”) (or successor guidance). Such periodic review shall occur at least annually.
6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

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

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

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.
2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.
3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how proceeds were spent; review

requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.

5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than “direct tracing” (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of “direct tracing” is often made to reduce the private business use of bond proceeds that would otherwise result from “direct tracing” of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier)*. Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

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

1. Identify Financed Facilities. Identify or “map” which outstanding issues financed which facilities and in what amounts.
2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as “private persons”) with respect to the financed facilities which could result in private business use of the facilities:
  - a. Sales of financed facilities;
  - b. Leases of financed facilities;
  - c. Management or service contracts relating to financed facilities;
  - d. Research contracts under which a private person sponsors research in financed facilities; and
  - e. Any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.



3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond counsel to review such amendment or agreement to determine whether it results in private business use.
4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of “unrelated or disproportionate” private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.
7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.

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

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

1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.
2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable

rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.

3. Temporary Periods. Review the Tax Certificate to determine the “temporary periods” for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.
4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.
5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid “hedge bond” status.
6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0 percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.
7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.
10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a “bona fide debt service fund,” i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for

a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.

11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.
  
12. Rebate and Yield Reduction Payment Compliance. Review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described below, investment earnings on proceeds at a yield in excess of the yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.
  - a. Ensure that rebate and yield reduction payment calculations will be timely performed and payment of such amounts, if any, will be timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue, then in succeeding installments every five years. The final rebate payment for an issue is due 60 days after retirement of the last obligation of the issue. The Issuer should hire a rebate consultant if necessary.
  - b. Review the rebate section of the Tax Certificate to determine whether the "small issuer" rebate exception applies to the issue.
  - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Tax Certificate) may apply to the tax-advantaged obligations, ensure that the spending of proceeds is monitored prior to semiannual spending dates for the applicable exception.
  - d. Make rebate and yield reduction payments and file Form 8038-T in a timely manner.
  - e. Even after all other proceeds of a given issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants contained in the Tax Certificate).

13. Maintenance and Retention of Arbitrage and Rebate Records. Maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

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

**ATTACHMENT I TO  
WRITTEN PROCEDURES**

**REMEDIAL ACTION PROCEDURES**

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

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

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

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

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

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

(c) Unless otherwise excepted under the Treasury Regulations, the Town delivers a certificate, instrument, or other written records satisfactory to bond counsel

demonstrating that the terms of the arrangement pursuant to which the Deliberate Action is taken is *bona fide* and arm's-length, and that the non-exempt Person using either the Financed Property or the proceeds of the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

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

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

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

(a) Redemption or Defeasance of Obligations.

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

(ii) If the Deliberate Action consists of a fair market value disposition of any portion of the Financed Property for other than exclusively cash, then the Town may use any funds (other than proceeds of the Obligations or proceeds of any obligation the interest on which is excludable from the gross income of the registered owners thereof for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance

Escrow within 90 days of the date of the Deliberate Action for all of the maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

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

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

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

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

(iii) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;

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

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

(c) Alternative Use of Financed Property. The Town may be considered to have taken sufficient Remedial Actions to cause the Obligations to continue their

applicable treatment under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Financed Property:

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

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

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

Absent an opinion of bond counsel, no Remedial Actions are available to remediate the satisfaction of the Private Security or Payment Test regarding the same with respect to the Obligations. Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Financed Property.

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

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

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

“*Deliberate Action*” means any action, occurrence, or omission by the Town (or, if applicable, by a conduit borrower) that is within the control of the Town (or, if applicable, by such conduit borrower) that causes either (1) the Private Business Use Test to be satisfied with respect to the Obligations or the Financed Property (without regard to the Private Security or Payment Test), or (2) the Private Loan Financing Test to be satisfied with respect to the



Obligations or the proceeds thereof. An action, occurrence, or omission is not a Deliberate Action if (1) the action, occurrence, or omission would be treated as an involuntary or compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence, or omission is in response to a regulatory directive made by the government of the United States.

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

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

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

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


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

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

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

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

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

	<b>Community Facilities District No. 2 District ACTION FORM</b>	<b><u>AGENDA ITEM</u> 7b.</b>
<b>MEETING DATE:</b> March 29, 2016  <b>DEPARTMENT:</b> Finance  <b>STAFF PRESENTER:</b> Gabe Garcia, District Treasurer  <b>SUBJECT:</b> Public Hearing to Consider Approval of the Feasibility Report followed by Resolution to Consider Adoption of the Sale and issuance of General Obligation (G.O.) Bonds and related matters in the amount not to exceed \$2,000,000		<input checked="" type="checkbox"/> Action <input type="checkbox"/> Information Only <input checked="" type="checkbox"/> Public Hearing <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <ul style="list-style-type: none"> <li><input type="checkbox"/> Regulatory</li> <li><input type="checkbox"/> 1<sup>st</sup> Reading</li> <li><input type="checkbox"/> 2<sup>nd</sup> Reading</li> </ul> <input type="checkbox"/> Other

**RECOMMENDED MOTION/ACTION:**

Staff recommends the following motion/actions:

1. Hold a Public Hearing on the Feasibility Report of the feasibility and benefits of certain projects to be financed with the proceeds of the sale of General Obligation Bonds of Merrill Ranch Community Facilities District No. 2.
  
2. Motion to adopt Resolution No. MRCFD2 230-16, which in part authorizes the sale and issuance of not to exceed \$2,000,000 aggregate principal amount of General Obligation Bonds, Series 2016 and related matters. Please note, the current bond issue is sized at \$1,900,000 – subject to change based on the final interest rates and cash in the debt service fund.

**BACKGROUND/DISCUSSION:**

Pursuant to the Merrill Ranch Community Facilities District No. 2 Development Agreement dated November 1, 2005, Pulte Home Corporation (Pulte) has requested the issuance of GO Bonds in an amount not to exceed \$2,000,000. The CFD financing plan includes general obligation bonds the proceeds of which will used for regional public infrastructure improvements as outlined in the Feasibility Report.

The bond proceeds will be used to reimburse Pulte for the cost of completed construction, which includes Hunt Highway Phase 1 and American Way.

The Feasibility Report includes a description of the public infrastructure to be financed by the GO Bonds, a location map, the cost of the infrastructure and the plan for financing the infrastructure.

Adopting the Resolution, will approve the Feasibility Report, authorize the sale and issuance of GO Bonds in an amount not to exceed \$2,000,000 aggregate principal

amount, approve the Preliminary Official Statement, authorize the preparation of the final Official Statement, authorize the subsequent levying of an ad valorem property tax sufficient to pay debt service and to approve the form and authorize the execution of delivery of the various documents relating to the 2016 GO Bonds.

The District is authorized up to \$100,000,000 (pursuant to an election held in and for the District on January 24, 2006) in principal amount of general obligation bonds. To date, the District has issued \$6,161,000 in GO Bonds, of which \$4,575,000 principal remains outstanding, not including the proposed Series 2016 issue contemplated herein.

**FINANCIAL IMPACT:**

It is expected that the total bonds outstanding, including this issue will be repaid with the District's current ad valorem tax levy of \$3.25 per \$100 of net assessed limited property value (see Table One of the Feasibility Report). Operation expenses of the District will continue to be funded by the District's operation and maintenance ad valorem property tax levy of \$0.30 per \$100 of net assessed limited property value, for a total tax rate target of \$3.55.

**STAFF RECOMMENDATION:**

Conduct Public Hearing  
Approve Resolution No. MR CFD2 230-16

**ATTACHMENTS:**

Resolution No. MR CFD2 230-16  
Feasibility Report  
Draft Preliminary Official Statement  
Draft Bond Purchase Contract  
Draft Bond Registrar and Paying Agent Agreement  
Draft Written Policies and Procedures for Tax-Advantaged Obligations  
Draft Written Procedures for Compliance with Obligations Under Continuing Disclosure Undertakings  
Draft Dissemination Agency Agreement

RESOLUTION NO. MRCFD2 \_\_\_230\_-16

(MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2)

A RESOLUTION OF THE DISTRICT BOARD OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 AUTHORIZING AND RATIFYING THE GIVING OF NOTICE OF HEARING WITH RESPECT TO APPROVING A FEASIBILITY REPORT WHICH INCLUDES IDENTIFYING THE PUBLIC INFRASTRUCTURE OF THE PROJECTS, THE AREAS TO BE BENEFITTED, THE EXPECTED METHOD OF FINANCING AND THE SYSTEM OF PROVIDING REVENUES TO OPERATE AND MAINTAIN THE PROJECTS, ALL AS PROVIDED IN SUCH REPORT; APPROVING SUCH REPORT AND RESOLVING THE INTENT THEREFOR; AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$2,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS, SERIES 2016 OF THE DISTRICT; PRESCRIBING CERTAIN TERMS AND CONDITIONS OF SUCH BONDS INCLUDING MAKING CERTAIN FINDINGS, CERTIFICATIONS AND COVENANTS WITH RESPECT TO SUCH BONDS; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES 2016 BOND REGISTRAR AND PAYING AGENT AGREEMENT, A PURCHASE CONTRACT, A SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING, A SERIES 2016 DISSEMINATION AGENCY AGREEMENT AND CERTAIN OTHER DOCUMENTS RELATING TO SUCH BONDS; AWARDED SUCH BONDS TO THE PURCHASER THEREOF; DELEGATING THE DETERMINATION OF CERTAIN TERMS OF SUCH BONDS AND MATTERS RELATED THERETO TO THE DISTRICT MANAGER; APPROVING A PRELIMINARY OFFICIAL STATEMENT RELATING TO SUCH BONDS; AUTHORIZING THE PREPARATION OF A FINAL OFFICIAL STATEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SUBSEQUENT LEVYING OF AN *AD VALOREM* PROPERTY TAX WITH RESPECT TO SUCH BONDS AND ADOPTING POST-ISSUANCE TAX COMPLIANCE AND CONTINUING DISCLOSURE COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE DISTRICT

BE IT RESOLVED BY THE DISTRICT BOARD OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 as follows:

1. Findings.

a. Merrill Ranch Community Facilities District No. 2 (hereinafter called the "District") is authorized (1) by Section 48-719, Arizona Revised Statutes, to sell and issue general obligation bonds of the District to provide moneys for public infrastructure purposes consistent with The General Plan of Merrill Ranch Community Facilities District No. 2 (hereinafter referred to as the "General Plan") and (2) by Section 48-709(F), Arizona Revised Statutes, to repay all or part of fees and charges collected from landowners for public infrastructure purposes, the advance of moneys by landowners for public infrastructure purposes or the granting of real property by landowners for public infrastructure purposes from the proceeds of such bonds pursuant to agreements entered into with landowners and the Town of Florence, Arizona (hereinafter called the "Municipality"), pursuant to Section 48-709(A)(10), Arizona Revised Statutes.

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

after called the "District Board") to issue such bonds (hereinafter referred to as the "Bonds").

c. The District Board deemed it necessary and advisable to order and call such an election and to establish the procedures whereby such election should be held and did so pursuant to Resolution No. MRCFD2 101-05 adopted on November 21, 2005 (hereinafter referred to as the "Organizational Resolution"), which provided that a special election be held on January 24, 2006 (hereinafter referred to as the "Election"), at which time there was submitted to the qualified electors of the District the questions set forth in the official ballot described in the Organizational Resolution.

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

e. Pursuant to Resolution No. MRCFD2 201-06 adopted by the District Board on February 6, 2006, the District Board found and determined that a majority of the votes cast by the qualified electors voting at the Election voted "Bonds, Yes" and that the Bonds

in up to and including \$100,000,000 aggregate principal amount are therefore authorized to be sold and issued.

f. Pursuant to Section 48-719, Arizona Revised Statutes, and Resolution MRCFD2 204-06 adopted by the District Board on August 7, 2006, the District Board authorized, and there have been sold and issued, the first series of the Bonds, dated October 26, 2006 (hereinafter referred to as the "First Series of the Bonds"), in the aggregate principal amount of \$251,000. Also, pursuant to Section 48-719, Arizona Revised Statutes and Resolution MRCFD2 206-10 adopted by the District Board on September 7, 2010, the District Board authorized, and there have been sold and issued, the second series of the Bonds, dated November 30, 2010 (hereinafter referred to as the "Second Series of the Bonds"), in the aggregate principal amount of \$3,560,000. Further, pursuant to Section 48-719, Arizona Revised Statutes and Resolution MRCFD2 220-12 adopted by the District Board on September 17, 2012, the District Board authorized, and there have been sold and issued, the third series of the Bonds, dated October 3, 2012 (hereinafter referred to as the "Third Series of the Bonds"), in the aggregate principal amount of \$500,000. Also, further, pursuant to Section 48-719, Arizona Revised Statutes and Resolution No. MRCFD2 225-13 adopted by the District Board on October 21, 2013, the District Board authorized, and there have been sold and issued, the fourth series of the Bonds, dated December 19, 2013 (hereinafter referred to as the "Fourth Series of the Bonds"), in the aggregate principal amount of \$1,850,000.

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

h. It has been requested that the District Board cause the District to acquire certain of the public infrastructure described in the General Plan which was the subject of the Report (hereinafter referred to as the "Projects"), and the District Board hereby determines that the District should acquire the Projects.

i. Pursuant to Section 48-719, Arizona Revised Statutes, the District Board (1) hereby determines to authorize the sale and issuance of the Fifth Series of the Bonds to provide funds to



acquire the Projects, and (2) shall enter in its minutes a record of the Fifth Series of the Bonds sold and their numbers and dates and levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient to pay debt service with respect to the Fifth Series of the Bonds when due.

j. In order to provide for authentication and delivery of the Fifth Series of the Bonds and subsequent matters with respect thereto, the District Board hereby determines to authorize the execution and delivery of a Series 2016 Bond Registrar and Paying Agent Agreement, to be dated as of the first day of the month of the dated date of the Fifth Series of the Bonds (hereinafter referred to as the "Agency Agreement"), by and between the District and Wells Fargo Bank, N.A., as bond registrar and paying agent (hereinafter called the "Bond Registrar and Paying Agent").

k. The District Board hereby also determines to enter into (1) a Series 2016 Continuing Disclosure Undertaking, to be dated even date with the delivery of the Fifth Series of the Bonds (hereinafter referred to as the "Undertaking") and (2) a Series 2016 Dissemination Agency Agreement, to be dated as of the first day of the month of the dated date of the Fifth Series of the Bonds determined as provided herein (hereinafter referred to as the "Dissemination Agreement"), by and between the District and David Tausig & Associates, Inc. to provide for certain securities laws related, on-going, secondary market disclosure matters related to the Fifth Series of the Bonds.

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

m. The District Board hereby determines that procedures should be adopted in order to ensure that Tax-Exempt Obligations issued by the District comply with the provisions of the Code and the Regulations (hereinafter referred to as the "Tax Compliance Procedures").

n. Pursuant to Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934, as amended, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (hereinafter referred to as the "Rule"), Participating Underwriters (as defined in the Rule) are required to reasonably determine that issuers have entered into written undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the Rule.

o. The District Board hereby determines that procedures should be adopted in order to document practices and describe various procedures for preparing and disseminating such ongoing disclosure for the benefit of the holders of the District's obligations

and to assist the Participating Underwriters in complying with the Rule and such written undertakings (together with the Tax Compliance Procedures, hereinafter referred to as the "Procedures").

p. There have been placed on file with the District Clerk of the District and presented to the District Board in connection with the purposes described in paragraphs 1.i. through k. (1) the proposed form of the Agency Agreement, (2) the proposed form of the Purchase Contract relating to the Bonds, to be dated even date with their sale (hereinafter referred to as the "Purchase Contract"), by and between the District and Stifel, Nicolaus & Company, Incorporated (hereinafter referred to as the "Underwriter"), (3) the proposed form of the Undertaking, (4) the proposed form of the Dissemination Agreement and (5) the proposed form of the Preliminary Official Statement relating to the Bonds, to be dated the date of the mailing thereof (hereinafter referred to as the "Preliminary Official Statement") along with proposed forms of the Procedures. (The documents described in Clauses (1) through (4), both inclusive, are hereinafter referred to, collectively, as the "Bond Documents.")

q. The District Board hereby further determines that (1) the proposed amount of indebtedness evidenced by the Fifth Series of the Bonds will not exceed the estimated cost of the public infrastructure improvements to be financed with the proceeds of the sale thereof plus all costs connected with the public infrastructure purposes related thereto and sale and issuance of the Fifth Series of the Bonds and (2) the total aggregate outstanding amount of the First Series of the Bonds, the Second Series of the Bonds, the Third Series

of the Bonds and the Fourth Series of the Bonds will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure to be acquired by the District with proceeds of the Fifth Series of the Bonds (based upon information received from the Assessor of Pinal County, Arizona, hereby found and determined to be not less than \$10,110,000) all as provided in Section 48-708, Arizona Revised Statutes.

2. a. Authorization and Ratification of Notice of Hearing on Report. Notice of the public hearing on the Report provided by the District Manager and attached as the Exhibit "A" (hereinafter referred to as the "Notice") is hereby authorized and ratified in all respects as well as the mailing of the Report and the Notice to the governing body of the Municipality. The providing of the Notice as provided by law and as caused by the District Manager is hereby authorized and ratified.

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

c. Approval of Report and Resolution of Intent. After review of the Report and based on the Report Hearing and the mailing of the Report to the governing body of the Municipality, the Report is hereby approved in the form submitted to the District Board, and the District Board hereby declares its intent as required by Sec-

tion 48-715, Arizona Revised Statutes, and, subject to the provisions set forth in the Report, to take such reasonable actions as may be necessary to cause the results contemplated by and set forth in the Report, including particularly the acquisition of the Projects for the benefit of the areas described in the Report and the consummation of the expected method of financing, and an appropriate system of providing revenues or other means to maintain, the Projects, all as provided in the Report. The Projects will result in a beneficial use to land within the geographical limits of the District. Such use is principally to such land and, in any case, at a minimum, is proportional. (Based on review of the Report and the Report Hearing, the District hereby conclusively establishes that the Projects will result in such use.)

3. a. Approval of Sale and Issuance of Fifth Series of the Bonds. The Fifth Series of the Bonds are hereby authorized to be issued as a series of general obligation bonds of the District to be designated "General Obligation Bonds, Series 2016." The District Manager is hereby authorized and directed to determine on behalf of the District: (1) the dated date (but not later than December 1, 2016) and aggregate principal amount (but not to exceed \$2,000,000) of the Fifth Series of the Bonds; (2) the final principal and maturity schedule of the Fifth Series of the Bonds (but none of the Fifth Series of the Bonds to mature more than twenty-five (25) years from their date of issuance); (3) the interest rate on each maturity of the Fifth Series of the Bonds and the dates for payment of such interest (hereinafter referred to as "interest payment dates"); (4) the

provisions for redemption in advance of maturity of the Fifth Series of the Bonds; (5) the sales date, sales price and other terms of sale of the Fifth Series of the Bonds, (6) the identity of the Bond Registrar and Paying Agent if other than Wells Fargo Bank, N.A. and (7) the provisions for credit enhancement, if any, for the Fifth Series of the Bonds upon the advice of the representative of the Underwriter; provided, however, that the foregoing determinations must result in a yield with respect to the Fifth Series of the Bonds, calculated for federal income tax purposes, of not to exceed seven percent (7%). The Fifth Series of the Bonds shall be sold to the Underwriter in accordance with the terms of the Purchase Contract and at a price specified therein with original issue discount and underwriter's compensation in an amount, in each case, as determined by the District Manager who is hereby authorized and directed to so determine such matters.

b. Forms, Terms and Provisions, and Execution and Delivery, of Fifth Series of the Bonds.

1. The Fifth Series of the Bonds shall be issued in denominations of \$5,000 of principal amount and integral multiples thereof and only in fully registered form and shall bear interest from their date to the maturity or prior redemption of each bond of the Fifth Series of the Bonds, payable on the interest payment dates.

2. The principal of, and premium, if any, and interest on, the Fifth Series of the Bonds shall be payable in lawful money of the United States of America. The principal of and premium, if any, on the Fifth Series of the Bonds shall be payable at maturity

or prior redemption upon presentation and surrender thereof at the designated corporate trust office of the Bond Registrar and Paying Agent, and interest on the Fifth Series of the Bonds shall be payable by check, dated as of the interest payment date, mailed to the registered owners thereof, as shown on the registration books maintained by the Bond Registrar and Paying Agent at the address appearing therein at the close of business on the first (1st) day of the month next preceding that interest payment date (hereinafter referred to as the "regular record date"). Any such interest on a bond of the Fifth Series of the Bonds which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor Fifth Series of the Bonds) as of the regular record date, and shall be payable to the registered owner thereof (or of one or more predecessor Fifth Series of the Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owners of Fifth Series of the Bonds not less than ten (10) days prior thereto.

3. (A) Notice of redemption of any bond of the Fifth Series of the Bonds shall be mailed by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption to the registered owners of the Fifth Series of the Bonds being redeemed at the address shown on the registration books for the Fifth Series of the Bonds maintained by

the Bond Registrar and Paying Agent. Failure to properly give such notice of redemption shall not affect the redemption of any bond of the Fifth Series of the Bonds for which notice was properly given.

(B) On the date designated for redemption by notice given as herein provided, the Fifth Series of the Bonds or portions thereof to be redeemed shall become and be due and payable at the redemption price for such Fifth Series of the Bonds or such portions thereof on such date, and, if moneys for payment of the redemption price are held in separate accounts by the Bond Registrar and Paying Agent, interest on such Fifth Series of the Bonds or such portions thereof shall cease to accrue, such Fifth Series of the Bonds or such portions thereof shall cease to be entitled to any benefit or security hereunder, the registered owners of such Fifth Series of the Bonds or such portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest thereon and such Fifth Series of the Bonds or such portions thereof shall be deemed paid and no longer outstanding.

(C) The District may redeem by random method any amount which is included in a bond of the Fifth Series of the Bonds in the denomination in excess of, but divisible by, \$5,000. In that event, the registered owner shall submit such bond for partial redemption, the Bond Registrar and Paying Agent shall make such partial payment and shall cause to be issued a new bond in a principal amount which reflects the redemption so made, to be authenticated and delivered to the registered owner thereof.



4. (A) The bonds of the Fifth Series of the Bonds (including the form of certificate of authentication and form of assignment therefor) shall be in substantially the form set forth in Exhibit "B" attached hereto. There may be such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Purchase Contract and are approved by those officers executing the bonds of the Fifth Series of the Bonds in such form. Execution thereof by such officers shall constitute conclusive evidence of such approval.

(B) The bonds of the Fifth Series of the Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each bond of the Fifth Series of the Bonds shall show both the date of the issue and the date of authentication and registration of each Bond.

(C) The bonds of the Fifth Series of the Bonds are prohibited from being converted to coupon or bearer bonds without the consent of the District Board and approval of an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the District (hereinafter called "Bond Counsel").

(D) The bonds of the Fifth Series of the Bonds shall be executed for and on behalf of the District by the Chairperson or Vice Chairperson of the District Board and attested by the District Clerk. Such signature may be by mechanical reproduction; however, such officer shall manually sign a certificate adopting as and for such signature on the bonds of the Fifth Series of the Bonds

the respective mechanically reproduced signature affixed to such bonds.

(E) If an officer whose signature is on a bond of the Fifth Series of the Bonds no longer holds that office at the time such bond is authenticated and registered, such bond shall nevertheless be valid and binding so long as such bond would otherwise be valid and binding.

(F) A bond of the Fifth Series of the Bonds shall not be valid or binding until authenticated by the manual signature of an authorized representative of the Bond Registrar and Paying Agent. The signature of the authorized representative of the Bond Registrar and Paying Agent shall be conclusive evidence that such bond has been authenticated and issued pursuant to this Resolution.

5. In case any bond of the Fifth Series of the Bonds becomes mutilated or destroyed or lost, the District shall cause to be executed and delivered a new bond, of like type, date, maturity and tenor in exchange and substitution for and upon the cancellation of such mutilated bond or in lieu of and in substitution for such bond destroyed or lost, upon the registered owner paying the reasonable expenses and charges of the District in connection therewith and, in the case of a bond destroyed or lost, filing with the Bond Registrar and Paying Agent by the registered owner evidence satisfactory to the Bond Registrar and Paying Agent that such bond was destroyed or lost, and furnishing the Bond Registrar and Paying Agent with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

6. (A) A bond of the Fifth Series of the Bonds may be transferred on the registration books for the Fifth Series of the Bonds upon delivery and surrender of the bond to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of such bond, to be transferred or the attorney-in-fact or legal representative of such owner, containing written instructions as to the details of the transfer of such bond. No transfer of any bond of the Fifth Series of the Bonds shall be effective until entered on the registration books for the Fifth Series of the Bonds.

(B) In the event of the transfer of a bond of the Fifth Series of the Bonds, the Bond Registrar and Paying Agent shall enter the transfer of ownership in the registration books for the Fifth Series of the Bonds and shall authenticate and deliver in the name of the transferee or transferees a new fully registered bond or bonds of the same maturity and of authorized denominations (except that no bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Resolution.

(C) All costs and expenses of initial registration and payment of the Fifth Series of the Bonds shall be borne by the District, but the District and the Bond Registrar and Paying Agent shall charge the registered owner of such bond for every

subsequent transfer of a bond, an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer and may require that such transfer fee, tax or other charge be paid before any such bond shall be delivered.

(D) The District and the Bond Registrar and Paying Agent shall not be required to issue or transfer any bond of the Fifth Series of the Bonds during a period beginning with the opening of business on any regular record date described in the form of such Bond and ending with the close of business on the corresponding interest payment date.

(E) The bonds of the Fifth Series of the Bonds shall be subject to a Book-Entry System (as that term is hereinafter defined) of ownership and transfer, except as provided in Subsection (III) of this Subsection. The general provisions for effecting the Book-Entry System are as follows:

(I) The District hereby designates The Depository Trust Company, as the initial Depository (as that term is hereinafter defined) hereunder.

(II) Notwithstanding the provisions of this Subsection or of the bonds of the Fifth Series of the Bonds to the contrary and so long as the bonds of the Fifth Series of the Bonds are subject to a Book-Entry System, such bonds shall initially be evidenced by one typewritten certificate for each maturity, in an amount equal to the aggregate principal amount thereof. The bonds of the Fifth Series of the Bonds so initially delivered shall be

registered in the name of "Cede & Co." as nominee for The Depository Trust Company. The bonds of the Fifth Series of the Bonds may not thereafter be transferred or exchanged on the registration books for the Fifth Series of the Bonds maintained by the Bond Registrar and Paying Agent except:

- to any successor Depository designated pursuant to Subsection (III) of this subsection;
- to any successor nominee designated by a Depository or if the District shall elect to discontinue the Book-Entry System pursuant to Subsection (III) of this Subsection, the District shall cause the Bond Registrar and Paying Agent to authenticate and deliver replacement bonds in fully registered form in authorized denominations in the names of the Beneficial Owners (as such term is hereinafter defined) or their nominees, as certified by the Depository, at the expense of the District; thereafter the other applicable provisions of this Resolution regarding registration, transfer and exchange of the bonds of the Fifth Series of the Bonds shall apply.

(III) The Bond Registrar and Paying Agent, pursuant to a request from the District for the removal or replacement of the Depository, and upon thirty (30) days' notice to the Depository, may remove or replace the Depository. The Bond Registrar and Paying Agent shall remove or replace the Depository at any time pursuant to the request of the District. The Depository may

determine not to continue to act as Depository for the bonds of the Fifth Series of the Bonds upon thirty (30) days written notice to the District and the Bond Registrar and Paying Agent. If the use of the Book-Entry System is discontinued, then after the Bond Registrar and Paying Agent has made provision for notification of the Beneficial Owners of their book entry interests in the Bonds by appropriate notice to the then Depository, the District and the Bond Registrar and Paying Agent shall permit withdrawal of the bonds of the Fifth Series of the Bonds from the Depository and authenticate and deliver bond certificates in fully registered form and in denominations authorized by this Resolution to the assignees of the Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement bond certificates) of the District.

(IV) So long as the Book-Entry System is used for the bonds of the Fifth Series of the Bonds, the District and the Bond Registrar and Paying Agent shall give any notice of redemption or any other notices required to be given to registered owners of bonds only to the Depository or its nominee registered as the owner thereof. Any failure of the Depository to advise any of its participants, or of any participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the bonds of the Fifth Series of the Bonds to be redeemed or of any other action premised on such notice. Neither the District nor the Bond Registrar and Paying Agent shall be responsible or liable for the failure of the Depository or any partic-

ipant thereof to make any payment or give any notice to a Beneficial Owner in respect of the bonds of the Fifth Series of the Bonds or any error or delay relating thereto.

(V) Notwithstanding any other provision of this Resolution or of the bonds of the Fifth Series of the Bonds to the contrary, so long as the bonds of the Fifth Series of the Bonds are subject to a Book-Entry System, it shall not be necessary for the registered owner to present the applicable bond for payment of mandatory redemption installments, if any. The mandatory redemption installments may be noted on books for the Fifth Series of the Bonds kept by the Bond Registrar and Paying Agent and the Depository for such purpose, and the bonds of the Fifth Series of the Bonds shall be tendered to the Bond Registrar and Paying Agent at their maturity.

(VI) For purposes of this subsection, "Beneficial Owners" shall mean actual purchasers of bonds of the Fifth Series of the Bonds whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository; "Book-Entry System" shall mean a system for clearing and settlement of securities transactions among participants of a Depository (and other parties having custodial relationships with such participants) through electronic or manual book-entry changes in accounts of such participants maintained by the Depository hereunder for recording ownership of bonds of the Fifth Series of the Bonds by Beneficial Owners and transfers of ownership interests in bonds of the Fifth Series of the Bonds and "Depository" shall mean The Depository Trust Company, New

York, New York or any successor depository designated pursuant to this Section.

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

d. Authorization to Execute and Deliver. The District Manager is hereby authorized to execute and deliver to the Bond Registrar and Paying Agent the written order of the District for the authentication and delivery of the Fifth Series of the Bonds by the Bond Registrar and Paying Agent.

e. Other Actions Necessary. The District Manager, the District Clerk and the other officers of the District shall retain consultants and counsel necessary to carry out the purposes of this Resolution and shall take all other actions necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated by the Bond Documents, including without limitation, the closing and other documents required to be delivered in connection with the sale and delivery of the Fifth Series of the Bonds. (The



persons who shall so take such actions shall be the persons holding such offices at the time of the initial issuance and delivery of the Fifth Series of the Bonds.)

f. Distribution of Disclosure Documents.

1. The distribution by the Underwriter of the Preliminary Official Statement is hereby authorized and directed, and the District Manager is hereby authorized and directed to prepare, or cause the preparation of, and to execute a "Final Official Statement" for the Fifth Series of the Bonds in substantially the form of the Preliminary Official Statement and reflecting the results of the sale of the Fifth Series of the Bonds, to be dated even date with their sale, and the distribution of such Final Official Statement by the Underwriter is hereby approved.

2. The District Manager is hereby authorized to deem the Preliminary Official Statement "final" as of its date for purposes of the Rule. In that respect, the District Manager is further authorized to modify, or authorize the modification of, the Preliminary Official Statement.

g. Tax Levy.

1. For each year while any bond of the Fifth Series of the Bonds is outstanding, the District Board shall annually levy and cause to be collected an *ad valorem* tax, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, to pay debt service with respect to the Fifth Series of the Bonds when due.

2. Moneys derived from the levy of the tax provided for in this Section with respect to the Fifth Series of the Bonds when collected constitute funds to pay debt service with respect to the Fifth Series of the Bonds and shall be kept separately from other funds of the District.

3. The District Board shall make annual statements and estimates of the amount to be raised to pay debt service with respect to the Fifth Series of the Bonds. The District Board shall file the annual statements and estimates with the Clerk of the Municipality and shall publish a notice of the filing of the estimate. The District Board, on or before the date set by law for certifying the annual budget of the Municipality, shall fix, levy and assess the amounts to be raised by *ad valorem* taxes of the District and shall cause certified copies of the order to be delivered to the Board of Supervisors of Pinal County, Arizona, and to the Department of Revenue of the State. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this Section.

4. Any other general obligation bonds of the District hereafter issued will be secured on a parity basis as to the collection and application of property tax revenues of the District with the bonds of the Fifth Series of the Bonds, and such property taxes will be allocated to each such series of general obligation bonds in accordance with any debt service then due, taking into account other funds held by the District for such payment. Property

tax revenues allocated for any such series of bonds shall be set aside separately for such series.

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

i. Appointment of Bond Registrar and Paying Agent. Wells Fargo Bank, N.A., Phoenix, Arizona, is hereby confirmed as Bond Registrar and Paying Agent for the purposes of the Agency Agreement.

j. Use of Proceeds. The proceeds from the sale of the Fifth Series of the Bonds shall be set aside and deposited by the District Treasurer in a separate fund. The proceeds of the sale of the Fifth Series of the Bonds shall be expended only for the purposes set forth in the ballot used at the Election and in the Report and as provided in the District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 2), dated as of November 1, 2005, to which the District is a party.

k. Federal Tax Law Covenants.

1. As provided more specifically in the Certificate as to Federal Income Tax Matters relating to the Fifth Series of the Bonds to be delivered by the District in connection with the original issuance and delivery of the Fifth Series of the Bonds, there shall not be any investment or other use of the proceeds of the Fifth Series of the Bonds which would cause such bonds to be "arbitrage bonds" as that term is defined in Section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in Section 141 (or any successor provision thereto) of the Code, and the requirements of such sections of the Code and the Regulations shall be complied with throughout the term of the Fifth Series of the Bonds. (Particularly, the District shall be the owner of the facilities financed with the proceeds of the sale of the Fifth Series of the Bonds (the "Facilities") for federal income tax purposes. Except as otherwise advised in an opinion signed by Bond Counsel, the District shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Facilities.) Also, the payment of principal and interest with respect to the Fifth Series of the Bonds shall not be guaranteed (in whole or in part) by the United States or

any agency or instrumentality of the United States. The proceeds of the Fifth Series of the Bonds, or amounts treated as proceeds of the Fifth Series of the Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Fifth Series of the Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund or (iii) may be invested in obligations issued by the United States Treasury. In consideration of the purchase and acceptance of the Fifth Series of the Bonds by the owners thereof from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the appropriate officials of the District are hereby directed to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

2. The procedures required by any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Fifth Series of the Bonds shall be complied with for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Fifth Series of the Bonds. However, as the District Board hereby represents and warrants that (A) the District has general taxing powers, (B) the Fifth Series of the Bonds are not "private activity bonds" within the meaning of the Code, (C) 95 percent or more of the "net proceeds" of the Fifth Series of the Bonds shall be used for

local governmental activities of the District and (D) the aggregate face amount of all tax-exempt bonds or obligations (other than private activity bonds within the meaning of the Code) issued by the District during the 2016 calendar year is not reasonably expected to exceed \$5,000,000, there is presently an exception to the need for any such procedures.

3. The Fifth Series of the Bonds are designated as "qualified tax-exempt obligations" within the meaning of and pursuant to the provisions of Section 265(b) of the Code as the District Board hereby represents and warrants that the reasonably anticipated amount of "qualified tax-exempt obligations" (other than private activity bonds within the meaning of the Code) which will be issued by the District during the 2016 calendar year will not exceed \$10,000,000.

4. (i) All necessary and desirable steps to comply with the requirements hereunder in order to ensure that interest on the Fifth Series of the Bonds is excluded from gross income for federal income tax purposes under the Code shall be taken; provided, however, that compliance with any such requirement shall not be required in the event the District receives an opinion signed by Bond Counsel that either compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Fifth Series of the Bonds or compliance with some other requirement will meet the requirements of the Code. In the event the District receives such an opinion, this Resolution shall be amended to conform to the requirements set forth in such opinion.

(ii) If for any reason any requirement hereunder is not complied with, all necessary and desirable steps shall be taken to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence, and the District shall pay any required interest or penalty under applicable Treasury Regulations.

5. Written procedures are being established in the form of the applicable portion of the Procedures for the District to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Treasury Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which the District will comply.

1. Matters Relating to Undertaking. Subject to annual appropriation to cover the costs of preparing and mailing as necessary therefor, the District shall comply with and carry out all the provisions of the Undertaking. Notwithstanding any other provision of this Resolution, failure of the District (if obligated pursuant to the Undertaking) to comply with the Undertaking shall not be considered an event of default; however, any Benefitted Owner (as such term is hereinafter defined) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Subsection. For purposes of this Subsection, "Benefitted Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any bonds of

the Fifth Series of the Bonds (including persons holding such bonds through nominees, depositories or other intermediaries), or is treated as the owner of any bonds of the Fifth Series of the Bonds for federal income tax purposes.

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

5. Repeal of this Resolution; Severability; Effect; Inconsistencies; Effective Date; Ratification.

a. After any of the bonds of the Fifth Series of the Bonds are delivered upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the bonds of the Fifth Series of the Bonds and the interest thereon shall have been fully paid, canceled and discharged.

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

c. This Resolution shall constitute a contract between the District and the registered owners of the Fifth Series of the Bonds and shall not be amended in any manner which would impair,



impede or lessen the rights of the registered owners of the Fifth Series of the Bonds then outstanding.

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

e. This Resolution shall be effective immediately.

f. All actions of the officers and agents of the District including the District Board which conform to the purposes and intent of this Resolution and which further the issuance and sale of the Fifth Series of the Bonds as contemplated by this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved. The proper officers and agents of the District are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the District as may be necessary to carry out the terms and intent of this Resolution.

PASSED by the District Board of Merrill Ranch Community  
Facilities District No. 2 this 29th day of March, 2016.

.....  
Chairperson, District Board, Merrill  
Ranch Community Facilities District  
No. 2

ATTEST:

.....  
District Clerk, Merrill Ranch  
Community Facilities District  
No. 2

APPROVED AS TO FORM:

.....  
District Counsel, Merrill Ranch  
Community Facilities District  
No. 2

\* \* \*

ATTACHMENT:

EXHIBIT "A" -- Form of Notice of Hearing and Report  
EXHIBIT "B" -- Form of Fifth Series Bond

EXHIBIT "A"

**FORM OF NOTICE OF HEARING ON REPORT**

NOTICE FOR HEARING REQUIRED BY A.R.S. § 48-715 ON REPORT OF THE FEASIBILITY AND BENEFITS OF CERTAIN PROJECTS TO BE FINANCED WITH THE PROCEEDS OF THE SALE OF GENERAL OBLIGATION BONDS OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 AND OF THE ADOPTION OF THE RESOLUTION OF INTENTION WITH RESPECT TO CERTAIN PUBLIC INFRASTRUCTURE PURPOSES DESCRIBED IN SUCH STUDY

Pursuant to Section 48-715, Arizona Revised Statutes, notice is hereby given that a public hearing on the report of the feasibility and benefits of projects to be financed with the proceeds of the sale of general obligation bonds of Merrill Ranch Community Facilities District No. 2 shall be held by the District Board on March 29, 2016, at approximately 6:00 p.m. (Arizona time), or immediately preceding the meeting of the Mayor and Common Council of the Town of Florence, Arizona, on the same date in the Union Center at Sun City Anthem at Merrill Ranch, located at 3925 North Sun City Boulevard, Florence, Arizona. Such feasibility report and further information relating thereto are on file with the Town Clerk of the Town of Florence, Arizona/District Clerk of Merrill Ranch Community Facilities District No. 2, 775 North Main Street, Florence, Arizona 85132, telephone number: (520) 868-7552.

Dated this 17th day of March, 2016.

/s/ Charles Montoya.....  
District Manager, Merrill Ranch  
Community Facilities District No. 2

EXHIBIT "B"

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE DISTRICT OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.\*

REGISTERED  
NO. ....

REGISTERED  
\$.....

UNITED STATES OF AMERICA

STATE OF ARIZONA

COUNTY OF PINAL

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2  
(FLORENCE, ARIZONA)  
GENERAL OBLIGATION BOND,  
SERIES 2016

Interest Rate:                      Maturity Date:                      Dated:                      CUSIP:  
.....%                      July 15, ....                      ..... , 2016                      .....

REGISTERED OWNER:                      CEDE & CO.\*

PRINCIPAL AMOUNT:                      ..... DOLLARS

Merrill Ranch Community Facilities District No. 2, a community facilities district duly formed pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the "District"), for value received, hereby promises to pay to the aforesaid registered owner, or registered assigns, the aforesaid principal amount on the aforesaid maturity date unless earlier redeemed, and to pay interest on the principal amount from the date as of which this Bond is dated as indicated hereinabove at the aforesaid interest rate on ..... 15, ....., and on each ..... 15 and ..... 15 thereafter (each an "interest payment date") to the maturity or redemption prior to maturity of this Bond. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the designated corporate trust office of ....., as the initial "Bond Registrar

\*Insert so long as The Depository Trust Company is the Depository.

and Paying Agent." Interest on the bonds of the issue of which this Bond is one, evidenced by this Bond is payable by check, dated as of the interest payment date, mailed to the registered owner hereof, as shown on the registration books maintained by the Bond Registrar and Paying Agent at the address appearing therein at the close of business on the 1st day of the calendar month next preceding that interest payment date (the "regular record date"). Any such interest on this Bond which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the regular record date and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Bond Registrar and Paying Agent whenever moneys become available for payment of that overdue interest, and notice of the special record date shall be given to registered owner of this Bond not less than 10 days prior thereto.

The principal of, and interest and premium, if any, on, this Bond are payable in lawful money of the United States of America, on the respective dates when principal and interest become due.

This Bond is one of a series of bonds indicated above (the "Bonds") in the aggregate principal amount of \$.....,000 of like tenor except as to amount, maturity date, redemption feature, rate of interest and number, issued by the District pursuant to a resolution of the Board of the District, duly adopted prior to the issuance hereof, all of the terms of which are hereby incorporated herein (the "Resolution"), and pursuant to the Constitution and laws of the State of Arizona relative to the sale and issuance of general obligation bonds of community facilities districts, and all amendments thereto, and all other laws of the State of Arizona thereunto enabling.

The Bonds are issuable as fully registered bonds initially only in denominations of \$5,000 or principal amount and any integral multiple thereof.

The Bonds are payable, equally and ratably with such other general obligation bonds of the District from the proceeds of an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property within the boundaries of the District, sufficient to pay debt service on the Bonds when due.

**NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OF FLORENCE, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) IS PLEDGED TO THE PAYMENT OF THE BONDS.**

The Bonds maturing before and on July 15, ....., are not subject to redemption prior to maturity. The Bonds maturing on and after July 15, ....., are subject to redemption prior to maturity, in whole or in part, on July 15, ....., or any date thereafter, by the

payment of a redemption price equal to the principal amount of each such Bond redeemed plus interest accrued to the date fixed for redemption plus a premium (calculated as a percentage of the principal amount of such Bonds to be redeemed) to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 15, . . . ., and January 15, . . . .	. . .%
July 15, . . . ., and January 15, . . . .	. . .
July 15, . . . ., and thereafter	0.0

The Bonds maturing on July 15, . . . ., shall be redeemed prior to maturity on July 15, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

<u>Year</u>	<u>Amount</u>
	\$

A remaining principal amount of \$.....,000 of Bonds maturing on July 15, . . . ., shall mature on July 15, . . . .

Not more than seventy-five (75) nor less than sixty (60) days prior to the mandatory redemption date for the Bonds maturing on July 15, . . . ., the Bond Registrar and Paying Agent shall proceed to select for redemption (by lot in such manner as the Bond Registrar and Paying Agent may determine) from all the Bonds maturing on July 15, . . . ., outstanding a principal amount of the Bonds maturing on July 15, . . . ., equal to the aggregate principal amount of the Bonds maturing on July 15, . . . ., to be redeemed and shall redeem such Bonds maturing on July 15, . . . ., on the next July 15 and give notice of such redemption.

Notice of redemption of any such Bond will be mailed by first class mail, postage prepaid, not more than 60 nor less than 30 days prior to the date set for redemption to the registered owner of such Bond or Bonds being redeemed at the address shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent. Failure to give properly such notice of redemption shall not affect the redemption of any such Bond for which notice was properly given.

The Bond Registrar and Paying Agent shall maintain the registration books of the District for the registration of ownership of each Bond as provided in the Resolution. (The Bond Registrar and Paying Agent may be changed without notice or consent.)

This Bond may be transferred on the registration books upon delivery and surrender hereof to the Bond Registrar and Paying Agent at its designated corporate trust office, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar and Paying Agent, duly executed by the registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of this Bond, the Bond Registrar and Paying Agent shall transfer the ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same maturity and of authorized denominations (except that no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Resolution. The District and the Bond Registrar and Paying Agent shall charge the owner of such Bond, for every transfer of a Bond, an amount sufficient to reimburse them for any transfer fee, tax or other charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or other charge be paid before any such new Bond shall be delivered.

The District and the Bond Registrar and Paying Agent shall not be required to issue or transfer any Bonds during a period beginning with the opening of business on a regular record date and ending with the close of business on the corresponding interest payment date.

This Bond shall not be entitled to any security or benefit under the Resolution or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar and Paying Agent.

It is hereby certified, recited and declared (i) that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, have happened, have been done, do exist and have been performed in regular and due form and time as required by law; (ii) that the obligation evidenced by the series of Bonds of which this is one, together with all other existing indebtedness of the District, does not exceed any applicable constitutional or statutory limitation and (iii) that due provision has been made for the levy and collection of a direct, annual, ad valorem tax upon taxable property within the District, over and above all other taxes authorized or

limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

IN WITNESS WHEREOF, MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2, has caused this Bond to be executed in the name of the District by the facsimile signature of the ..... of the District Board of the District.

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 2

By.....  
.....

ATTEST:

.....  
.....



CERTIFICATE OF AUTHENTICATION

This Bond is one of the Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General Obligation Bonds, Series 2016 described in the within mentioned Resolution.

Date of Authentication: .....

.....  
as Bond Registrar and Paying Agent

By.....  
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto .....  
(Name and Address of Transferee)  
the within Bond and irrevocably constitutes and appoints .....  
..... attorney to transfer  
the within Bond on the books kept for registration thereof, with full  
power of substitution in the premises.

Dated: .....  
Signature

Signature Guaranteed:

.....  
Signature

[Insert proper legend]

Note: The signature(s) on this assignment must correspond with the name(s) as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

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

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

UNIF GIFT MIN ACT - ..... Custodian .....  
(Cust) (Minor)

under Uniform Gifts to Minors Act .....  
(State)

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

ALL FEES AND COSTS OF TRANSFER  
SHALL BE PAID BY THE TRANSFEROR

**FEASIBILITY REPORT**

**For The Issuance of**

**Not To Exceed  
\$2,000,000 Principal Amount**

**of**

**MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 2**

**(FLORENCE, ARIZONA)**

**GENERAL OBLIGATION BONDS,  
SERIES 2016**

**March 29, 2016**

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**SECTION ONE**

**INTRODUCTION; PURPOSE OF FEASIBILITY  
REPORT AND GENERAL DESCRIPTION  
OF DISTRICT NO. 2**

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## INTRODUCTION

This Feasibility Report (this "Report") has been prepared by engineers and other qualified persons including Pulte Home Corporation (the "Landowner") for presentation to the District Board of the Merrill Ranch Community Facilities District No. 2 (the "District") in connection with the proposed issuance by the District of its General Obligation Bonds, Series 2016 (the "Bonds") in an aggregate principal amount not to exceed \$2,000,000 and the feasibility and benefits of certain "public infrastructure" as such term is defined in the hereafter described Act (the "Public Infrastructure") and of the plan for financing the Public Infrastructure pursuant to the Community Facilities District Act of 1988, Title 48, Chapter 4, Article 6 of Arizona Revised Statutes (the "Act"). The District is authorized to issue up to \$100,000,000 in principal amount of general obligation bonds. To date, the District has issued \$1,850,000 of General Obligation Bonds, Series 2013, \$500,000 aggregate principal amount of General Obligation Bonds, Series 2012, \$3,560,000 aggregate principal amount of General Obligation Bonds, Series 2010 (the "Series 2010 Bonds") and \$251,000 in aggregate principal amount of General Obligation Bonds in 2006, of which \$4,575,000 remain outstanding, not including the Series 2016 Bonds.

### PURPOSE OF FEASIBILITY REPORT

Pursuant to the Act, this Report includes (i) a description of the Public Infrastructure to be financed [Section Two]; (ii) a map showing, in general, the location of the Public Infrastructure and the area to be benefited by the Public Infrastructure [Section Three]; (iii) an estimate of the cost to acquire, operate and maintain the Public Infrastructure and a timetable for the completion of the Public Infrastructure [Section Four]; and (iv) a plan for financing the Public Infrastructure [Section Five].

This Report has been prepared for the consideration of the District Board of the District only. It is not intended or anticipated that this Report will be relied upon by other persons, including, but not limited to, purchasers of the Bonds. This Report does not attempt to address the quality of the Bonds as investments or the likelihood of repayment of the Bonds. **THIS REPORT IS NOT INTENDED TO BE A "FINANCIAL FEASIBILITY REPORT OR STUDY" AS THIS TERM IS CUSTOMARILY USED.**

### GENERAL DESCRIPTION OF DISTRICT

Formation of the District was approved by the Mayor and Common Council of the Town of Florence, Arizona (the "Town"), on November 21, 2005 upon the request of the Landowner. The District is located within the Town boundaries and was created to finance the acquisition of certain public infrastructure, including the Public Infrastructure which relates to the development of portions of Anthem at Merrill Ranch, a master-planned residential development (the "Project"), owned and being developed by the Landowner.

The portion of the Project in the District will consist of 2,962 low density residential units comprising both a traditional single family community called Anthem Parkside and an active adult community called Sun City Anthem. The number of acres and units devoted to each particular type of land use may ultimately vary from those presented; the build-out of the portion of the Project in the District is currently expected to include the following:

**Merrill Ranch Community Facilities District No. 2  
Anticipated Land Use Plan**

<b>Description</b>	<b>District Acres</b>	<b>Number of Units</b>
Residential -- 40' -- 46' x 115'	311	1,610
Residential -- 55' -- 60' x 115'	215	977
Residential -- 70' -- 80' x 115'	119	371
Residential -- 65' x 120'	1	4
Golf Courses	43	-
Police/Fire	15	-
Roadways/ROW	67	-
Schools	14	-
Open Space/ Parks	203	-
Commercial	20	-
Worship Sites	12	-
Hospital	40	-
<b>Total:</b>	<b>1,060</b>	<b>2,962</b>

The single-family residences to be constructed by Pulte within Anthem currently range in size from 1,000 to 4,100 square feet and are currently base priced from \$139,000 to \$351,000.

The 1,060 acres of the Project, which includes residential units, a recreation center and open space as described above, is all of the property in the District. A legal description of the District is included in Appendix A and a map of the district included in Section Three of this Report.

The following table represents the single family residential closings from January 1, 2006 through March 1, 2016:

	<b>CFD 1</b>	<b>CFD 2</b>	<b>CFD 1</b>	<b>CFD 2</b>	<b>TOTAL</b>
	<b>Sun City (Active Adult)</b>		<b>Parkside</b>		
2006	92	30	25	41	188
2007	91	43	98	237	469
2008	176	38	68	171	453
2009	136	2	34	98	270
2010	38	59	22	68	187
2011	2	68	17	45	132
2012	16	48	51	14	129
2013	78	32	59	13	182
2014	17	15	13	1	46
2015	37	65	57	0	159
2016	7	1	10	0	18
	<b>690</b>	<b>401</b>	<b>454</b>	<b>688</b>	<b>2,233</b>

Source: Pulte

The Landowner is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street,

N.W., Washington, D.C. 20549 and Northwestern Atrium Center, 400 W. Madison Street, Suite 1400, Chicago, Illinois. Copies of the Filings can be obtained from the public reference section of the SEC 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 SEC's EDGAR database at <http://www.sec.gov>.



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**SECTION TWO**

**DESCRIPTION AND ESTIMATE OF COST  
OF PUBLIC INFRASTRUCTURE**

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**DESCRIPTION AND ESTIMATE OF COST OF PUBLIC INFRASTRUCTURE**

Type of Regional Public Infrastructure (b)	Estimated Costs	Estimated Reimbursement (a)				Total	To be Paid by Future Bonds
		2006 Bonds	2010 Bonds	2013 Bonds	2016 Bonds		
1. Street Improvements:	\$299,931	\$226,500	\$73,431			\$299,931	\$0
2. Storm Drain:	\$200,069		\$200,069			\$200,069	\$0
3. Merrill Ranch Parkway I:	\$2,622,486		\$1,957,573	\$560,767		\$2,518,340	\$104,146
4. Hunt Highway Phase I:	\$3,172,172		\$860,077	\$1,214,233	\$921,734	\$2,996,044	\$176,128
5. American Way:	\$2,422,041				\$913,266	\$913,266	\$1,508,775
6. Anthem Way:	\$626,628						\$626,628
7. Spirt Way Phase I:	\$756,121						\$756,121
8. Spirit Way Phase III:	\$2,451,911						\$2,451,911
9. Spirt way Phase IV:	\$2,886,170						\$2,886,170
10. MR Parkway Phase III:	\$1,012,493						\$1,012,493
11. Hunt Highway Phase III:	\$3,262,671						\$3,262,671
<b>Total</b>	<b>\$19,712,693</b>	<b>\$226,500</b>	<b>\$3,091,150</b>	<b>\$1,775,000</b>	<b>\$1,835,000</b>	<b>\$6,927,650</b>	<b>\$12,785,043</b>

(a) Does not include regional fire station improvements in the amount of \$500,000 funded with the 2012 Bonds.

(b) See following page for description of public infrastructure improvements items 1 - 11 above.

## DESCRIPTION OF PUBLIC INFRASTRUCTURE

### 1. Street Improvements

Consists of the installation of asphalt paving and 4 inch roll and vertical curb, 6 inch valley gutter, and 4 foot wide sidewalks within the public roadways. The pavement section will be 2 inches of asphalt on 7 inches of asphalt, brick and concrete rubble ("ABC"). The curb and gutter will comply with the Maricopa Association of Government (MAG) standard of details and sidewalks within the public roadways of the area of benefit. The total road improvement is 13,243 square yards.

### 2. Storm Drain

Consists of the construction of storm drains within the public roadways. The storm drains will intercept runoff from the public roadways by either catch basins or scuppers, conveying to retention facilities by pipe or overland flow. The catch basins and scuppers will comply with MAG standard detail. The pipe will be sized between 15 inches of concrete pipe, or approved alternate. The total length of the road is 1,642 lineal feet.

### 3. Merrill Ranch Parkway

Consists of the construction of the Merrill Ranch Parkway, including paving, concrete, storm drain, concrete arch structures, landscaping, landscape architecture, engineering, and soil testing.

### 4. Hunt Highway Phase I

Consists of the construction of Phase I of Hunt Highway, including paving, concrete, storm drain, box culvert, landscaping, landscape architecture, engineering, and soil testing.

### 5. American Way

Consists of the construction of American Way, including paving, concrete, storm drain, engineering, landscaping, landscape architecture, and soil testing.

### 6. Anthem Way

Consists of the construction of Anthem Way, including the paving, concrete, storm drain, engineering, landscaping, landscaping architecture, and soil testing.

### 7. Spirit Way Phase I

Consists of the construction of Phase I of Spirit Way, including paving, concrete, storm drain, engineering, landscaping, landscape architecture, and soil testing.

### 8. Spirit Way Phase III

Consists of the construction of Spirit Way Phase III, including the paving, concrete, storm drain, landscaping, engineering, landscape architecture and soil testing.

### 9. Spirit Way Phase IV

Consists of the construction of Spirit Way Phase IV, including the paving, concrete, storm drain, landscaping, engineering, landscape architecture and soil testing.

### 10. Merrill Ranch Parkway Phase III

Consists of the construction of Merrill Ranch Parkway Phase III, including the paving, concrete, storm drain, landscaping, engineering, landscape architecture and soil testing.

### 11. Hunt Highway Phase III

Consists of the construction of Hunt Highway Phase III, including the paving, concrete, storm drain, landscaping, engineering, landscape architecture and soil testing.

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**SECTION THREE**

**MAP OF THE DISTRICT SHOWING LOCATION OF  
PUBLIC INFRASTRUCTURE AND  
AREA TO BE BENEFITED**

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**SECTION FOUR**

**TIMETABLE FOR COMPLETION OF  
PUBLIC INFRASTRUCTURE**

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**TIMETABLE FOR  
COMPLETION OF PUBLIC INFRASTRUCTURE**

The table below outlines the estimated completion dates of the Public Infrastructure.

<u>Project Description</u>	<u>Estimated Costs</u>	<u>Completion Date</u>
1. Street Improvements	\$299,931	Completed
2. Storm Drain	\$200,069	Completed
3. Merrill Ranch Parkway	\$2,622,486	Completed
4. Hunt Highway Phase I	\$3,172,172	Completed
5. American Way	\$2,422,041	Completed
6. Anthem Way	\$626,628	Completed
7. Spirit Way Phase I	\$756,101	Completed
8. Spirit Way Phase III	\$2,451,911	Future
9. Spirit Way Phase IV	\$2,886,170	Future
10. Merrill Ranch Parkway Phase III	\$1,012,443	Future
11. Hunt Highway Phase III	<u>\$3,262,671</u>	Future
Total:	<u>\$19,712,623</u>	

The cost to operate and maintain the Public Infrastructure is expected to be paid primarily from the proceeds of an operation and maintenance tax levy on the property in the District of 0.30 per \$100.00 of net assessed limited property value.

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**SECTION FIVE**  
**PLAN OF FINANCE**

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## PLAN OF FINANCE

### Proposed Bond Sale

The District will issue approximately \$2,000,000 of general obligation bonds to finance the acquisition of the Public Infrastructure. Such amount is a not-to-exceed amount and the actual amount of bonds issued may be lower. The Bonds are anticipated to be issued in May/June 2016. It is currently estimated that the Bonds will have a final maturity of 25 years with principal amortized such that when combined with the debt service on the prior Bonds, total debt service is approximately level. (See Table One in this section for an estimated debt service schedule).

The Bonds are expected to be rated in one of the four highest investment grade ratings by a nationally recognized bond rating agency and will be sold in a "public offering" as that term is used in A.R.S. Section 48-722.

### District Tax Rate

For each year until the Bonds are paid or otherwise provided for, the District will cause to be levied a combined ad valorem tax rate for each year of at least \$3.55 per \$100 of net assessed limited property value on all taxable property within the boundaries of the District. This tax rate includes a \$3.25 tax levy for debt service and a \$0.30 tax levy for administrative, operations and maintenance expenses of the District. The District will continue to levy the \$0.30 per \$100 of net assessed limited property value for the administrative, operations and maintenance expenses of the District.

### Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the issuance of the Bonds (exclusive of accrued interest) is as follows:

#### Sources

Par Amount of the Bonds	\$2,000,000
Total	<u>\$2,000,000</u>

#### Uses

Costs of Issuance	\$85,000
Underwriter's Discount	\$80,000
Construction Costs (Reimbursement)	<u>\$1,835,000</u>
Total	<u>\$2,000,000</u>

### Disclosure of General Obligation Bond Payments

A.R.S. Section 32-2181 et seq. requires the disclosure of all property taxes and assessments to be paid by a homeowner in the Arizona Department of Real Estate Subdivision Public Report and, and prior to any home sale, the homebuyer must acknowledge by signature that they have read and accepted the Public Report.

In addition, each homebuyer is required to sign an additional form that highlights and discloses the additional property taxes levied due to the home's location within the District, as well as general information about community facilities districts and information specifically relating to the District.

**TABLE ONE**  
**MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2**  
**(TOWN OF FLORENCE, ARIZONA)**  
**GENERAL OBLIGATION BONDS OUTSTANDING AND PROJECTED BOND SALE**

*Estimated Debt Service Requirements and Estimated Projected Impact on the Bond*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year	Net Limited Assessed Valuation (a)	\$4,575,000 Outstanding General Obligation Debt Service		PLUS: \$1,900,000 Series 2016 Dated: 4/28/2016		Total Debt Service	Estimated Tax Rate (b)
		Principal	Interest	Principal	Estimated Interest @ 5.75%		
2015/16	\$15,911,720	\$110,000	\$264,271	\$95,000	\$23,367	\$492,639	\$3.25
2016/17	16,749,376	115,000	260,606	35,000	103,788	514,394	3.23
2017/18	16,749,376	115,000	256,344	30,000	101,775	503,119	3.16
2018/19	16,749,376	120,000	251,724	30,000	100,050	501,774	3.15
2019/20	16,749,376	125,000	246,229	30,000	98,325	499,554	3.14
2020/21	16,749,376	135,000	240,254	30,000	96,600	501,854	3.15
2021/22	16,749,376	140,000	233,549	30,000	94,875	498,424	3.13
2022/23	16,749,376	145,000	226,424	35,000	93,150	499,574	3.14
2023/24	16,749,376	155,000	218,893	35,000	91,138	500,030	3.14
2024/25	16,749,376	165,000	210,455	35,000	89,125	499,580	3.14
2025/26	16,749,376	170,000	201,338	40,000	87,113	498,450	3.13
2026/27	16,749,376	180,000	191,400	40,000	84,813	496,213	3.12
2027/28	16,749,376	190,000	180,863	40,000	82,513	493,375	3.10
2028/29	16,749,376	205,000	169,763	40,000	80,213	494,975	3.11
2029/30	16,749,376	215,000	157,575	45,000	77,913	495,488	3.11
2030/31	16,749,376	230,000	144,788	45,000	75,325	495,113	3.11
2031/32	16,749,376	245,000	130,663	45,000	72,738	493,400	3.10
2032/33	16,749,376	260,000	115,625	50,000	70,150	495,775	3.12
2033/34	16,749,376	275,000	99,513	50,000	67,275	491,788	3.09
2034/35	16,749,376	290,000	82,475	55,000	64,400	491,875	3.09
2035/36	16,749,376	310,000	64,500	55,000	61,238	490,738	3.08
2036/37	16,749,376	330,000	45,900	55,000	58,075	488,975	3.07
2037/38	16,749,376	350,000	23,625	60,000	54,913	488,538	3.07
2038/39	16,749,376			435,000	51,463	486,463	3.06
2039/40	16,749,376			460,000	26,450	486,450	3.06
		<u>\$4,575,000</u>	<u>\$4,016,773</u>	<u>\$1,900,000</u>	<u>\$1,906,780</u>	<u>\$12,398,552</u>	

(a) Fiscal year 2015/16 is actual, fiscal year 2016/17 is preliminary, provided by the Assessor of the County based on net limited property value. Subsequent years assume 0.00% growth.

(b) Assumes District levies for \$3.25. Tax rates are per \$100 of limited property value assessed. Subsequent years are estimates and include a 5.0% delinquency factor, but do not include arbitrage rebate payments or interest interest earnings (if any) and are subject to change.

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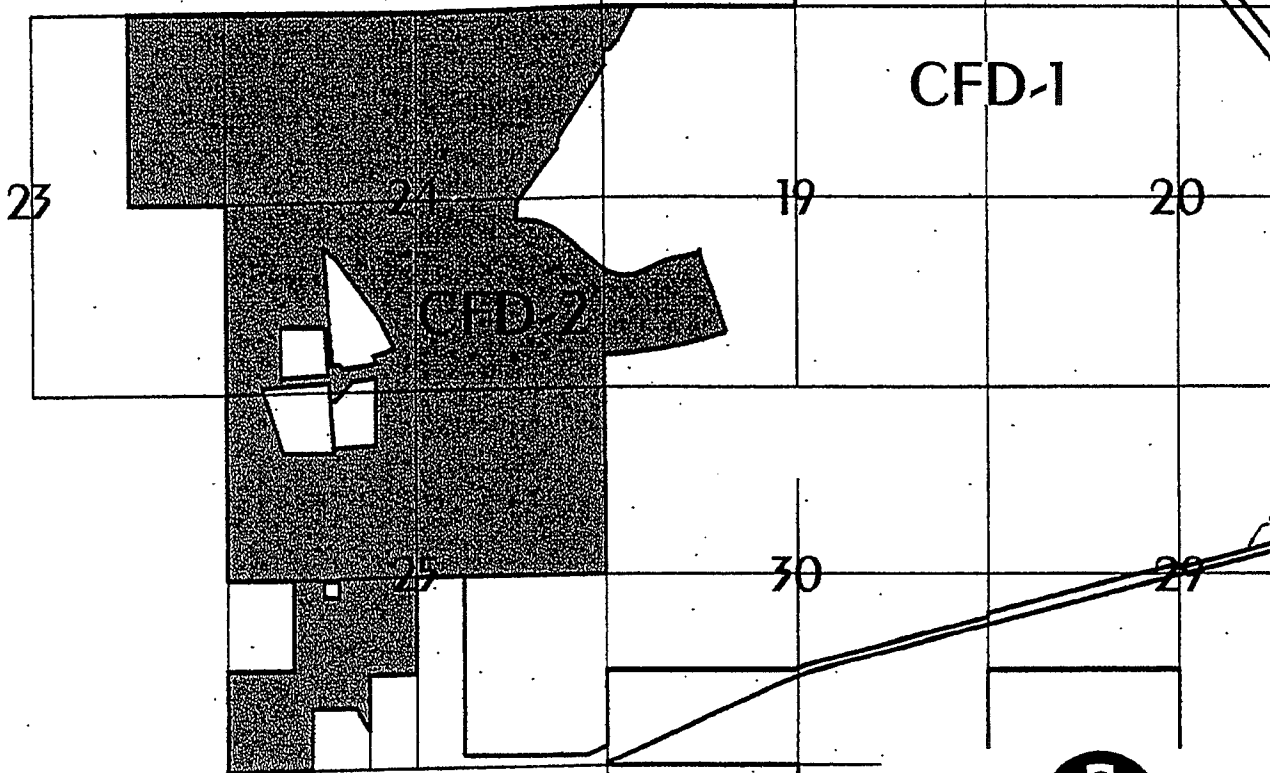
**APPENDIX A**

**Legal Description for Merrill Ranch  
Community Facilities District No. 2**

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CFD #2  
**ANTHEM AT MERRILL RANCH**



**JACK JOHNSON COMPANY**

Designing World Destinations

In-Person - 6745 N. Scottsdale Rd., Ste. 130 - Scottsdale - Arizona 85260  
Telephone - 480.214.0370 - Facsimile - 480.214.0356  
[www.jackjohnson.com](http://www.jackjohnson.com)



**JACK JOHNSON COMPANY**

Designing World Destinations

September 27, 2005  
Pulte Home Corporation  
Community Facilities District (CFD)  
Number 2 (two)  
Page 1 of 8

**LEGAL PARCEL**

A parcel of land lying within the Northeast Quarter of Section 23, Section 24, and Section 25, Township 4 South, Range 8 East, and the West Half of Section 19, Township 4 South, Range 9 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

BEGINNING at the Northeast Corner (GLO Brass Cap) of said Section 24, from which the North Quarter Corner (GLO Brass Cap) of Section 24 bears S 87°44'54" W (Basis of Bearings) a distance of 2571.82 feet;

Thence S 89°55'08" E along the north line of the Northwest Quarter of said Section 19, a distance of 454.52 feet;

Thence S 27°18'54" W a distance of 523.78 feet;

Thence S 42°26'42" W a distance of 173.14 feet;

Thence 75.22 feet along the arc of a non-tangent curve to the right, having a radius of 460.00 feet, through a central angle of 09°22'10", a chord bearing S 83°02'05" W and a chord distance of 75.14 feet, from which point the radius point bears N 11°39'00" W;

Thence S 02°16'50" E a distance of 208.74 feet;

Thence S 32°24'40" W a distance of 1168.90 feet;

Thence S 10°41'48" W a distance of 170.85 feet;

Thence S 36°33'47" W a distance of 914.70 feet;

Thence S 02°53'35" W a distance of 254.52 feet;

Thence S 87°06'25" E a distance of 156.30 feet;

Thence 506.38 feet along the arc of a curve to the right, having a radius of 780.00 feet, through a central angle of 37°11'47", a chord bearing S 68°30'32" E and a chord distance of 497.53 feet;

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Designing World Destinations

September 27, 2005  
Pulte Home Corporation  
Community Facilities District (CFD)  
Number 2 (two)  
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Thence S 49°54'38" E a distance of 690.86 feet;

Thence 669.93 feet along the arc of a curve to the left, having a radius of 570.00 feet, through a central angle of 67°20'26", a chord bearing S 83°34'52" E and a chord distance of 632.03 feet;

Thence N 62°44'55" E a distance of 198.67 feet;

Thence 216.23 feet along the arc of a curve to the right, having a radius of 830.00 feet, through a central angle of 14°55'36", a chord bearing N 70°12'43" E and a chord distance of 215.62 feet;

Thence N 77°40'31" E a distance of 362.25 feet;

Thence 45.98 feet along the arc of a curve to the left, having a radius of 30.00 feet, through a central angle of 87°48'35", a chord bearing N 33°46'14" E and a chord distance of 41.61 feet;

Thence 249.56 feet along the arc of a curve to the left, having a radius of 1540.00 feet, through a central angle of 09°17'05", a chord bearing S 14°46'37" E and a chord distance of 249.29 feet, from which the radius point bears N 79°51'56" E;

Thence S 19°25'10" E a distance of 576.86 feet;

Thence 21.06 feet along the arc of a curve to the right, having a radius of 285.00 feet, through a central angle of 04°14'05", a chord bearing S 17°18'07" E and a chord distance of 21.06 feet;

Thence S 15°11'05" E a distance of 167.41 feet;

Thence 23.28 feet along the arc of a curve to the left, having a radius of 315.00 feet, through a central angle of 04°14'05", a chord bearing S 17°18'07" E and a chord distance of 23.28 feet;

Thence S 19°25'10" E a distance of 127.27 feet;

Thence 47.55 feet along the arc of a curve to the right, having a radius of 30.00 feet, through a central angle of 90°48'51", a chord bearing S 25°59'16" W and a chord distance of 42.73 feet;



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Thence 1680.61 feet along the arc of a compound curve to the right, having a radius of 5942.50 feet, through a central angle of  $16^{\circ}12'14''$ , a chord bearing  $S 79^{\circ}29'48'' W$  and a chord distance of 1675.01 feet, to a point on the east line of the Southeast Quarter of Section 24, Township 4 South, Range 8 East;

Thence  $S 00^{\circ}25'41'' E$  along said east line, a distance of 448.81 feet;

Thence  $S 00^{\circ}25'29'' E$  along the east line of the Northeast Quarter of said Section 25, Township 4 South, Range 8 East, a distance of 1322.48 feet;

Thence  $S 00^{\circ}25'17'' E$  along the east line of the Northeast Quarter of said Section 25, a distance of 1322.52 feet;

Thence  $S 88^{\circ}51'55'' W$  along the south line of said Northeast Quarter, a distance of 2613.52 feet;

Thence  $S 00^{\circ}20'36'' E$  along the east line of the Southwest Quarter of said Section 25, a distance of 1321.10 feet;

Thence leaving said east line  $S 88^{\circ}52'56'' W$  a distance of 653.95 feet;

Thence  $S 00^{\circ}19'33'' E$  a distance of 764.01 feet;

Thence 353.51 feet along the arc of a non-tangent curve to the right, having a radius of 1206.22 feet, through a central angle of  $16^{\circ}47'30''$ , a chord bearing  $N 31^{\circ}19'00'' W$  and a chord distance of 352.24 feet, from which point the radius point bears  $N 50^{\circ}17'15'' E$ ;

Thence  $S 88^{\circ}51'22'' W$  a distance of 612.12 feet;

Thence  $S 00^{\circ}13'09'' E$  a distance of 860.92 feet to a point on the south line of the Southwest Quarter of said Section 25;

Thence  $S 88^{\circ}53'51'' W$  along said south line, a distance of 1167.96 feet;

Thence  $N 00^{\circ}16'22'' W$  along the west line of said Southwest Quarter, a distance of 1402.85 feet;



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Thence leaving said west line N 89°43'38" E a distance of 917.10 feet;

Thence N 00°16'22" W a distance of 1238.00 feet;

Thence S 89°43'38" W a distance of 917.10 feet;

Thence N 00°17'53" W along the west line of the Northwest Quarter of said Section 25, a distance of 2639.34 feet;

Thence N 00°22'08" W along the west line of the Southwest Quarter of said Section 24, a distance of 2638.19 feet;

Thence leaving said west line S 89°39'08" W along the south line of the East Half of the Northeast Quarter of Section 23, Township 4 South, Range 8 East, a distance of 1323.31 feet;

Thence N 00°22'05" W along the west line of said East Half of the Northeast Quarter of Section 23, a distance of 2637.13 feet to a point on the north line of said Northeast Quarter of said Section 23;

Thence N 89°38'24" E along said north line, a distance of 1322.80 feet;

Thence N 89°35'19" E along the north line of the Northwest Quarter of said Section 24, a distance of 2645.87 feet;

Thence N 87°44'54" E along the north line of the Northeast Quarter of Section 24, a distance of 2571.82 feet to the POINT OF BEGINNING;

Said Parcel contains 1131.2618 acres, more or less.

**EXCEPTING THEREFROM** (the following described four (4) parcels:

A parcel of land lying within the Southwest Quarter of Section 24, Township 4 South, Range 8 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

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Commencing at the South Quarter corner (GLO Brass Cap) of said Section 24, from which the Southeast Corner (GLO Brass Cap) bears N 88°48'17" E a distance of 2610.56 feet;

Thence N 79°54'38" W a distance of 1223.30 feet to the POINT OF BEGINNING;

Thence S 85°40'51" W a distance of 653.70 feet;

Thence N 00°15'46" W a distance of 715.86 feet;

Thence N 89°44'14" E a distance of 604.57 feet;

Thence S 04°19'09" E a distance of 671.30 feet, to the POINT OF BEGINNING;

Said Parcel contains 10.0048 acres more or less, including any easements of record.

**AND:**

A parcel of land lying within the Southwest Quarter of Section 24, and the Northwest Quarter of Section 25, Township 4 South, Range 8 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the South Quarter corner (GLO Brass Cap) of said Section 24, from which the Southeast Corner (GLO Brass Cap) bears N 88°48'17" E a distance of 2610.56 feet;

Thence N 71°38'49" W a distance of 576.69 feet, to the POINT OF BEGINNING;

Thence S 00°00'00" W a distance of 958.89 feet;

Thence S 85°40'51" W a distance of 580.49 feet;

Thence S 04°19'09" E a distance of 71.53 feet;

Thence S 89°44'14" W a distance of 700.72 feet;

Thence N 17°40'02" W a distance of 971.49 feet;

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Thence N 85°40'51" E a distance of 923.25 feet;

Thence S 04°19'09" E a distance of 247.60 feet;

Thence N 85°40'51" E a distance of 75.00 feet;

Thence N 40°48'59" E a distance of 351.20 feet;

Thence 330.82 feet along the arc of a non-tangent curve to the left, having a radius of 1907.50 feet, through a central angle of 09°56'12", a chord bearing N 79°59'38" E and a chord distance of 330.40 feet, from which point the radius point bears N 05°02'16" W, to the POINT OF BEGINNING;

Said Parcel contains 29.9954 acres, more or less, including any easements of record.

**AND:**

A parcel of land lying within the Southwest Quarter of Section 25, Township 4 South, Range 8 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the North Quarter corner (GLO Brass Cap) of said Section 25, from which the Northeast Corner (GLO Brass Cap) bears N 88°48'17" E a distance of 2610.56 feet;

Thence S 21°24'08" W a distance of 2903.91 feet, to the POINT OF BEGINNING;

Thence S 03°43'57" E a distance of 220.23 feet;

Thence S 88°51'51" W a distance of 200.21 feet;



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Designing World Destinations

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Thence N 03°43'57" W a distance of 220.23 feet;

Thence N 88°51'51" E a distance of 200.21 feet, to the POINT OF BEGINNING;

Said Parcel contains 1.0112 acres, more or less, including any easements of record.

**AND:**

A parcel of land lying within the Southwest Quarter of Section 24, Township 4 South, Range 8 East of the Gila and Salt River Meridian, Pinal County, Arizona, more particularly described as follows:

Commencing at the South Quarter Corner (GLO Brass Cap) of said Section 24, from which the Southwest Corner (Aluminum Cap LS 17258) of said Section 24 bears S 88°48'06" W a distance of 2611.46 feet;

Thence N 26°52'39" W a distance of 655.20 feet to the POINT OF BEGINNING;

Thence S 66°18'22" W a distance of 102.69 feet;

Thence 192.21 feet along the arc of a curve to the right, having a radius of 1617.50 feet, through a central angle of 06°48'30", a chord bearing S 69°42'37" W and a chord distance of 192.09 feet;

Thence S 15°28'07" E a distance of 101.03 feet;

Thence 374.41 feet along the arc of a non-tangent curve to the right, having a radius of 1718.50 feet, through a central angle of 12°28'59", a chord bearing S 79°26'22" W and a chord distance of 373.67 feet, from which point the radius point bears N 16°48'08" W;

Thence S 85°40'51" W a distance of 95.48 feet;

Thence N 04°19'09" W a distance of 6.45 feet;

Thence N 49°19'09" W a distance of 62.06 feet;

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Thence N 76°00'22" W a distance of 57.37 feet;

Thence S 85°40'51" W a distance of 38.67 feet;

Thence N 04°19'09" W a distance of 1622.57 feet;

Thence S 49°10'45" E a distance of 255.25 feet;

Thence S 35°16'17" E a distance of 983.19 feet;

Thence S 27°25'26" E a distance of 369.29 feet;

Thence S 23°41'38" E a distance of 106.51 feet to the POINT OF BEGINNING;

Said Parcel contains 19.7280 acres, more or less, including any easements of record.

The total acreage contained in this Parcel, less the four (4) exception parcels, is 1070.5218 acres, more or less, including any easements of record.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH \_\_, 2016**

**NEW ISSUE – BOOK-ENTRY-ONLY**

**RATING: See “RATING” herein.**

**INSURANCE: See “BOND INSURANCE AND RELATED RISK FACTORS” herein.**

*In the opinion of Bond Counsel, assuming compliance with certain tax covenants by the District and relying on certain representations of Pulte Home Corporation (“Pulte”) with respect to the development of property within the District, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Bond Counsel is further of the opinion that interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however such interest will be taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein for a description of certain federal tax consequences of ownership of the Bonds.*

*The Board of the District (the “Board”) has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended, which relates to the ability of certain financial institutions to deduct interest expense allocable to holding and carrying tax-exempt obligations for federal income tax purposes. Representatives of the Board of the District will represent and warrant that they do not anticipate that the aggregate amount of tax-exempt obligations that will be issued by or on behalf of the District in calendar year 2016 will exceed \$10,000,000. See “QUALIFIED TAX-EXEMPT OBLIGATIONS” herein.*

**\$1,485,000\***

**MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2  
(FLORENCE, ARIZONA)  
GENERAL OBLIGATION BONDS, SERIES 2016  
(BANK QUALIFIED)**

**DRAFT  
3-16-16**

**Dated: Date of Delivery**

**Due: July 15 as shown on inside front cover page.**

The Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General Obligation Bonds, Series 2016 (the “Bonds”) are authorized pursuant to Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes and an election held on November 21, 2005, in and for Merrill Ranch Community Facilities District No. 2 (the “District”), a community facilities district formed within the boundaries of the Town of Florence, Arizona (the “Town”) and will be issued pursuant to a resolution of the Board (the “Bond Resolution”). The Bonds will be payable as to both principal and interest from ad valorem taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” herein. Interest will accrue from delivery and be payable July 15, 2016.

The Bonds will be registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), for purposes of the book-entry only system described herein. Utilization of the book-entry-only system will affect the method and timing of payment of principal of and interest on the Bonds and the method of transfer of the Bonds. DTC will be responsible for distributing the principal and interest payments to the DTC Participants (defined herein) which will, in turn, be responsible for distribution of such amounts to the beneficial owners of the Bonds (the “Beneficial Owners”). As they will be in book-entry-only form, purchasers will not receive definitive certificates with respect to the Bonds. Beneficial ownership interests in the Bonds may be purchased through the facilities of DTC in amounts of \$5,000 of principal due on a specific maturity date and integral multiples thereof. So long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or a dealer which is, or acts through, a DTC Participant to receive payment of principal of and interest on such Bond. See APPENDIX D – “BOOK-ENTRY-ONLY SYSTEM.”

**SEE BOND MATURITY PAYMENT SCHEDULE ON INSIDE FRONT COVER PAGE**

The Bonds will be subject to optional redemption by the District prior to maturity as described herein.\*

Proceeds of the sale of the Bonds will be used (i) to pay costs of acquisition of certain public infrastructure benefiting the District and (ii) to pay costs of issuance relating to the Bonds.

Investment in the Bonds involves certain risks that each prospective investor should consider prior to investing. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” and “RISK FACTORS” herein.

**NEITHER THE FULL FAITH AND CREDIT OR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OF ARIZONA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.**

This cover page contains certain information for general reference only. It is not a summary of the issue of which the Bonds are a part. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

*The Bonds are offered when, as and if issued and subject to the approval of Greenberg Traurig, LLP, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Squire Patton Boggs (US) LLP and for Pulte Home Corporation by Berens, Kozub, Kloberdanz & Blonstein, PLC. It is expected that delivery of the Bonds in book-entry-only form will be made through the facilities of DTC on or about May \_\_, 2016.\**

\* Subject to change.

**STIFEL**

**\$1,485,000\***  
**MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2**  
**(FLORENCE, ARIZONA)**  
**GENERAL OBLIGATION BONDS, SERIES 2016**  
**(BANK QUALIFIED)**

**Base CUSIP®<sup>(1)</sup> No. 590206**

**MATURITY SCHEDULE\***

Maturity Date (July 15)	Principal Amount	Interest Rate	Yield	CUSIP® <sup>(1)</sup> No.
2016	\$100,000			
2017	55,000			
2018	30,000			
2019	30,000			
2020	30,000			
2021	30,000			
2022	30,000			
2023	35,000			
2024	35,000			
2025	35,000			
2026	40,000			
2027	40,000			
2028	40,000			
2029	40,000			
2030	45,000			
2031	45,000			
2032	45,000			
2033	50,000			
2034	50,000			
2035	55,000			
2036	55,000			
2037	55,000			
2038	60,000			
2039	220,000			
2040	235,000			
\$ _____	% Term Bond Due July 15, 20__	Price _____	% CUSIP _____	
\$ _____	% Term Bond Due July 15, 20__	Price _____	% CUSIP _____	

\* Subject to change.

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**MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2**

**DISTRICT BOARD**

Tom Rankin, *Chairperson*

Tara Walter, *Vice Chairperson*

William Hawkins, *Member*

John Anderson, *Member*

Karen Wall, *Member*

Rebecca Guilin, *Member*

Vallarie Woolridge, *Member*

**DISTRICT ADMINISTRATIVE STAFF**

Brent Billingsley  
*District Manager*

Gabe Garcia  
*District Treasurer*

Clifford Mattice, Esq.  
*District Counsel*

Lisa Garcia  
*District Clerk*

**BOND COUNSEL**

Greenberg Traurig, LLP  
*Phoenix, Arizona*

**BOND REGISTRAR AND PAYING AGENT**

*To be determined*

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, should be considered in its entirety, and no one subject should be considered less important than another by reason of location in the text. Brief descriptions of the Bonds, the Bond Resolution, the security for the Bonds, the District, Pulte and the Public Infrastructure (as such terms are defined herein) and other information are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds, the Bond Resolution and any documents are qualified in their entirety by reference to such documents, copies which may be obtained from Stifel, Nicolaus & Company, Incorporated, Suite 750, 2325 E. Camelback Road, Phoenix, AZ 85016.

The information set forth herein, has been obtained from the District, Pulte and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the District or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the District or the Underwriter.

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

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of 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 statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District or the Underwriter and its accuracy cannot be guaranteed. 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 pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the District or any of the other parties or matters described herein since the date hereof.

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

The District will undertake to provide continuing disclosure as described in this Official Statement under the caption “CONTINUING DISCLOSURE” and in APPENDIX C – “FORM OF SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING,” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.



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# LOCATION MAP – STATE



MAP SHOWING LOCATION OF DISTRICT IN CONTEXT OF SURROUNDING AREA



(v)

## OFFICIAL STATEMENT

**\$1,485,000\***

### **MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 (FLORENCE, ARIZONA) GENERAL OBLIGATION BONDS, SERIES 2016 (BANK QUALIFIED)**

#### INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, provides certain information concerning the issuance of Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General Obligation Bonds, Series 2016 (the “Bonds”), in the aggregate principal amount of \$1,485,000\*.

The Community Facilities District Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the “Enabling Act”), was enacted to provide a method of financing (including through the issuance by the District (defined below) of general obligation bonds) certain “public infrastructure purposes” (as such term is defined in the Enabling Act) relating to a community facilities district. As provided by, and with the limitations set forth in, the Enabling Act, once formed, a community facilities district is a legally constituted municipal corporation and political subdivision within defined boundaries.

Pursuant to the Enabling Act and in response to a petition by all of the owners of land therein, the Council (the “Town Council”) of the Town of Florence, Arizona (the “Town”), formed Merrill Ranch Community Facilities District No. 2 (the “District”) on November 21, 2005. The District encompasses approximately 1,070 acres (the “District Land”) located in the northern portion of the Town. The Town is located in Pinal County, Arizona (the “County”) and is approximately 60 miles southeast of Phoenix, Arizona, in the central portion of the State. See APPENDIX A – “INFORMATION REGARDING THE TOWN OF FLORENCE, ARIZONA,” which includes certain information about the Town and surrounding area, and, generally, the maps on pages (v) and (vi).

The District is a special purpose, tax levying public improvement district for certain constitutional purposes and a municipal corporation for certain other statutory purposes. The District has the power to implement the District’s general plan for public infrastructure primarily through the issuance of general obligation, special assessment or revenue bonds. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Property Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding” and “OVERLAPPING INDEBTEDNESS” – Other Debt of the District. (The District has no current plans to issue revenue bonds.)

In accordance with State law, the Town Council serves as the Board of the District (the “Board”). Additionally, the Board has appointed the Town Manager as the District Manager, the Town Finance Director as the District Treasurer, the Town Attorney as the District Counsel, and the Town Clerk as the District Clerk.

The petition requesting the formation of the District was filed at the direction of Pulte Home Corporation, a Michigan corporation (“Pulte”). See APPENDIX A – “INFORMATION REGARDING THE TOWN OF FLORENCE, ARIZONA” for certain information about the Town, “ANTHEM” for a description of the District and “PULTE” herein for certain information about Pulte.

The District was formed pursuant to a District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 2), dated as of November 1, 2005, among the Town, the District and Pulte, as amended by a First Amendment and Waivers (Assessment Area One), dated as of February 1, 2006, a Second Amendment and Waivers (Assessment Area Two) dated as of April 1, 2008, a Third Amendment and Waivers (Assessment Area Three) dated as of November 1, 2008, a Fourth Amendment and

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\* *Subject to change.*

Waivers (Assessment Area Four) dated as of February 1, 2010, a Fifth Amendment and Waivers (Assessment Area Five) dated as of May 1, 2013 and a Sixth Amendment and Waivers (Assessment Area Six) dated as of November 1, 2015, all by and between the District and Pulte. Provisions for acquiring certain public infrastructure (including the hereinafter described Public Infrastructure) necessary for development of the land within the boundaries of the District are set forth. See “ANTHEM.”

Pursuant to the results of the Election (defined below under “THE BONDS – Authorization and Purpose”), the District has the authority to issue general obligation bonds in an aggregate principal amount of not to exceed \$100,000,000, in one or more series, payable from ad valorem taxes (without limitation as to rate or amount) levied on all taxable property within the boundaries of the District. To date, the District has issued, \$1,850,000 aggregate principal amount of General Obligation Bonds, Series 2013 (the “Series 2013 Bonds”) of which \$1,755,000 principal amount remains outstanding, \$500,000 aggregate principal amount of General Obligation Bonds, Series 2012 of which zero principal amount remains outstanding and \$3,560,000 aggregate principal amount of General Obligation Bonds, Series 2010 (the “Series 2010 Bonds”), of which \$2,820,000 principal amount remains outstanding and \$251,000 aggregate principal amount of General Obligation Bonds in 2006, of which zero principal amount remains outstanding.

The Bonds are being issued to finance a portion of the costs of acquiring certain public infrastructure within the boundaries of the District necessary for development of public roadways within the District, including paving and curb installation and storm drain construction, and construction of portions of Merrill Ranch Parkway and Hunt Highway (collectively, the “Public Infrastructure”).

The Board will annually levy, and cause to be collected, an ad valorem tax, at the same time and in the same manner as other such taxes are levied and collected, on all taxable property in the District, sufficient to pay interest on and principal of the Bonds Debt Service (and debt service with respect to the Series 2010 Bonds and the Series 2013 Bonds), as the same becomes due, whether at maturity or prior redemption. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS- Ad Valorem Property Taxation in the District” and “RISK FACTORS.”

In addition to the levy of ad valorem property taxes for the payment of Debt Service, pursuant to the results of the Election, the District also is authorized to levy and collect an ad valorem tax at a tax rate of not to exceed \$0.30 per \$100 of Net Assessed Limited Property Value (as such term is hereafter defined) on all taxable property within the boundaries of the District for operation and maintenance expenses of the District (the “Operation and Maintenance Tax”). The District is currently levying and collecting the Operation and Maintenance Tax at a rate of \$0.30 per \$100 of Net Assessed Limited Property Value.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OF ARIZONA (THE “STATE”), OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

## **THE BONDS**

### **Authorization and Purpose**

The Bonds are authorized pursuant to the Enabling Act and a vote of the owners of land in the District at a special bond election held in and for the District on January 24, 2006 (the “Election”), pursuant to which the District has been authorized to incur general obligation bonded indebtedness in an amount not to exceed \$100,000,000 in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs and the costs of issuing bonds, and will be issued pursuant to a resolution adopted by the Board on March 29, 2016 (the “Bond Resolution”). The Bonds will be the fifth series issued pursuant to the authorization approved by the Election, and, after issuance of the Bonds, \$92,354,000\* aggregate principal amount of bonds will remain

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\* *Subject to change.*

authorized but unissued. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Ad Valorem Property Taxation in the District”, “ESTIMATED DEBT SERVICE REQUIREMENTS” and “OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District.” Additional amounts of general obligation bonds may be authorized at future elections held in and for the District.

**Terms of the Bonds – Generally**

The Bonds will be dated as of the date of initial delivery and will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), under the book-entry-only system described herein (the “Book-Entry-Only System”). See APPENDIX D – “BOOK-ENTRY-ONLY SYSTEM.” The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside front cover page of this Official Statement. Beneficial ownership interests in the Bonds may be purchased in amounts of \$5,000 of principal due on a specific maturity date or integral multiples thereof. Interest on the Bonds will accrue from their dated date and be payable semiannually commencing on July 15, 2016\*, and on each January 15 and July 15 thereafter (each an “interest payment date”) until maturity or prior redemption. (The District has chosen the first day of the month preceding on interest payment date as the “record date” for the Bonds.)

See “TAX MATTERS” herein for a discussion of the treatment of interest on the Bonds for federal or State income tax purposes.

**Bond Registrar and Paying Agent**

\_\_\_\_\_ will serve as the initial bond registrar, transfer agent and paying agent (the “Bond Registrar and Paying Agent”) for the Bonds. The District may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

**Redemption Provisions\***

*Optional Redemption.* The Bonds maturing on or before July 15, 20\_\_, will not be subject to redemption prior to their stated maturity dates. The Bonds maturing on or after July 15, 20\_\_, will be subject to redemption prior to their stated maturity dates, at the option of the District, in whole or in part on July 15, 20\_\_, or on any date thereafter, by the payment of a redemption price equal to the principal amount of each Bond called for redemption, plus interest accrued to the date fixed for redemption but without a premium.

*Mandatory Redemption.* The Bonds maturing on July 15 of the following years (the “Term Bonds”) will be subject to mandatory redemption and will be redeemed on July 15 of the respective years set forth below and in the principal amounts set forth below, by payment of a redemption price of the principal amount of such Bonds called for redemption plus the interest accrued to the date fixed for redemption, but without premium, as follows:

	Maturing in 20__	
20__		\$ _____
20__		_____
20__ (maturity)		_____

Whenever Bonds are redeemed (other than pursuant to mandatory redemption) or are delivered to the Bond Registrar and Paying Agent for cancellation, the principal amount of the Bonds of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity on a pro rata basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount of at least \$5,000 of principal.

*Notice of Redemption.* So long as the Bonds are in book-entry-only form, notices of redemption will be sent to DTC in the manner required by DTC. See APPENDIX D – “BOOK-ENTRY-ONLY SYSTEM.”

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\* *Subject to change.*

*Effect of Redemption.* On the date designated for redemption, the Bonds or portions thereof to be redeemed will become and be due and payable at the redemption price for such Bonds or portions thereof, and, if moneys for payment of the redemption price are held in a separate account by the Bond Registrar and Paying Agent, interest on such Bonds or portions thereof to be redeemed will cease to accrue, such Bonds or portions thereof will cease to be entitled to any benefit or security under the Bond Resolution, the owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and such Bonds or portions thereof will be deemed paid and no longer outstanding.

Any amount included in a Bond subject to prior redemption may be redeemed in a denomination equal to or in excess of, but divisible by, \$5,000.

## **SECURITY AND SOURCES OF PAYMENT OF THE BONDS**

### **General**

The Board of the District has, and will hereafter, annually levy, and cause to be collected, an ad valorem tax, at the same time and in the same manner as other such taxes are levied and collected, on all taxable property in the District, sufficient to pay Debt Service, whether at maturity or prior redemption. Amounts derived from the levy of such tax when collected constitute funds to pay Debt Service and will be kept separately from other funds of the District. With respect to such ad valorem property taxes, the Bonds will be payable from such taxes on the same basis as the Series 2010 Bonds the Series 2013 Bonds and any general obligation bonds of the District that may be issued in the future. Any other general obligation bonds of the District hereafter issued will be payable on a parity basis with respect to the collection and application of such and taxes will be allocated to each series of general obligation bonds in accordance with any debt service then due and, in any case, taking into account other funds held by the District for such payment. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Property Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding” and “OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS – Additional General Obligation Bonded Indebtedness of the District.”

*Investment in the Bonds involves certain risks that each prospective investor should consider prior to investing. See “RISK FACTORS.”*

**NEITHER THE FULL FAITH AND CREDIT OR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL BE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.**

### **Ad Valorem Property Taxation in the District**

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” Taxes levied for payment of bonds like the Bonds, voter-approved budget overrides and the maintenance and operation of special service districts such as the District, sanitary, fire, road improvement and joint technological education districts are “secondary taxes.” See “Primary Taxes” and “Secondary Taxes” below.

#### *Taxable Property*

Real property and improvements are either valued by the Assessor of the County or the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.



Locally assessed property is assigned two values: full cash value and limited property value. Centrally valued property is assigned one value: full cash value.

#### *Full Cash Value*

Full cash value (“Full Cash Value”) is statutorily defined to mean “that value determined as prescribed by statute” or if no statutory method is prescribed it is “synonymous with market value which means that estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach.

Full Cash Value is used as the basis for levying taxes (both primary and secondary) on centrally valued property and personal property (except mobile homes). Full Cash Value is also used as the ceiling for determining Limited Property Value (as defined below) and as the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona. Unlike Limited Property Value, increases in Full Cash Value are not limited.

#### *Limited Property Value*

Limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. For locally assessed property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, including that for mobile homes, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year.

Limited Property Value is used as the basis for levying taxes (both primary and secondary) on locally assessed property. Limited Property Value is also used as the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona. Unlike Full Cash Value, increases in Limited Property Value are limited as described in the prior paragraph and under the heading “Primary Taxes” below.

Prior to tax year 2015, the value of locally assessed property used for primary tax purposes was Limited Property Value. The value of such property used for secondary tax purposes was Full Cash Value. Limited Property Value for property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use increased by the greater of either 10% of the prior year’s Limited Property Value or 25% of the difference between the prior year’s Limited Property Value and the current year’s Full Cash Value.

#### *Property Classification and Assessment Ratios*

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively. Such values are then multiplied by the relevant taxing jurisdiction’s primary and secondary tax rates to determine each property owner’s property tax liability.

The assessment ratios for each property classification are set forth by tax year in the following table.

**TABLE 1**

**Property Tax Assessment Ratios (Tax Year)**

Property Classification (a)	2012	2013	2014	2015	2016
Mining, utilities, commercial and industrial	20%	19.5%	19%	18.5%	18%
Agriculture and vacant land	16	16	16	16	15
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 (b)	15	15	16	15	14

(a) *Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.*

(b) *This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.*

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue (the “Property Tax Abstract”). Note that Net Assessed Property Value for Secondary Tax Purposes (as defined herein) is described as “Net Assessed Value” in the Property Tax Abstract.

*Primary Taxes*

Primary taxes are levied against “Net Limited Assessed Property Value” of locally assessed property and against “Net Full Cash Assessed Value” of centrally valued property. Net Limited Assessed Property Value and Net Full Cash Assessed Value are determined by excluding the value of property exempt from taxation from Limited Assessed Property Value and Full Cash Assessed Value, respectively.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school district’s taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid (or in some counties, county taxpayers are required to make payments to offset the effects of reduced property taxes).

*Secondary Taxes*

Secondary taxes are levied against Net Limited Assessed Property Value of locally assessed property and against Net Full Cash Assessed Value of centrally valued property (together, “Net Assessed Property Value for Secondary Tax Purposes”). (Prior to tax year 2015, secondary taxes were levied against Net Full Cash Assessed Value of both locally assessed property and centrally valued property.) There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments. **As Net Full Cash Assessed Value was used as the basis for levying taxes on locally assessed property and centrally valued property for payment of bonds like the Bonds in fiscal years prior to fiscal year 2015/16, this Official Statement compares Net Assessed Property Value for Secondary Tax Purposes with Net Full Cash Assessed Value in applicable years below.**

*Tax Procedures*

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the tax levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years. Set forth below is a record of property taxes levied and collected in the District for a portion of the current fiscal year and all of the previous five fiscal years.

**TABLE 2**

**Real and Secured Property Taxes Levied and Collected (a)**

Fiscal Year	District Tax Rate (a)	District Tax Levy	Collected to June 30th of Initial Fiscal Year		Cumulative Collections to February 29, 2016	
			Amount	% of Adj. Levy	Amount	% of Adj. Levy
2015/16	\$3.55	\$536,280	(b)	(b)	\$346,145	64.55%
2014/15	3.55	532,241	\$532,241	100.00%	532,241	100.00
2013/14	3.55	438,413	438,413	100.00	438,413	100.00
2012/13	3.55	363,036	363,036	100.00	363,036	100.00
2011/12	3.55	348,873	348,873	100.00	348,873	100.00

(a) *Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.*

(b) *2015/16 taxes in course of collection:  
First installment due 10-01-15, delinquent 11-01-15;  
Second installment due 03-01-16, delinquent 05-01-16.*

Source: Office of the Treasurer of the County.

*Delinquent Tax Procedures*

The property taxes due the District are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1,

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

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

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 attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on property of a taxpayer within the District. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

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

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

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District's tax rate charged to non-bankrupt taxpayers during such subsequent tax years. See "RISK FACTORS – Bankruptcy and Foreclosure Delays."

**TABLE 3A**

**Net Assessed Property Value for Secondary Tax Purposes by Property Classification (a)  
Merrill Ranch Community Facilities District No. 2**

Class	2015/16
Commercial, Industrial, Utilities & Mines	\$ 3,073,672
Agricultural and Vacant	817,464
Residential (owner occupied)	5,833,198
Residential (rental)	6,187,386
Totals*	\$ 15,911,720

(a) *Determined by Net Assessed Property Value for Secondary Tax Purposes. See “PROPERTY TAXES – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.*

\* Totals may not add up due to rounding.

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

**See also in this respect the discussion under the subheading “ANTHEM.”**

**TABLE 3B**

**Net Full Cash Assessed Value by Property Classification (a)  
Merrill Ranch Community Facilities District No. 2**

Class	2014/15	2013/14	2012/13	2011/12
Commercial, Industrial, Utilities & Mines	\$ 2,875,066	\$ 2,142,814	\$ 138,871	\$ 134,272
Agricultural and Vacant	897,253	835,757	1,322,694	1,423,958
Residential (owner occupied)	7,008,025	6,410,447	7,898,377	7,694,872
Residential (rental)	3,894,639	2,965,424	868,183	590,395
Totals*	\$ 14,674,983	\$ 12,354,442	\$ 10,228,125	\$ 9,843,497

(a) *Determined by Net Full Cash Assessed Value. See “PROPERTY TAXES – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.*

\* Totals may not add up due to rounding.

Source: *The Property Tax Abstract, Arizona Department of Revenue and Property Tax Rates and Assessed Values, Arizona Tax Research Association.*

**TABLE 4A**

**Net Assessed Property Value for Secondary Tax Purposes of Major Taxpayers  
Merrill Ranch Community Facilities District No. 2**

<u>Major Taxpayer (a)</u>	<u>2015/16 Net Assessed Property Value for Secondary Tax Purposes</u>	<u>As % of Net Assessed Property Value for Secondary Tax Purposes</u>
MPT of Florence LLC	\$ 2,312,481	14.53 % (b)
Florence Hospital at Anthem LLC	317,398	1.99
Pulte Home Corporation	187,173	1.18
SWVP-GTIS MR LLC	148,648	0.93
PLNU-B-SCIENCE-B LLC	108,730	0.68
	<u>\$ 3,074,430</u>	<u>19.32 %</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, 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, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. 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 District, the Underwriter, Bond Counsel or counsel to the Underwriter have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.*
- (b) **(NEED UPDATE)** *According to public real estate and court records, the land and improvements situated thereon owned by this taxpayer were leased in 2010 to Florence Hospital at Anthem, LLC which operates a general acute care hospital. On March 6, 2013, Florence Hospital at Anthem, LLC filed for protection and reorganization under Chapter 11 of the Federal Bankruptcy Code. The bankruptcy proceedings are continuing and Florence Hospital at Anthem, LLC is continuing the operation of the hospital pending approval of a plan of reorganization. County Treasurer records indicate that, as of November 11, 2013, all property tax payments are current (including a recent payment of \$73,997 payment which represented the first half 2013/14 tax payment for the District) except for \$7,314.35, representing the second-half payment for 2012/13 taxes which became delinquent as of May 1, 2013. If the lease to Florence Hospital at Anthem, LLC is terminated or if Florence Hospital at Anthem, LLC ceases or delays the payment of rental under the lease or discontinues operation of the hospital as a result of the bankruptcy proceeding or otherwise, and is not replaced with another tenant or user, it could adversely affect the property owner's ability or willingness to continue making tax payments in the future, including taxes imposed by the District for payment of principal of an interest on the Bonds and the potential value of the property.*

Source: The Assessor of the County.

**See "RISK FACTORS - General Risks of Real Estate Investment and Development; Certain Factors Which May Adversely Affect Development; Consequences."**

**TABLE 4B**

**Net Full Cash Assessed Value of Major Taxpayers  
Merrill Ranch Community Facilities District No. 2**

<u>Major Taxpayer (a)</u>	<u>2014/15 Net Full Cash Assessed Valuation</u>	<u>As % of 2014/15 Net Full Cash Assessed Valuation</u>
MPT of Florence LLC	\$ 2,119,311	14.44 % (b)
Pulte Home Corporation	1,134,574	7.73
Florence Hospital at Anthem LLC	312,877	2.13
PLNU-B-SCIENCE-B LLC	120,236	0.82
SWVP-GTIS MR LLC	104,870	0.71
	<u>\$ 3,791,868</u>	<u>25.84 %</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, and in accordance therewith file the Filings with the Commission. The Filings may be inspected, copied and obtained at prescribed rates at the Commission’s public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. 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 District, the Underwriter, Bond Counsel or counsel to the Underwriter have examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.*

(b) *See footnote (b) to TABLE 4A.*

Source: The Assessor of the County.

**TABLE 5A**

**Comparative Net Assessed Property Values for Secondary Tax Purposes (a)  
Merrill Ranch Community Facilities District No. 2**

<u>Fiscal Year</u>	<u>Merrill Ranch Community Facilities District</u>
2016/17(b)	\$ 16,749,376
2015/16	15,911,720

(a) *Determined by Net Assessed Property Value for Secondary Tax Purposes. See “PROPERTY TAXES – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.*

(b) *The District’s preliminary fiscal year 2016/17 Net Full Cash Assessed Value is estimated at \$20,205,462, an increase of approximately 2.7% from the fiscal year 2015/16 net full cash assessed valuation. The District’s preliminary fiscal year 2016/17 Net Assessed Property Value for Secondary Tax Purposes is estimated at*

\$16,749,376 an increase of approximately 5.3% from the fiscal year 2015/16 net limited assessed valuation. The District's preliminary fiscal year 2016/17 estimated net full cash value is estimated at \$186,469,544, an increase of approximately 8.5% from the fiscal year 2015/16 estimated net full cash value. The values are subject to positive or negative adjustments until approved by the respective Board of Supervisors of the Counties on or before August 15, 2016.

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

**TABLE 5B**

**Comparative Net Full Cash Assessed Values (a)  
Merrill Ranch Community Facilities District No. 2**

Fiscal Year	Merrill Ranch Community Facilities District
2014/15	\$ 14,674,983
2013/14	12,354,442
2012/13	10,228,125
2011/12	9,843,497

(a) *Determined by Net Full Cash Assessed Value. See "PROPERTY TAXES – Limited Property Value" and – "Secondary Taxes" herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.*

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

**TABLE 6**

**Estimated Net Full Cash Value History  
Merrill Ranch Community Facilities District No. 2**

Fiscal Year	Estimated Net Full Cash Value (a)
2015/16	\$ 171,941,204
2014/15	125,696,520
2013/14	105,895,587
2012/13	91,831,231
2011/12	87,736,353

(a) *Estimated Net Full Cash Value is the total market value of the property within the District less the estimated Full Cash Value of property exempt from taxation within the District.*

Source: *The Property Tax Abstract*, Arizona Department of Revenue. Note that Net Assessed Property Value for Secondary Tax Purposes is described as "Net Assessed Value" in the Property Tax Abstract.



*General Obligation Bonded Indebtedness to be Outstanding.*

The following table lists the general obligation bonded indebtedness of the District that will be outstanding after issuance of the Bonds:

**TABLE 7**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (July 15)</u>	<u>Balance Outstanding</u>
2010 (a)	\$ 3,560,000	General infrastructure	2035	\$ 2,820,000
2013 (b)	1,850,000	General infrastructure	2038	<u>1,755,000</u>
Total General Obligation Bonded Debt Outstanding				\$ 4,575,000
Plus: The Bonds				<u>1,485,000*</u>
Total General Obligation Bonded Debt Outstanding and to be Outstanding				<u><u>\$ 6,060,000*</u></u>

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\* *Subject to change.*

(a) *Herein referred to as the Series 2010 Bonds.*

(b) *Herein referred to as the Series 2013 Bonds.*

## SOURCES AND USES OF FUNDS

### Sources

Principal Amount	
[Net] Original Issue Premium (a)	<u>\$ 1,485,000.00*</u>
Total Sources of Funds	<u>\$</u>

### Uses

Costs of Acquisition	\$
Payment of Costs of Issuance (b)	<u>                    </u>
Total Uses of Funds	<u>\$</u>

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\* *Subject to change.*

- (a) *Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.*
- (b) *Will include bond insurance premium, if any, compensation and costs of the Underwriter (as defined herein), and Bond Counsel's fees and costs with respect to the Bonds.*

## ESTIMATED DEBT SERVICE REQUIREMENTS

The following table illustrates the (i) annual debt service on the Series 2010 Bonds and the Series 2013 Bonds (ii) estimated annual debt service on the Bonds and (iii) total estimated annual debt service on all bonds of the District to be outstanding after the issuance of the Bonds.

**TABLE 8**

Year Ending July 15	Bonds Outstanding		The Bonds*		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest (b)	
2015/16	\$ 110,000	\$ 264,271	\$ 100,000	\$ 19,058 (c)	\$ 493,329
2016/17	115,000	260,606	55,000	83,100	513,706
2017/18	115,000	256,344	30,000	79,800	481,144
2018/19	120,000	251,724	30,000	78,000	479,724
2019/20	125,000	246,229	30,000	76,200	477,429
2020/21	135,000	240,254	30,000	74,400	479,654
2021/22	140,000	233,549	30,000	72,600	476,149
2022/23	145,000	226,424	35,000	70,800	477,224
2023/24	155,000	218,893	35,000	68,700	477,593
2024/25	165,000	210,455	35,000	66,600	477,055
2025/26	170,000	201,338	40,000	64,500	475,838
2026/27	180,000	191,400	40,000	62,100	473,500
2027/28	190,000	180,863	40,000	59,700	470,563
2028/29	205,000	169,763	40,000	57,300	472,063
2029/30	215,000	157,575	45,000	54,900	472,475
2030/31	230,000	144,788	45,000	52,200	471,988
2031/32	245,000	130,663	45,000	49,500	470,163
2032/33	260,000	115,625	50,000	46,800	472,425
2033/34	275,000	99,513	50,000	43,800	468,313
2034/35	290,000	82,475	55,000	40,800	468,275
2035/36	310,000	64,500	55,000	37,500	467,000
2036/37	330,000	45,900	55,000	34,200	465,100
2037/38	350,000	23,625	60,000	30,900	464,525
2038/39			220,000	27,300	247,300
2039/40			235,000	14,100	249,100
	<u>\$ 4,575,000</u>		<u>\$ 1,485,000</u>		

\* Subject to change.

(a) Prepared by the Underwriter.

(b) Interest is estimated at 6.0%.

(c) The first interest payment on the Bonds will be due on July 15, 2016\*. Thereafter, interest payments will be made semiannually on January 15 and July 15 until maturity or prior redemption.

**OVERLAPPING, ADDITIONAL AND ADDITIONAL  
OVERLAPPING INDEBTEDNESS**

**Overlapping General Obligation Bonded Indebtedness**

Overlapping general obligation bonded indebtedness is shown below including a breakdown of each overlapping jurisdiction’s applicable general obligation bonded indebtedness, Net Assessed Property Value for Secondary Tax Purposes and combined tax rate per \$100 Net Assessed Property Value for Secondary Tax Purposes. The applicable percentage of each jurisdiction’s Net Assessed Property Value for Secondary Tax Purposes which lies within the District’s boundaries was derived from information obtained from the County Assessor. See “**RISK FACTORS - Direct and Overlapping Indebtedness.**”

**TABLE 9**

<u>Overlapping Jurisdiction</u>	2015/16 Net Assessed Property Value for Secondary Tax Purposes	Net Outstanding Bonded Debt (c)	Proportion Applicable to the District (a)		2015/16 Combined Tax Rate Per \$100 Net Assessed Property Value for Secondary Tax Purposes Assessed (b)
			Approximate Percent	Net Amount	
State of Arizona	\$54,838,548,829	None	0.03%	None	None
Pinal County	2,057,547,528	None	0.77	None	\$ 4.5053(d)
Pinal County Community College District	2,057,547,528	\$85,940,000	0.77	\$661,738	2.6498
Pinal County Fire District Assistance Tax	2,057,547,528	None	0.77	None	0.0655
Pinal County Library District	2,057,547,528	None	0.77	None	0.0970
Pinal County Flood Control District	1,768,728,515	None	0.90	None	0.1700
Central Arizona Water Conservation District	2,057,547,528	None	0.77	None	0.1400
Town of Florence	79,924,962	None	19.91	None	1.1182
Central Arizona Valley Institute of Technology	1,306,376,530	None	1.22	None	0.0500
Florence Unified School District No. 1	271,913,709	38,465,000	5.85	2,250,877	7.0295
<b>Merrill Ranch Community Facilities District No. 2 (e)</b>	<b>15,911,720</b>	<b>6,060,000*</b>	<b>100.00%</b>	<b><u>6,060,000*</u></b>	<b><u>3.5500</u></b>
<b>Total Net Direct and Overlapping General Obligation Bonded Debt and Tax Rate</b>				<b><u>\$8,972,615*</u></b>	<b><u>\$19.3753</u></b>

\* Subject to change.

(a) Proportion applicable to the District is computed on the ratio of Net Assessed Property Value for Secondary Tax Purposes 2015/16.

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various special assessment bonds, as there bonds are presently being paid from special assessments against property for such purpose.

Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

<u>Overlapping Jurisdiction</u>	<u>General Obligation Bonds Authorized but Unissued</u>
<i>The District (e)</i>	92,354,000*

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

- (c) The County’s tax rate includes the \$0.1400 tax rate of CAWCD, the \$0.1700 tax rate of the Pinal County Flood Control District, the \$0.0970 tax rate of the County Free Library and the \$0.0655 tax rate of the County Fire District contribution. It should be noted that the County Flood Control District does not levy taxes on personal property.
- (d) Includes the “State Equalization Assistance Property Tax” which is levied by the County and has been set at \$0.5054 per \$100 Net Assessed Property Value for Secondary Tax Purposes for fiscal year 2015/16. Such amount is adjusted annually pursuant to Section 41-1276, Arizona Revised Statutes.
- (e) Includes the Bonds.

Source: The various entities, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association, *the Property Tax Abstract*, Arizona Department of Revenue and the Assessor of the County. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” in the Property Tax Abstract.

### **Additional General Obligation Bonded Indebtedness of the District**

In addition to the Series 2010 Bonds, the Series 2013 Bonds and the Bonds, the District retains the right to issue, in accordance with the procedures set forth in the Enabling Act, additional series of bonds payable from *ad valorem* taxes. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - Ad Valorem Property Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding.” See also “**RISK FACTORS - Direct and Overlapping Indebtedness.**”

The Enabling Act provides that the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged will not exceed 60 percent of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure owned or to be acquired by the District with the proceeds of the bonds. (Based solely on the Full Cash Value of the District as reported by the County Assessor, the Board has determined that issuance of the Bonds will meet the test set forth above. See “SECURITY FOR AND SOURCES OF PAYMENT - Ad Valorem Property Taxation in the District -- Full Cash Value.”)

Pursuant to the Election, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed \$100,000,000 and will have \$93,839,000\* of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs. Additional indebtedness could be authorized for the District in the future pursuant to other elections.

**Additional Overlapping General Obligation Bonded Indebtedness**

The District has no control over the amount of additional indebtedness payable from ad valorem taxes on all or a portion of the property within the District that may be issued in the future by other political subdivisions, including but not limited to the Town, the County, Florence Unified School District No. 1 of Pinal County Arizona, Pinal County Community College District, Magma Flood Control District or other entities having jurisdiction over all or a portion of the land within the District. Additional indebtedness could be authorized for such overlapping jurisdictions in the future. See “RISK FACTORS - Direct and Overlapping Indebtedness.”

**Other Debt of the District**

The District has outstanding the following obligations secured by special assessments on certain lots within the District:

**TABLE 10**

	<u>Original Amount</u>	<u>Dated Date</u>	<u>Maturity Date (July 1)</u>	<u>Amount Outstanding</u>
Special Assessment Bonds (Assessment Area 1)	\$2,555,000	6/28/06	2008-2030	\$1,298,000
Special Assessment Bonds (Assessment Areas 2 and 3)	829,500	9/16/09	2011-2034	609,850
Special Assessment Bonds (Assessment Area 4)	203,000	2/25/10	2011-2035	165,940
Special Assessment Installment Purchase Agreement (Assessment Area 5)	556,500	5/22/13	2015-2038	546,600
Special Assessment Installment Purchase Agreement (Assessment Area 6)	241,500	11/20/2015	2017-2040	241,500

Assessment Area 1 is a 189-acre portion of the District planned for approximately 730 single family residential lots. Assessment Area 2 is a 27.84-acre portion of the District planned for approximately 86 single family residential lots. Assessment Area 3 is a 53.55-acre portion of the District planned for approximately 151 single family residential lots. Assessment Area 4 is a 22.22-acre portion of the District planned for approximately 58 residential lots. Assessment Area 5 is a 54.62-acre portion of the District planned for approximately 159 residential lots. Assessment Area 6 is a 23-acre portion of the District planned for approximately 69 residential lots. The per lot assessment associated with the obligations listed above is approximately \$3,500 payable with interest in installments. If a lot owner fails to pay an assessment installment when due, the lot can be offered for sale by the District for the amount of the assessment together with interest, costs and penalties. Neither the District or the

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\* *Subject to change.*

Town is obligated to bid at the sale. The lien for the property taxes levied to pay the Bonds is senior to the lien of such assessments; however, the lien for such assessments is not extinguished by foreclosure with regard to taxes.

The District anticipates issuance of additional special assessment bonds over time in various assessment areas to be established within the District.

Other series of assessment bonds payable solely from and secured by special, separate funds established and maintained by the District from installments due with respect to certain other special assessments may be issued by the District in the future.

The term “special assessments” as used hereinabove refers to the assessments which would be levied and assessed by the District in the related assessment area which would encompass portions of the District, each of which would constitute a first lien on the parcel so levied and assessed, subordinate and subject only to general property taxes (including that for the Bonds) and prior special assessments. The per lot assessment is approximately \$2,000 payable with interest in installments. If a lot owner fails to pay an assessment installment when due, the lot can be offered for sale by the District for the amount of the assessment together with interest, costs and penalties. Neither the District nor the Town is obligated to bid at the sale. The lien for the property taxes levied to pay the Bonds is senior to the lien of such assessments; however, the lien for such assessments is not extinguished by foreclosure with regard to taxes. There can be no assurance that additional amounts of such bonds payable from special assessments will not be issued in the future, increasing the amount of liens on property in the District for such purposes. **SEE “RISK FACTORS - Direct and Overlapping Indebtedness.”**

## ANTHEM

*The information contained in the following section relates to and has been obtained from Pulte, unless otherwise sourced or noted, and neither the District nor the Underwriter has made any independent investigation regarding the accuracy or completeness thereof.*

### General

All of the land within the boundaries of the District (approximately 1,070 acres) is intended to be developed as part of an approximately 3,416-acre master-planned development known as Anthem at Merrill Ranch (“Anthem”). Anthem is encompassed within an approximately 8,970-acre mixed use, master-planned community known as “Merrill Ranch” or the “Project,” which is intended to be developed in the future. Anthem is being planned and developed with both an active adult community (“Sun City”) and a family oriented community (“Parkside”). Other than within Anthem, no other development has occurred within Merrill Ranch. SWVP PTE LLC (“SWVP Merrill Ranch”) acquired approximately 135.82 acres of property in the District in 2009, and acquired another 173.88 acres in 2014, all from Pulte. SWVP Merrill Ranch is the only owner of land in the District other than Pulte. SWVP Merrill Ranch is controlled by a land investment group generally known as Southwest Value Partners. Pulte believes SWVP Merrill Ranch will hold its property in the District for future sale or development in accordance with the existing land planning; however, Pulte can provide no assurance that SWVP Merrill Ranch will act in such a manner.

Simultaneously with the formation of the District, Merrill Ranch Community Facilities District No. 1 (“District No. 1”) was formed, covering the remaining 7,900 acres of Merrill Ranch to finance the cost of certain infrastructure improvements within District No. 1. The boundaries of the District and District No. 1 do not overlap, however Anthem encompasses land within both districts. (See the map at page vi for a depiction of the boundaries of Merrill Ranch, the District and District No. 1.)

Although the number of acres devoted to each particular land use may ultimately vary, the land uses and approximate acreages associated with each are as follows:

**TABLE 11  
PROPOSED LAND USES WITHIN ANTHEM**

<u>Type of Development</u>	<u>Approximate Acres of District Land</u>	<u>Approximate Acres of Anthem Outside District (a)</u>	<u>Total Anthem Acres</u>
Residential	467	1,376	1,843
Commercial/Light Industrial	20	0	20
Open Space/Parks	267	411	678
Schools	13	21	34
Golf Courses	47	187	234
Worship Sites	12	13	25
Police/Fire	16	0	16
Roadways/Right of Way	188	338	526
Medical	<u>40</u>	<u>0</u>	<u>40</u>
Total	<u>1,070</u>	<u>2,346</u>	<u>3,416</u>

(a) Anthem is not located wholly within the District.

As described above, Anthem is itself a master-planned community, a portion of which lies within the District. Pulte has constructed two community centers, each of which serves different age-focused areas within Anthem. Both the active adult community center and the community center which serves the family-oriented components of Anthem were completed in March 2007. The 18-hole golf course and pro-shop facility at Anthem was completed in January 2007. Pulte is planning a multi-phase, 62-acre community park to be built in several phases. The first two phases of the community park are complete and include a “catch and release” fishing pond, an amphitheater, a softball field, a restroom facility and other multi-purpose fields.

The educational needs of the children living in Anthem are served by Florence United School District No. 1 of Pinal County, Arizona. An elementary school serving the Project opened in 2007. A charter school offering grades K through 6, American Leadership Academy, has been completed and has commenced operations.

Completed commercial development within Anthem, but outside the District and District No. 1, consists of the following retail establishments: Safeway (grocery store), McDonalds (restaurant), Wells Fargo Bank and various smaller businesses. Florence Hospital at Anthem, LLC opened March 8, 2012 and is operating under a plan of reorganization approved by the Bankruptcy Court in May, 2015. See footnote (b) to TABLE 4. Florence Hospital at Anthem, LLC is licensed as a general-acute care hospital. Except for the establishments referenced above, and until additional commercial development is completed within Anthem, residents of Anthem must access other retail services from the variety of existing retail/commercial development located within the Town approximately eight miles from Anthem or from areas northwest of Anthem.

The single-family residences being constructed by Pulte within Anthem currently range in size from 1480 to 2,833 square feet and are currently base priced from \$139,000 to \$351,000. Below are Pulte’s single-family home closings and single-family homes under construction within the District.



**TABLE 12  
SINGLE-FAMILY HOME CLOSINGS**

<u>Calendar Year</u>	<u>District (a)</u>			<u>District No. 1 (b)</u>			<u>Total</u>
	<u>Sun City (Senior)</u>	<u>Parkside (Family)</u>	<u>Subtotal</u>	<u>Sun City (Senior)</u>	<u>Parkside (Family)</u>	<u>Subtotal</u>	
2006	30	41	71	92	25	117	188
2007	43	237	280	91	98	189	469
2008	38	171	209	176	68	244	453
2009	2	98	100	136	34	170	270
2010	59	68	127	38	22	60	187
2011	68	45	113	2	17	19	132
2012	48	14	62	16	51	67	129
2013 (a)	32	12	44	79	60	139	183
2014	75	5	80	25	44	69	149
2015	65	0	65	37	57	94	159
<b>Total</b>	<b>460</b>	<b>691</b>	<b>1,157</b>	<b>692</b>	<b>476</b>	<b>1,168</b>	<b>2319</b>

(a) Within the District, the earliest close date shown is July 12, 2006 and the latest is December 31, 2015.

(b) Within District No. 1, the earliest close date shown is August 14, 2006 and the latest is December 31, 2015.

**TABLE 13  
SINGLE-FAMILY HOMES UNDER CONSTRUCTION (a)**

	<u>Sun City (Senior)</u>	<u>Parkside (Family)</u>	<u>Total</u>
District No. 1	0	36	36
District No. 2	8	21	29
<b>Total</b>	<b>8</b>	<b>57</b>	<b>65</b>

(a) Homes under construction as of December 31, 2015.

**District No. 1**

District No. 1 is comprised of approximately 7,900 acres, and is adjacent to the District. Approximately 27% of District 1 is comprised of Anthem and the remaining 73% of District No. 1 is outside Anthem, but within Merrill Ranch, and was originally owned by Merrill Ranch Investments, LLC. However, in 2009, Merrill Ranch Investments, LLC filed for protection under the Bankruptcy Code, but ultimately was unable to confirm a plan of reorganization and all but approximately 133 acres of Merrill Ranch (other than that portion in Anthem owned by Pulte) was sold to other owners. SWVP Merrill Ranch, referenced above, purchased approximately 6,700 acres from Merrill Ranch Investments, LLC. It is anticipated that SWVP Merrill Ranch will hold such property for future sale. SWVP Merrill Ranch also owns certain property in Anthem in the District. Another purchaser was Curis Resources (Arizona), Inc. (“Curis Resources”), a subsidiary of a Canadian mining company known as Hunter-Dickinson, Inc. Such subsidiary purchased approximately 1,100 acres and is planning to seek the governmental and regulatory approvals necessary to undertake an injection mining technique on a portion of the property it owns and/or leases that is located southeast of Anthem. However, such mining activity is not allowed by the general plan for the Town or the applicable zoning classification. In addition, the Town, Johnson Utilities, L.L.C. (“Johnson Utilities”) and Pulte all have opposed such proposed mining operations and SWVP Merrill Ranch is actively taking steps to stop any proposed mining operations by appealing certain Arizona Department of Environmental Quality approvals that applied to certain land leased by Curis Resources from the Arizona State Land Department. The

United States Environmental Protection Agency has not yet approved any proposed mining activity. The Town Council has also adopted a resolution to condemn any mining activity that is ultimately approved. Regardless, there can be no assurance such mining activity will be prohibited by the Town and such activity, if permitted, may have an adverse impact on home sales in Anthem. Except as described above in this paragraph, the land within District No. 1, but outside Anthem, is not currently being developed and it is unlikely to be developed in the near future. (See the map at page vii for a depiction of the boundaries of District No. 1 in relationship to Merrill Ranch, the District and Anthem.)

### **Planned Future Development**

Additional off-site and on-site improvements planned for the future within the District which are not funded or acquired with proceeds of the Bonds may be funded through cash flow from land and home sales, third party loans and/or the financial resources of Pulte. The security for the Bonds relies on the market (assessed) value of the land within the District, which value is affected by the ability of Pulte or subsequent District property owners to develop the property within the District.

The portion of the public roadways and storm drainage improvements and other Public Infrastructure planned by Pulte that is not financed with Bond proceeds is intended to be completed in phases in the future as market demand warrants. The total estimated cost of the Public Infrastructure in the District is greater than the amount available from proceeds of the sale of the Bonds and Pulte intends to fund the balance of the cost of the Public Infrastructure on its property when, and if constructed. There can be no assurance as to when such future development will occur, if at all.

Except for a portion of water and sanitary sewer provided by Johnson Utilities, municipal services within Merrill Ranch, including police and fire, are provided to residents in the normal course of operations by the Town. Cable television and telephone service are currently offered and/or provided to Anthem by Cox Cable and CenturyLink, respectively.

### **Utilities**

The portion of Anthem within the District, along with certain other portions of Merrill Ranch, are within the certificated service area of Johnson Utilities and receives water and wastewater service from Johnson Utilities pursuant to a Master Utility Agreement for Water and Wastewater Facilities between Johnson Utilities and Pulte. Under the Master Utility Agreement, the portion of the Project comprising Anthem at Merrill Ranch must pay hook-up fees for each residential unit serviced by Johnson Utilities and Pulte has advanced certain hook-up fees to Johnson Utilities on this basis. The Master Utility Agreement provides that Johnson Utilities will provide the above-referenced utility service and will repay Pulte for the construction of certain “backbone” infrastructure necessary to serve those portions of the Project in the District. Pulte plans to construct such infrastructure according to a schedule that will allow homes constructed by Pulte in the District to receive sewer and water service as and when required.

With respect to water supply, Johnson Utilities is designated as having an assured water supply for a certain number of residential units. Under the Master Utility Agreement, Johnson Utilities agrees to reserve available assured water capacity for the development of all of the residential units within the District. An assured water supply means that sufficient water of adequate quality will be continuously available to satisfy the water needs of the proposed use for at least 100 years, that any projected groundwater use is consistent with the water management plan approved by the Arizona Department of Water Resources (“ADWR”) and that the developer or others have demonstrated to ADWR that they have the financial ability to construct the delivery system and any necessary treatment works. The Town has agreed to take all reasonable steps to assist Pulte in connection with any applications for certificates of assured water supply for those areas and to enter into contracts as reasonably required with the Central Arizona Groundwater Replenishment District in order for the area to qualify as “member land” under applicable Arizona law. The assured water supply designation or a certificate of assured water supply, which can be terminated or modified by ADWR should circumstances warrant, is a necessary condition to the ability to plat, construct and sell homes within the District.

Johnson Utilities has completed construction of a wastewater treatment plant and Pulte has completed the majority of the backbone infrastructure, which will serve future expansion within the District, including the majority of the interceptor lines to service the District or which will serve future expansion within the District. Several additional sewer lines are required to complete the collection system within the District but construction of same is not required to service existing development. A water storage tank and supply well to serve the District have been constructed, tested and are in service. Associated water transmission lines and distribution mains as well as a second water storage tank and a related second well which will in part serve the District have also been completed.

## **PULTE**

*The information contained in the following section relates to and has been obtained from Pulte, unless otherwise sourced or noted, and neither the District nor the Underwriter has made any independent investigation regarding the accuracy or completeness thereof.*

Pulte Home Corporation, a Michigan corporation, is a wholly-owned subsidiary of Pulte Home Corporation (www.pultegroup.com), which is a publicly traded company listed on the New York Stock Exchange (NYSE). Pulte Home Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, and in accordance therewith files the Filings with the Commission, which 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 Northwestern Atrium Center, 400 W. Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at <http://www.sec.gov>.

## **RISK FACTORS**

***THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS IN INVESTING IN THE BONDS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET FORTH IN THIS OFFICIAL STATEMENT, BEFORE MAKING AN INVESTMENT DECISION. INVESTMENT IN THE BONDS SHOULD BE MADE ONLY AFTER CAREFUL EXAMINATION OF THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO.***

### **General Risks of Real Estate Investment and Development; Certain Factors Which May Adversely Affect Development; Consequences**

*Investments in developing real estate such as undeveloped areas in the District are generally considered to be speculative in nature and to involve a high degree of risk. Owners of land in the District will be subject to the risks generally incident to real estate investments and development including those described herein.*

*Construction of houses on the remaining lots within the District may be affected by changes in the income tax treatment of real property ownership; changes in national, regional and local market and economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the District, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the owners of such land. Land development within the District could also be affected adversely by changes in governmental policies, including, but not limited to, governmental policies to restrict or control*

*development. (Any approvals needed in the future for the development must come from the Town, over which the District has no control.)*

*Vacant lots also provide less security to the Bondholders should it be necessary for the District to foreclose due to nonpayment of ad valorem taxes. Furthermore, an inability to construct houses on the remaining lots within the District will likely reduce the diversity of ownership on land within the District, making the Bondholders more dependent upon timely payment of the ad valorem taxes levied on the vacant lots.*

*Development requires obtaining a variety of governmental approvals and permits. Such approvals and permits are necessary to initiate development and construction and to allow the sale and occupancy of homes and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results for Pulte.*

### **Competition From Other Developments**

*The residential development business, particularly with respect to communities such as Anthem, is highly competitive in the Pinal County, Arizona area. The business of merchant builders building in the District will face competition from a number of competitors in the Town and other developments throughout the surrounding area, many of which offer or intend to offer lots and parcels to a similar target market. In addition, if SWVP Merrill Ranch sells its remaining Property, Pulte could face competition from other builders within Anthem.*

### **Assessed Valuation of Property**

*The District's ability to retire the indebtedness evidenced by the Bonds solely from ad valorem property taxes is dependent upon the development and maintenance of an adequate tax base from which the District may collect revenues. The District's ability to achieve a tax base adequate to generate ad valorem property tax revenues for timely payment of the Bonds will depend upon the continued and successful development of Anthem. The District faces competition from other residential developments in surrounding areas. Such competition may adversely affect the rate of development within the District. Many unpredictable factors could influence the actual rate of construction within the District, including the prevailing interest rates, availability of funds, market and economic conditions generally, supply of housing in the greater Phoenix metropolitan area, construction costs, labor conditions, access to building supplies, availability of water and water taps, availability and costs of fuel and transportation costs, among other things.*

*It is anticipated that the assessed valuation of the District Land will increase if and as the development of the Project continues. However, changes in the future assessed valuation of the District Land may reduce the willingness of landowners to pay the ad valorem property taxes securing the Bonds or adversely affect the interest of potential buyers of such property. See also "AD VALOREM PROPERTY TAXATION IN THE DISTRICT."*

### **Concentration of Ownership; Subsequent Transfers**

*Pulte owns a large portion of the taxable property within the District and is responsible for paying the ad valorem property taxes on its District Land. There can be no assurance that Pulte or future developers or homebuilders will have the financial capability to continue and complete development of the Project. None of the District, the Underwriter or the Town has reviewed the financial resources or development capabilities of Pulte to develop its property or sell it to others for development, or the capability of Pulte to pay ad valorem property taxes as they come due. No assurances can be given that Pulte or any subsequent District property owner will have the necessary financial resources to pay ad valorem property taxes as they come due. See "ANTHEM – Planned Future Development."*

### **Failure or Inability to Complete Proposed Project**

*The continuing development and successful completion of the Project is contingent upon construction or acquisition of major public improvements, such as arterial streets, water distribution facilities, wastewater collection and*

transmission facilities, drainage facilities, telephone and electrical facilities, recreational facilities and street lighting, as well as local in-tract improvements. If Pulte or other developers or, as applicable, the Town are unable to complete these additional improvements, the ability to sell lots in the Project would be affected adversely.

No assurances can be given that any of the developers will be able to obtain on a continuing basis the financing necessary to pay for required development costs. Cash generated from the sale of land within the District is expected to fund a substantial portion of the costs of the development. However, the cost of these additional improvements plus the public and private in-tract, on-site and off-site improvements would increase the public and private debt for which all or portions of the District Land is security. See "-- Direct and Overlapping Indebtedness" below.

The Project may be affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, changes in the income tax treatment of real property ownership, unexpected increases in development costs and other similar factors as well as availability of utilities and the development of environmental problems with such land. See "-- Availability of Utilities" below. While Pulte has entered into development agreements with the Town, addressing, among other things, the vesting of zoning approvals necessary to develop the Project, development within the District could nevertheless be affected by changes in governmental policies and laws, including, but not limited to, governmental policies and laws to restrict or control development. (Any approvals needed in the future for the development of the Project must come from the Town, over which the District has no control.) Land development within the District also could be affected by competition from other residential developments in surrounding areas. A slowdown of the development process and the related absorption rate within the Project because of any or all of the foregoing could affect adversely land values and impair the developers' ability to finance the costs of development. **ANY OR ALL OF THE FOREGOING COULD REDUCE THE WILLINGNESS AND THE ABILITY OF LANDOWNERS TO PAY AD VALOREM PROPERTY TAXES AND COULD GREATLY REDUCE THE VALUE OF SUCH PROPERTY IN THE EVENT IT HAS TO BE FORECLOSED UPON.**

A majority of the District Land is currently undeveloped and, if any or all of the foregoing occurs, would continue as such. Vacant land provides less security to the holders of the Bonds should it be necessary for the District to foreclose due to non-payment of ad valorem property taxes. An inability to develop the remaining land within the District will likely reduce the diversity of ownership on land within the District, making the owners of the Bonds more dependent upon timely payment of the ad valorem property taxes levied on the vacant property.

### **Availability of Utilities**

Development and subdivision of the real property in the District is dependent upon having an assured water supply as determined by ADWR and applicable law. Water and wastewater service to the District will be provided by Johnson Utilities, which has received such a determination from ADWR. In addition, Johnson Utilities has agreed to reserve additional water supplies for this purpose. However, in the event ADWR subsequently revokes such determinations with respect to all or any portions of the District, the subdivision and sale of land in the District would be halted until the situation was resolved. None of the Town or Pulte expects such a situation to occur. Johnson Utilities is also seeking to expand the portion of the District within which it provides water and wastewater services. Johnson Utilities' application to expand its Certificate of Convenience and Necessity is currently before the Arizona Corporation Commission for decision. There can be no assurance that the expansion will be granted, or what the impact to the assured water supply of the Project will be if granted. See "ANTHEM – Utilities."

### **Effect of Valuation of Property**

Information is provided herein with respect to the valuation of land within the District. SEE "AD VALOREM PROPERTY TAXATION IN THE DISTRICT." Such valuation and particularly decreases therein may reduce the willingness of landowners to pay the ad valorem taxes securing the Bonds, as well as adversely affect the interest of potential buyers of such property at any foreclosure sale for purposes of paying such taxes.

## **Direct and Overlapping Indebtedness**

*The willingness or ability of owners of land in the District to pay their ad valorem taxes could be affected by the existence of other taxes and assessments imposed upon the property, including any assessments for the District's Special Assessment Obligations (Assessment Areas One, Two, Three, Four, Five and Six). The District and other political subdivisions, such as the State, the County, the Town, the local community college and Florence Unified School District No. 1 of Pinal County, Arizona, etc., whose boundaries overlap those of the District could, without the consent of the District and, in certain cases, without the consent of the owners of the land within the District, impose additional ad valorem taxes or assessment liens on the property within the District in order to finance public improvements to be located inside or outside of the District. (The existing public debt relating to the District is set forth in "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS" above). The lien created on the property within the District by the levy of additional ad valorem taxes would be on a parity with the lien for the ad valorem taxes securing the Bonds. In addition to such public debt payable from ad valorem taxes, the Town has approved the formation of Assessment Areas One through Six within a portion of the District with the authority to issue assessment bonds with a lien on the real property in that portion of the District subordinate to that of the Bonds. See "ANTHEM – Planned Future Development."*

*The imposition of additional parity liens, or junior liens in the case of, for instance, special assessments, may reduce the ability or willingness of the landowners to pay the ad valorem taxes securing the Bonds as well as, in the case of failure of payment thereof, the existence of buyers of such property at any foreclosure sale for purposes of paying such taxes. See "AD VALOREM PROPERTY TAXATION IN THE DISTRICT."*

*From time to time, there are legislative proposals in the Arizona Legislature that, if enacted, could alter the basis on which ad valorem taxes (including those that secure the Bonds) are assessed, levied and collected and which could affect, among other things, the distribution of the amount of taxes that various classifications of property may be obligated to pay. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, they would affect the Bonds or other obligations issued prior to their enactment.*

## **Bankruptcy and Foreclosure Delays**

*The payment of the ad valorem taxes securing the Bonds and the ability of the District to foreclose the lien of delinquent, unpaid, ad valorem taxes may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not extinguish the ad valorem taxes securing the Bonds, bankruptcy of a property owner could result in a delay in the foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the Bonds when due. See "AD VALOREM TAXATION PROCESS -- Collection."*

*It should be noted that in the event of a 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 the bankruptcy proceedings. Such taxes might constitute an unsecured and possible non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are over secured, and then possibly only on a pro rata basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact the bankruptcy of a property owner might have on the ability of the District to collect ad valorem taxes levied on that property before or during the bankruptcy proceedings. 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 any claim against the debtor or its estate that arose before the commencement of the bankruptcy is automatically stayed pursuant to the Bankruptcy Code. While the stay 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 in bankruptcy would be subject to the stay of bankruptcy court. Furthermore, "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections become uncertain.*

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

*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. Neither the District, the Underwriter or their respective agents or consultants have undertaken any independent investigation of the operations and financial condition of any of the property owners in the District, nor have they assumed responsibility for the same.*

*In addition, the various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.*

### **Cancellation of Contracts**

*The State, its political subdivisions, including the District, or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions, including the District or any of the departments or agencies of either is, while the contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. While neither the District nor Pulte knows of any facts or circumstances currently in effect which would entitle the District to cancel any contracts entered into in connection with the organization and development of the District, nevertheless the cancellation of any material contracts entered into by the District and Pulte may adversely affect the Bonds.*

### **Tax Risks**

*As discussed under "TAX MATTERS" below, interest on the Bonds could become includable in gross income of the owners thereof for purposes of federal income taxation retroactive to the date the Bonds were issued if the District acts or fails to act in a manner which violates its covenants in the Bond Resolution. In that event, the Bonds are not subject to special redemption and will remain outstanding on a taxable basis until maturity or until redeemed in accordance with the redemption provisions contained in the Bond Resolution.*

### **Amendment of Documents Referenced**

*The reports, inspections and other documents described in this Official Statement may be modified, updated or amended (as new reports and/or inspections may be obtained), and such modifications may materially and adversely affect the development of the property (e.g., updating of environmental reports).*

*The development of the property within the District is in the early phases. Circumstances could change as the development process continues and other issues are raised or new developers or owners become involved. Accordingly, Pulte anticipates that there may be significant changes to the agreements and contracts summarized in this Official Statement to address any such issues. Because the existing contracts and agreements are subject to change, the summaries of any contracts or agreements contained hereinabove may not accurately reflect the future conditions relating to the development of the District; however, Pulte does not presently anticipate that any modifications of the current contracts or agreements would materially affect the repayment of the Bonds.*

### **Environmental Matters**

*Property in the District will be subject to risks arising out of environmental, archaeological and biological considerations generally associated with the ownership of real estate and the construction of improvements located thereon. Such risks include, in general, potential liability arising as a result of any contamination later discovered on the site and the possibility of a decline in property values resulting from any contamination on the site or from the proximity of the site to other contaminated areas; or discovery of archaeological artifacts located on the site or in the vicinity of the site; discovery of endangered species of animals, plants or other habitat for endangered species*

*and a determination of the waterways of the United States against dredging or fill. Liability may arise under a variety of federal, state or local environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Endangered Species Act and the National Historical Preservation Act. In addition, development may require approvals and actions under the Clean Water Act and the National Environmental Protection Act may limit, delay or change materially the number and type of development on the site.*

## **Projections**

*Included in this Official Statement are various projections. The projections are based on assumptions concerning future events and should be viewed with an abundance of caution. Circumstances that may not yet be ascertainable, which are believed to be significant and which are not within the control of the District or Pulte may also exist. There are usually differences between projections for lot closings, completion dates, completion costs and other items and actual lot closings, completion dates, completion costs and other items, because the lot closings, completion dates, completion costs and other items frequently do not occur as expected, and those differences may be material. There can be no assurances that the various projections set forth in this Official Statement can be achieved.*

## **Forward-Looking Statements**

*This Official Statement contains certain “forward-looking” statements, including information about property values that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements should be considered in light of the information provided under this section and in the other portions of this Official Statement. Although it is believed that the forward-looking statements are reasonable they could prove to be inaccurate.*

*The Underwriter makes no representation as to the accuracy of the projections contained herein nor as to the assumptions on which the projections are based.*

*The Bonds will be secured solely by ad valorem property taxes generated within the District. Anyone considering investing in the Bonds should carefully examine this Official Statement, including the Appendices hereto.*

## **LITIGATION**

At the time of delivery and payment for the Bonds, appropriate representatives of the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, overtly threatened against the District affecting the existence of the District, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Bond Resolution, or the collection or application of any revenues providing for the payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution, any action of the District contemplated by any of the said documents, or the collection or application of the revenues provided for the payment of the Bonds, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Board of the District has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”), which relates to the ability of certain financial institutions to deduct interest expense allocable to holding and carrying tax-exempt obligations for federal income tax purposes. The Board of the District, through one or more of its representatives, will represent and warrant that it does not reasonably anticipate that the aggregate amount of tax-exempt obligations that will be issued by or on behalf of the District in calendar year 2016 will exceed \$10,000,000.



## TAX MATTERS

The Code includes requirements which the District must continue to meet with respect to the Bonds after the issuance thereof in order that interest on the Bonds not be included in gross income for federal income tax purposes. The District's failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The District has covenanted in the Bond Resolution to take the actions required by the Code in order to maintain the excludability from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel, rendered with respect to the Bonds on the date of issuance of the Bonds, assuming continuing compliance by the District with the tax covenants referred to above and relying upon certain representation of Pulte with respect to development of the District land, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion upon the date of issuance of the Bonds that the interest thereon is exempt from income taxation under the laws of the State.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of interest of the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.

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

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

### **Original Issue Discount and Original Issue Premium**

Certain of the Bonds as indicated on the inside front cover page of this Official Statement ("Discount Bonds"), were offered and will be sold to the public at an original issue discount ("Original Issue Discount"). Original Issue

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

Certain of the Bonds as indicated on the inside front cover page of this Official Statement (“Premium Bonds”), were offered and will be sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity in the case of the “Noncallable Premium Bonds” or their earlier call date in the case of the “Callable Premium Bonds.” The difference between the principal amount payable at maturity of the Noncallable Premium Bonds and the tax basis of a Noncallable Premium Bond to a purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (in either case, other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) will be “bond premium.” For federal income tax purposes, bond premium is amortized over the period to maturity of a Noncallable Premium Bond and over the period to the call date that minimizes the yield to a purchaser of a Callable Premium Bond. A purchaser of a Premium Bond will be required to decrease his or her adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he or she holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year will be determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond.

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

### **Information Reporting and Backup Withholding**

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

## **RATING**

Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "\_\_\_" to the Bonds. Such ratings reflect only the views of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at 55 Water Street, 38th Floor, New York, New York 10041. Such ratings may be revised downward or withdrawn entirely at any time by S&P if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds. The District has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any rating relating to the Bonds. See "CONTINUING DISCLOSURE" and APPENDIX C – "FORM OF SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING" herein.

## **BOND INSURANCE AND RELATED RISK FACTORS**

The District intends to apply, or has applied, to bond insurance companies (each a "Bond Insurer") for a municipal bond insurance policy (the "Policy") for the Bonds to guarantee the scheduled payments of principal of and interest on the Bonds. A commitment to provide the Policy has not been issued, and representatives of the District have yet to determine whether, if such commitment is issued, the Policy will be purchased. If the Policy is purchased, the following are risk factors relating to bond insurance generally.

If the District ultimately determines to obtain the Policy for the Bonds, in the event of default of the payment of principal or interest with respect to any of the Bonds when all or some become due, any owner of the Bonds on which such principal or interest was not paid will have a claim under the Policy for such payments. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds will remain payable solely from ad valorem property taxes as described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS." In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance will be given that such event will not adversely affect the market price of the Bonds and the marketability (liquidity) of the Bonds.

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

The obligations of the Bond Insurer will be general obligations of the Bond Insurer, and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law, state receivership or other similar laws related to insolvency of insurance companies.

None of the District, the Underwriter, or their respective attorneys, agents or consultants have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

## **LEGAL MATTERS**

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the legal opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, a form of which is included herein as APPENDIX B. See "TAX MATTERS." Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered upon the initial delivery of the Bonds. Certain legal matters will be passed upon with respect to the District by Greenberg Traurig, LLP, Phoenix, Arizona; for the Underwriter by its counsel, Squire Patton Boggs (US) LLP; and for Pulte by Berens, Kozub, Kloberdanz & Blonstein, PLC, Scottsdale, Arizona.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issue explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **UNDERWRITING**

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

## **RELATIONSHIP AMONG PARTIES**

Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, and Squire Patton Boggs (US) LLP, counsel to the Underwriter, have each acted as bond counsel in other transactions underwritten by the Underwriter and have each acted as Underwriter’s counsel to the Underwriter in other transactions. Greenberg Traurig, LLP and Squire Patton Boggs (US) LLP have also acted as bond counsel and/or underwriter’s counsel with respect to bonds issued by the Town and other overlapping political subdivisions.

## **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than seven months after the end of their respective fiscal years (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The method of filing of, and specific nature of the information to be contained in, the Annual Reports and in the Notices of Listed Events are set forth herein in APPENDIX C - “FORM OF SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING” which includes the form of undertaking which will be executed by the District with respect to the Bonds.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. The ability of the District to comply with such covenants will be subject to the annual appropriation of funds, sufficient to provide for the costs of compliance for such covenants. Should the District not comply with such covenants, it has covenanted to provide notice of such fact as it would for a Notice of Listed Event. A failure to provide continuing disclosure may adversely affect the transferability and liquidity of the Bonds and their market price.

*[To be updated, DAC report requested March 1, 2016.]*

## **CONCERNING THE OFFICIAL STATEMENT**

Documents delivered with respect to the Bonds will include a certificate to the effect that, to the knowledge of the District after appropriate review, the descriptions and statements contained in this Official Statement were, at the date of this Official Statement and at the time of the initial delivery of the Bonds, true, correct and complete in all material respects and did not contain any untrue statements of material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading and that no event has occurred since the date of this Official Statement that should be described herein for the purpose for which this Official Statement is to be used or which it is necessary to disclose herein in order to make the statements and information herein not misleading in any material respect.

## **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 statements have been or will be realized. All financial and other information in this Official Statement has been derived by the District from official records and other sources and is believed by the District to be accurate and reliable. Information other than that obtained from official records of the District has been identified by source and has not been independently confirmed or verified by the District and its accuracy is not guaranteed. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. 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.

**MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 2**

By \_\_\_\_\_  
Chairperson, District Board

**INFORMATION REGARDING THE TOWN OF FLORENCE, ARIZONA**

*The following information regarding the Town is provided for reference only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District, and consequently no representation is made as to the relevance of the data to the District or to the repayment of the Bonds. THE BONDS ARE NOT OBLIGATIONS OF THE TOWN. The Bonds are direct obligations of the District, payable solely from ad valorem taxes levied against all taxable property in the District, limited as described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" in this Official Statement.*

**General**

The Town is the seat of the County, was founded in 1866 and was incorporated in 1908. The Town is located approximately 60 miles from the City of Phoenix, Arizona to the northwest and 70 miles from the City of Tucson, Arizona to the south.

The following table illustrates respective population statistics for the Town, the County and the State.

**POPULATION STATISTICS**

	Town of Florence	Pinal County	State of Arizona
2015 Estimate (a)	26,410	406,468	6,758,251
2010 Census	25,536	375,770	6,392,017
2000 Census	14,466	179,727	5,130,632
1990 Census	7,321	116,397	3,665,339
1980 Census	3,391	90,918	2,716,546
1970 Census	2,173	68,579	1,775,399

Source: Arizona Department of Economic Security, Population and Statistical Unit.

(a) Estimate as of July 1, 2015.

**Municipal Government and Organization**

The Town Council consists of a Mayor and six council members. The Mayor serves a four-year term and the six council members serve four-year terms. Both are elected at large on a non-partisan basis.

The Town provides numerous services including police, fire protection, emergency medical, a County visitor center, a Town visitor center, a municipal fitness center, two museums, one library, three parks, one swimming pool, several softball fields, tennis courts and a golf course, as well as water, wastewater, and sanitation services. Electricity is provided by Arizona Public Service Company, Salt River Project and the San Carlos Irrigation Project; gas is provided by Southwest Gas Corporation and the City of Mesa; and telephone and internet service is provided by CenturyLink and Cox Communications.

## Employment

The Town is home to both the County government complex and the Arizona State Prison. The agricultural products of cotton, cattle, grains and grapes also contribute to the Town's economy. In January 1978, the Town was selected for inclusion in the Main Street Program sponsored by the National Trust for Historical Preservation, a public/private partnership program designed to help communities revitalize their central business districts. The Town's year-round sunshine, warm climate and clean air also make the Town a popular location for retirees.

### MAJOR EMPLOYERS Town of Florence, Arizona

Employer	Description	Approximate Number of Employees
State of Arizona	Government	2,110
Pinal County	Government	1,910
Correctional Corporation of America	Detention centers	910
DHS/ICE/DOJ – Federal Government	Federal government	590
Florence Schools	Education	480
GEO – Private Prison System	Detention centers	320
Town of Florence	Government	180

Source: The Town Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

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

### UNEMPLOYMENT AVERAGES

Calendar Year	Town of Florence	Pinal County	State of Arizona	United States of America
2015	7.1%	6.3%	6.1%	5.3%
2014	8.3	7.2	6.4	6.2
2013	18.1	8.6	8.0	7.6
2012	18.5	8.9	8.3	8.1
2011	21.3	10.3	9.4	8.9

Source: Arizona Department of Commerce, Research Administration and the U.S. Department of Labor, Bureau of Labor Statistics.

## Commerce

The following table illustrates municipal privilege tax collections for the Town.

**PRIVILEGE (SALES) TAX REVENUE**  
**Town of Florence, Arizona**  
**(\$000s omitted)**

<u>Fiscal Year</u>	<u>Amount</u>
2014/15	\$3,597
2013/14	4,084
2012/13	3,613
2011/12	3,733
2010/11	3,091

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Source: Arizona Department of Revenue.

## Education

Florence Unified School District No. 1 of Pinal County, Arizona provides the Town with regular and special education in grades K – 12. Post-secondary education is provided by the three campuses of the two-year community college, Central Arizona College. Signal Peak Campus is located 18 miles west of the Town and offers student housing and day care services. Aravaipa Campus, near Winkelman, Arizona, and Superstition Mountain Campus, near Apache Junction, Arizona, serve as commuter campuses.

## Transportation

The Town is served by the Coolidge Municipal Airport located 11 miles southwest of the Town. The airport offers two lighted and paved runways – a main runway of 5,590 feet long by 15 feet wide for use by smaller jet aircrafts and a second runway of 3,750 feet long by 75 feet wide for use by the Arizona Skydiving operation. Both Jet-A and AVGAS fuel and minor technical support are provided at the airport by a Fixed Base Operator.

The Town is accessible via Interstate 10 to the west and State Route 79 from the north and south as well as State Route 287 and Hunt Highway.



**FORM OF LEGAL OPINON OF BOND COUNSEL**

*[To be provided by Bond Counsel]*

**FORM OF SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING**

**\$1,485,000\***

**MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2  
(FLORENCE, ARIZONA)  
GENERAL OBLIGATION BONDS, SERIES 2016**

**CONTINUING DISCLOSURE UNDERTAKING**

This Undertaking is executed and delivered by Merrill Ranch Community Facilities District No. 2 (hereinafter referred to as the “Issuer”), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the “Securities”) for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

“Annual Report” shall mean any annual report provided by the Issuer pursuant to, and as described in, Section 2.

“Authorizing Documents” shall mean the resolutions authorizing the issuance of the Securities.

“Dissemination Agent” shall mean any agent which has executed a dissemination agent agreement with the Issuer and such successors and assigns of such agent.

“EMMA” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. Information regarding submissions to EMMA is available at <http://emma.msrb.org/submission>.

“Listed Events” shall mean any of the events listed in Section 3(a).

“Notice of Listed Event” shall mean any notice provided by the Issuer pursuant to, and as described in, Section 3.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the Securities is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

Section 2. Contents and Provision of Annual Reports.

(a) (i) Subject to annual appropriation of funds sufficient to provide for the costs thereof, the Issuer shall, or shall cause the Dissemination Agent to, not later than February 1 of each year,

commencing February 1, 2017, provide through EMMA an Annual Report which is consistent with the requirements of subsection (b) of this Section.

(ii) If the Issuer is unable or for any other reason fails to provide an Annual Report or any part thereof by the date required in subsection (a)(i) of this Section and subject to annual appropriation of funds sufficient to provide for the costs thereof, the Issuer shall, or shall cause the Dissemination Agent to, send a notice pursuant to Section 3 below.

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information of the type in TABLES 2, 3A, 4A and 5A of the Official Statement, dated \_\_\_\_\_, 2016, with respect to the Securities as well as with respect to tax collections and delinquencies in the preceding tax year of the Issuer.

(B) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the basis of generally accepted accounting principles as applied to governmental units. (The Issuer does not currently obtain audited financial statements.) ***IF THE FISCAL YEAR OF THE ISSUER CHANGES, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities which have been submitted to EMMA. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board ("MSRB"). The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided through EMMA.

### Section 3. Notice of Listed Events and Failure to Provide Annual Report.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events (the "Listed Events") with respect to the Securities:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of Securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of Issuer;

Note: for the purposes of the event identified in paragraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Issuer agrees to provide or cause to be provided to the MSRB through EMMA, in a format prescribed by the MSRB and subject to annual appropriation of funds sufficient to provide for the costs thereof, not later than ten business days of the occurrence of a Listed Event; except that for the events 2, 7, 10, 13 and 14, listed in the definition of Listed Events, the Issuer will provide such notice if it determines that such event would be material under applicable federal securities laws:

(i) notice of the occurrence of any Listed Events with respect to the Securities; and

(ii) notice of its failure to provide or cause to be provided the Annual Report on or before the applicable filing date.

Notwithstanding the foregoing, notice of Listed Events consisting of Bond calls or defeasances need not be given under this subsection any earlier than date on which the notice of the underlying event is given to the registered owners of affected Securities pursuant to the Bond Resolution, and notice of the occurrence of a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, is not required if the terms of the redemption under which the redemption is to occur are set forth in detail in the Official Statement and the only open issue is which Securities will be redeemed in the case of a partial redemption.

#### Section 4. Termination of Reporting Obligation.

The obligations of the Issuer pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. subject to annual appropriation of funds sufficient to provide for the costs thereof, the Issuer shall, or shall cause the dissemination agent to, give notice of such termination through EMMA as soon as practicable, but not later than the date an annual report would otherwise have been due.

Section 5. Amendment or Waiver. Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived; provided, however, that no amendment or waiver may take effect unless the following conditions are satisfied:

(a) the amendment or waiver may only be 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 an "Obligated Person" (within the meaning of the Rule) with respect to the Securities, or the type of business conducted;

(b) this Undertaking, as amended or taking into account such waiver, in the opinion of counsel of national reputation experienced in bond or federal securities law selected by the Issuer, would have

complied with the requirements of the Rule at the time of the original issuance of the Securities, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver either (i) is approved by the registered owners of the Securities in the same manner as provided in the Authorizing Documents for amendments to the Authorizing Documents with the consent of registered owners of the Securities, or (ii) does not materially impair the interests of the Bondholders as determined by the opinion of counsel of national reputation experienced in bond or federal securities law unaffiliated with the Issuer but which may be selected by the Issuer, or as determined by another party unaffiliated with the Issuer (permitted under the Rule) but which may be selected by the Issuer.

Section 6. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer 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 Report or Notice of Listed Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or Notice of Listed Event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Listed Event.

Section 7. Default. In the event of a failure of the Issuer to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authorizing Documents, and the sole remedy under this Undertaking in the event of any failure of the Issuer to comply with this Undertaking shall be an action to compel performance.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in satisfying the obligations of the Issuer hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and, to the extent permitted by applicable law, the Issuer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Dissemination Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 2

By \_\_\_\_\_  
Chairperson, District Board

Closing Date: \_\_\_\_\_, 2016

## APPENDIX D

### BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Registrar and Paying Agent for DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Payment of principal of and interest on the Bonds and the redemption price of any Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar and Paying Agent, 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 Bond Registrar and Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none the District, Pulte, Bond Counsel, the Underwriter of counsel to any of them takes no responsibility for the accuracy thereof.

§ \_\_\_\_\_  
**MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2**  
**(FLORENCE, ARIZONA)**  
**GENERAL OBLIGATION BONDS, SERIES 2016**

**PURCHASE CONTRACT**

\_\_\_\_\_, 2016

District Board  
Merrill Ranch Community Facilities District No. 2  
c/o Town of Florence, Arizona  
775 N. Main Street  
Florence, Arizona 85232

Attention: District Manager

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), offers to enter into the following purchase contract (this “Purchase Contract”) with the Merrill Ranch Community Facilities District No. 2 (the “District”), which upon execution by the District shall be binding upon the District and the Underwriter. This offer is made upon the terms and conditions and the basis of the representations, warranties and agreements hereinafter set forth and is subject to acceptance by the District by execution and delivery of this Purchase Contract to the Underwriter on or before 5:00 p.m., Arizona time on the date hereof and, until so accepted, shall be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the District. The acceptance is made by the District signing the signature line provided and delivering the signed page to the Underwriter.

In addition to acceptance of this Purchase Contract by the District, as provided above, the obligations of the Underwriter under this Purchase Contract shall be conditioned on receipt of a fully-executed Indemnity Letter, dated the date hereof (the “Indemnity Letter”), from Pulte Home Corporation, a Michigan corporation (“Pulte”), the form of which is attached hereto as Attachment I.

1. Purchase and Sale.

(a) The Underwriter shall purchase from the District, and the District shall sell to the Underwriter, all (but not less than all) of \$ \_\_\_\_\_ aggregate principal amount of the “Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General Obligation Bonds, Series 2016” (the “Bonds”). The Underwriter has not previously made any final agreement



with the District to purchase the Bonds in an offering within the meaning of the SEC Rule (as such term is hereinafter defined).

(b) The Bonds shall be dated as of the date of the initial delivery thereof, shall be in the aggregate principal amount of \$\_\_\_\_\_, shall mature in the principal amounts on the dates or be redeemable, and shall bear interest at the rates with respect to each of such maturities, in each case as provided in Schedule I attached hereto. Interest on the Bonds shall be payable on January 15 and July 15 of each year, commencing \_\_\_\_\_, 2016, and the Bonds shall have the other terms, all as provided in the resolution adopted by the District Board of the District on \_\_\_\_\_, 2016 (the "Bond Resolution").

(c) The Bonds shall be purchased by the Underwriter for an aggregate purchase price of \$\_\_\_\_\_ (consisting of the aggregate principal amount of the Bonds, plus original issue premium of \$\_\_\_\_\_ and less underwriting compensation of \$\_\_\_\_\_) (such payment and delivery and the other actions contemplated hereby to take place at the time of such payment and delivery of the Bonds herein sometimes called the "Closing" and to be on \_\_\_\_\_, 2016, or on such other date, as well as at a time and place, as may be mutually agreeable to the Underwriter and the District). The Underwriter shall also be reimbursed for its expenses as provided in Section 8. The District hereby expressly acknowledges that such purchase price, if the Bonds are sold to the public at the approximate prices or yields set forth on Schedule I hereto and on the inside cover page of the Final Official Statement (as such term is hereinafter defined), shall result in remuneration to the Underwriter of \$\_\_\_\_\_ which includes the fees and disbursements of Counsel to the Underwriter.

(d) (i) The purchase and sale of the Bonds pursuant to this Purchase Contract is an "arm's-length," commercial transaction between the District and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and proceedings leading up to the consummation of such transaction, the Underwriter is and has been acting for and on behalf of itself, solely as a principal for its own account and is not acting as the agent or fiduciary of the District or as a municipal advisor (with the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters) and the Underwriter has no obligation to the District with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract, (iv) the Underwriter has financial and other interests that differ from those of the District and (v) the District has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

(e) The undersigned, on behalf of the Underwriter, but not individually, hereby represents and warrants:

(i) the Underwriter is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization;

(ii) this Purchase Contract has been duly authorized, executed and delivered by the Underwriter and, assuming the due authorization, execution and delivery by the District, is the legal, valid and binding obligation of the Underwriter enforceable in accordance with its terms, except as the enforceability of this Purchase Contract may be limited by application of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally from time to time in effect and from the application of general principles of equity and from public policy limitations on the exercise of any rights to indemnification and contribution (hereinafter referred to as, collectively, "Creditors' Rights Laws"); and

(iii) the Underwriter is licensed by and registered with the Financial Industry Regulatory Authority as a broker-dealer and the Municipal Securities Rulemaking Board (hereinafter referred to as the "MSRB") as a municipal securities dealer.

(f) (i) By all necessary official action of the District prior to or concurrently with the acceptance hereof, the District has duly authorized and approved the distribution and use by the Underwriter of the Preliminary Official Statement of the District relating to the Bonds, dated \_\_\_\_\_, 2016 (including all appendices thereto, hereinafter referred to as the "Preliminary Official Statement" and, together with the Final Official Statement, hereinafter referred to as, collectively, the "Official Statement"), and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds.

(ii) The District has caused the Preliminary Official Statement to be prepared and hereby deems the Preliminary Official Statement to be "final" for all purposes of Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934, as amended (hereinafter referred to as the "SEC Rule").

## 2. Matters Relating to Official Statement.

(a) (i) WHILE THE UNDERWRITER HAS PARTICIPATED AND WILL PARTICIPATE WITH THE DISTRICT IN THE PREPARATION AND ASSEMBLAGE OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT, RESPECTIVELY, THE DISTRICT IS PRIMARILY RESPONSIBLE FOR THE CONTENT OF THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT and (ii) as of the date thereof, and at the time of the acceptance by the District of this Purchase Contract, the Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(b) The District shall provide to the Underwriter copies of the Official Statement in sufficient quantity to comply with the SEC Rule and the Rules of the MSRB, particularly with respect to the Final Official Statement, within seven (7) business days after the date of this Purchase Contract.

(c) The District authorizes the Underwriter to file, to the extent required by applicable Securities and Exchange Commission (hereinafter referred to as the "SEC") or

MSRB rule, and the Underwriter agrees to file or cause to be filed, the Official Statement with (i) the MSRB or its designee (including submission to the MSRB's Electronic Municipal Market Access system ("EMMA")) or (ii) other repositories approved from time to time by the SEC (either in addition to or in lieu of the filings referred to above). If an amended Official Statement is prepared in accordance with Section 3(g) during the "primary offering disclosure period" (as defined in MSRB Rule G-32) and if required by applicable SEC or MSRB rule, the Underwriter also shall make the required submission of the amended Official Statement to EMMA.

(d) The Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the District and the Underwriter.

(e) During the period ending on the 25th day after the End of the Underwriting Period (as such term is hereinafter defined) or such other period as may be agreed to by the District and the Underwriter, the District (i) shall not supplement or amend the Final Official Statement or cause the Final Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the District, that is reasonably likely to cause the Final Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter or the District, such event requires the preparation and distribution of a supplement or amendment to the Final Official Statement, the District shall prepare and furnish to the Underwriter, at the District's expense, such number of copies of the supplement or amendment to the Final Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the date of the Closing, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Final Official Statement.

(f) For purposes of this Purchase Contract, the "End of the Underwriting Period" is used as defined in the SEC Rule and shall occur on the later of (i) the date of the Closing or (ii) when the Underwriter no longer retains an unsold balance of the Bonds; unless otherwise advised in writing by the Underwriter on or prior to the date of the Closing, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the date of the Closing.

(g) The Underwriter shall provide to the District such information relating to the Bonds which is not within the scope of knowledge of the District (including, but not limited to, the selling compensation of the Underwriter, offering price(s), interest rate(s), delivery date and other terms of the Bonds dependent upon such matters). The Final Official Statement shall be substantially in the form of the Preliminary Official Statement with only such changes therein as shall be necessary to conform to the terms of this Purchase Contract and with such other changes and amendments to the date thereof as have been accepted by the Underwriter. The execution and delivery of the Final Official Statement shall evidence the determination by the District that the Final Official Statement is "final" for all purposes of the SEC Rule.

(h) The Bonds shall be as described in the Official Statement, and the District authorizes the use of the Official Statement in connection with the distribution and sale of the Bonds.

3. Public Offering.

(a) The Underwriter intends to make an initial bona fide public offering of all of the Bonds at not in excess of the public offering prices (or not less than the yields) set forth on Schedule I hereto and on the inside cover page of the Final Official Statement of the District relating to the Bonds, dated even date herewith (including all appendices thereto, hereinafter referred to as the “Final Official Statement”) and may subsequently change such offering prices (or yields). The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices (or higher than the yields) set forth on Schedule I hereto and on the inside cover page of the Final Official Statement. The Underwriter also reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such stabilizing, if commenced, at any time.

(b) The Underwriter will furnish to the District a certificate in a form acceptable to Bond Counsel and in substantially the form of Exhibit E hereto, stating that a bona fide public offering of the Bonds has been made and setting forth the offering prices or yields at which a substantial amount of the Bonds of each maturity is reasonably expected to be sold to the public (excluding bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers) as of the date hereof.

4. Representations and Warranties of the District. The undersigned on behalf of the District, but not individually, hereby represents and warrants that:

(a) the District is a community facilities district duly organized and validly existing pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the “Act”);

(b) the Board of the District (A) has duly adopted the Bond Resolution; (B) has authorized the Chairperson of the Board of the District to approve and execute the Final Official Statement on behalf of the District; (C) has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations contained in, the Bonds, a written undertaking by the District to provide ongoing disclosure for the benefit of certain owners of the Bonds as required under paragraph (b)(5) of the SEC Rule, in form and substance satisfactory to the Underwriter and Counsel to the Underwriter which shall be substantially in the form set forth in the Preliminary Official Statement, with such changes as may be agreed in writing by the Underwriter (hereinafter referred to as the “Continuing Disclosure Undertaking”), a bond registrar, transfer agent and paying agent contract with respect to the Bonds (hereinafter referred to as the “Bond Registrar Agreement”) by and between the District and \_\_\_\_\_, as such agent (hereinafter referred to as the “Paying Agent”), the Letter of Representations previously executed by the District (the “DTC Letter”) to The Depository Trust Company (“DTC”), a Dissemination Agency Agreement (the “Agency Agreement” and, together with this Purchase Contract, the Bond Registrar Agreement and the Undertaking, the “District Documents”) and this Purchase Contract, and (D) has duly authorized and approved the performance of the

obligations of the District contained in the Bond Resolution and the consummation of all other transactions contemplated by the District Documents and the Preliminary Official Statement;

(c) the District is not in material breach of or in material default under any applicable constitutional provision, material law or administrative regulation of the State or the United States of America (the “United States”) or any applicable judgment or decree or any loan agreement, note, resolution, agreement or other instrument material to its existence, operation or ability to meet its obligations as they come due to which the District is a party or to which it is otherwise subject or to which any of its property is otherwise subject because such property is property of the District;

(d) the District is, and at the Closing shall, to the extent possible, be or shall thereafter cause itself to be, in compliance in all material respects with the Bond Resolution and this Purchase Contract;

(e) the District has, and at the date of the Closing will have, full legal right, power and authority under the Bond Resolution and the Act (A) to enter into the District Documents, (B) to cause the Board of the District to adopt the Bond Resolution, (C) to deliver the Bonds to the Underwriter pursuant to the Bond Resolution as provided herein and (D) to carry out and consummate the transactions contemplated on its part by the Bond Resolution, the District Documents and the Official Statement, including the payment or reimbursement of incidental expenses in connection with the marketing, issuance and delivery of the Bonds pursuant to Section 8 hereof;

(f) the District has made all required filings with, and has obtained all approvals, consents and orders of, any governmental authority, board, agency or commission having jurisdiction (including the Arizona Department of Revenue and the Arizona State Treasurer’s Office, as applicable, with respect to the requirements of Section 35-501(B), Arizona Revised Statutes) which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the District of the obligations of the District pursuant to this Purchase Contract and pursuant to the Bonds, the other District Documents and the Bond Resolution;

(g) the Bonds, the Bond Resolution, and the District Documents shall conform to the descriptions thereof to be contained in the Official Statement;

(h) the Bonds, when issued, executed, authenticated and delivered in accordance with the Bond Resolution and sold to the Underwriter as provided herein, shall be validly issued and outstanding ad valorem tax obligations of the District, entitled to the benefits of the Constitution and laws of the State, and the Bond Resolution, and all actions necessary to create a legal, valid and binding levy on all of the taxable property in the District of a direct, annual, ad valorem tax, unlimited as to amount or rate, sufficient to pay all the principal of and interest on the Bonds as the same become due, shall have been or shall be taken to the extent such action may be taken at or prior to the Closing;

(i) the execution and delivery of the Bonds, the Bond Resolution, the District Documents, and the compliance with the provisions of each, shall not conflict with or

constitute a material breach of or default pursuant to any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the District is a party or to which the District is otherwise subject or to which any of the property of the District is otherwise subject because such property is property of the District;

(j) this Purchase Contract constitutes a legal, valid and binding obligation of the District enforceable in accordance with its terms; the other District Documents, when duly executed and delivered, will constitute the legal, valid and binding obligations of the District, enforceable in accordance with their respective terms; and the Bonds, when issued, authenticated and delivered in accordance with the Bond Resolution and sold to the Underwriter as provided herein, will be the legal, valid and binding obligations of the District enforceable in accordance with their terms; in all cases, except as the enforceability of this Purchase Contract and the other District Documents and the Bonds may be limited by Creditors' Rights Laws;

(k) except as otherwise described in the Official Statement, there is neither any action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body, pending, nor is there any basis therefor, (A) in any way affecting the powers of the District, the existence of the District or the title to office of any of the officials of the District, (B) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds, or the collection of the taxes levied or to be levied to pay the principal of and interest on the Bonds or the levy thereof, (C) in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution or the District Documents, (D) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement, (E) contesting the power of the District or the authority of the District with respect to the Bonds, the Bond Resolution or the District Documents, (F) questioning the status of the exclusion of interest on the Bonds from gross income for federal income taxation, or (G) wherein an unfavorable decision, ruling or finding would materially adversely affect the financial position or condition of the District or would result in any material adverse change in the ability of the District to pay debt service on the Bonds;

(l) except as otherwise disclosed in the Official Statement, the District has been during the previous five years and is currently in compliance with continuing disclosure undertakings which the District has entered into pursuant to paragraph (b)(5) of the SEC Rule, if any; and

(m) the financial statements of the District contained in the Official Statement fairly present the financial position and results of operations of the District as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles as applied to municipal corporations, and, since the date thereof, there has been no material adverse change in the financial position or results of operations of the District not otherwise disclosed in the Official Statement.

5. The District hereby agrees with the Underwriter that:

(a) unless the Final Official Statement is amended or supplemented pursuant to Section 3(g) hereof, at the time of the acceptance by the District of this Purchase Contract and at all times subsequent thereto, up to and including the End of the Underwriting

Period, the Final Official Statement (including the financial and statistical data included therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(b) if the Final Official Statement is amended or supplemented pursuant to Section 3(g) hereof, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the date of the End of the Underwriting Period (unless the Final Official Statement is further amended or supplemented pursuant to subparagraph (iv) of this subparagraph), the Final Official Statement as so supplemented or amended (including the financial and statistical data provided or reviewed by the District included therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(c) between the date of this Purchase Contract and the Closing, the District shall not issue any bonds, notes or other obligations for borrowed money payable from the same source of payment as the Bonds pursuant to the Bond Resolution, and subsequent to the respective dates as of which information is given in the Official Statement up to and including the Closing, the District has not incurred and will not incur any material liabilities, except those liabilities arising in the normal course of business or incurred with the consent of the Underwriter; and

(d) the District shall furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may reasonably designate; provided, however, that the District shall not incur any additional expense with respect to such actions and further that the District shall not be required to subject itself or any of its agents or employees to service of process outside the State through or in connection with any of the foregoing.

(e) The District shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exclusion from gross income for federal income tax purposes, or the exemption from any applicable state tax, of the interest on the Bonds.

6. Closing. At the Closing, the District shall cause the Bonds to be delivered to the Underwriter in definitive form, registered in the name of Cede & Co., as nominee of DTC pursuant to the DTC Letter, bearing CUSIP numbers (provided, however, that lack of such CUSIP numbers shall not relieve the Underwriter from its obligation under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds), duly executed and authenticated, together with the other documents hereinafter mentioned and subject to the terms and conditions of this Purchase Contract. The Underwriter shall accept such delivery and pay the purchase price for the Bonds as set forth in Paragraph 1 of this Purchase Contract in immediately available federal funds. Delivery and payment as aforesaid shall be made at DTC or, in the case of a “Fast Automated Securities Transfer,” with the Paying Agent through DTC, or at such other place as may have been mutually agreed upon by the District and the Underwriter.

7. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the District contained in this Purchase Contract and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the District of the obligations of the District pursuant to this Purchase Contract at or prior to the date of the Closing. Accordingly, the obligation of the Underwriter pursuant to this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds is subject to the performance by the District of the obligations of the District to be performed pursuant to this Purchase Contract and pursuant to such aforesaid documents and instruments at or prior to the Closing and is also subject to the fulfillment to the reasonable satisfaction of the Underwriter of the following conditions, that:

(a) the representations, warranties and agreements of the District contained in this Purchase Contract shall be true, complete and correct on the date of this Purchase Contract and on and as of the date of the Closing, as if made on the date of Closing;

(b) at the time of the Closing, the Bond Resolution and the District Documents shall be in full force and effect and shall not have been amended, modified or supplemented, and the Final Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter;

(c) at the time of the Closing, the District shall have adopted and there shall be in full force and effect such resolutions as in the opinion of Bond Counsel and the Underwriter shall be necessary in connection with the transactions contemplated by this Purchase Contract, and all necessary action of the District relating to the issuance of the Bonds shall have been taken, shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter;

(d) the Underwriter may terminate the obligations of the Underwriter pursuant to this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the District of the election of the Underwriter to do so if at any time after the execution of this Purchase Contract and at or prior to the Closing, in the Underwriter's sole and reasonable judgment, any of the following events shall occur (each hereinafter referred to as a "Termination Event"):

(i) the market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall be materially adversely affected by any of the following events:

(1) legislation shall have been enacted by the Congress of the United States or the legislature of the State or shall have been favorably reported out of committee of either body or be pending in committee of either body, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation or temporary regulation, release or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other



federal or state authority with appropriate jurisdiction, with respect to federal or state taxation upon interest received on obligations of the general character of the Bonds; provided that, this paragraph (A)(I) shall not apply if the Bonds are being issued as taxable bonds; or

(2) there shall have occurred (a) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war, (b) any other calamity or crisis in the financial markets of the United States or elsewhere, (c) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations, or (d) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or other political subdivision located in the United States having a population of over 500,000; or

(3) a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction; or

(4) legislation shall have been enacted by the Congress of the United States or shall have been favorably reported out of committee or be pending in committee, or shall have been recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the SEC or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that any obligations of the general character of the Bonds or the Bond Resolution, or any comparable securities of the District, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended, or the Trust Indenture Act of 1939, as amended, or otherwise, or would be in violation of any provision of the federal securities laws; or

(5) except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the District shall have occurred; or

(6) any rating on (1) general obligation bonds of the District or [(2) bonds insured by the Insurer is reduced or withdrawn or placed on credit watch with negative outlook by any major credit rating agency]; or

(ii) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Final Official Statement (other than any statement provided by the Underwriter) or is not reflected in the Final Official Statement but should be reflected therein in order to make the statements therein, in the

light of the circumstances under which they were made, not misleading and, in either such event, the District refuses to permit the Final Official Statement to be supplemented to supply such statement or information, or the effect of the Final Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(iii) a general banking moratorium shall have been declared by federal or State authorities having jurisdiction and be in force; or

(iv) a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(v) any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order; or

(vi) a decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Purchase Contract or by the Final Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the date of the Closing, including the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and the Trust Indenture Act of 1939, as amended; or

Upon the occurrence of a Termination Event and the termination of this Purchase Contract by the Underwriter, all obligations of the District and the Underwriter under this Purchase Contract shall terminate, without further liability, except that the District and the Underwriter shall pay their respective expenses as set forth in Section 8(c) hereof.

(e) At or prior to the Closing, the Underwriter shall receive two copies of the transcript of all proceedings of the District relating to the authorization and issuance of the Bonds, certified, as necessary, by appropriate officials of the District, including, but not limited to, the following opinions, letter, certificate and other documents:

(1) An unqualified approving opinion of Greenberg Traurig, LLP (“Bond Counsel”), as to the Bonds, dated the date of the Closing, addressed to the District and in substantially the form included in the Official Statement;

(2) The supplemental opinion of Bond Counsel, dated the date of the Closing, addressed to the Underwriter and substantially in the form attached hereto as Exhibit A;

(3) Opinion of Berens, Kozub, Kloberdanz & Blonstein, PLC, as counsel to Pulte, dated the date of the Closing, addressed to the Underwriter and the District and in substantially the form attached hereto as Exhibit B;

(4) An opinion of Squire Patton Boggs (US) LLP, counsel to the Underwriter, dated the date of the Closing, addressed to the Underwriter and in substantially the form attached hereto as Exhibit C;

(5) A certificate or certificates from Pulte, dated the date of the Closing, signed by authorized officials of Pulte and in substantially the form attached hereto as Exhibit D;

(6) A certificate or certificates of the District, dated the date of the Closing, signed by an authorized official of the District and in form and substance satisfactory to Bond Counsel and counsel to the Underwriter, in which such official, to the best of his knowledge, information and belief, states:

(i) That the representations, warranties and covenants contained herein are true and correct in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing;

(ii) That, except as described in the Official Statement, no litigation is pending or threatened before any judicial, quasi-judicial or administrative forum (A) to restrain or enjoin the issuance or delivery of the Bonds, the application of the proceeds thereof or the performance by the District of the provisions of the District Documents or the levy and receipt of ad valorem property taxes for payment of the Bonds, (B) in any way contesting or affecting the authority for, or the validity of, this Purchase Contract or the application of the proceeds of the Bonds, or (C) in any way contesting the existence or powers of the District;

(iii) That no authority or proceedings for the issuance of the Bonds has been repealed, revoked or rescinded and no petition or petitions to revoke or alter the authorization to issue the Bonds has been filed with or received by any of the signers;

(iv) That the District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to, and to the extent possible before, the Closing with respect to issuance of the Bonds; and

(v) That the Official Statement is true, correct and complete in all material respects and does not include any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which such statements were made, not misleading and no event affecting the District has occurred since the date of the Official Statement that should be disclosed in the Official

Statement that it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect;

- (7) A specimen of the Bonds;
- (8) A certified copy of the Bond Resolution;
- (9) A counterpart original of the Official Statement, manually executed on behalf of the District by the Chairperson of the district board of the District;
- (10) A certificate of the District, in form and substance satisfactory to Bond Counsel, setting forth facts, estimates and circumstances in existence on the date of the Closing which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code and any applicable regulations whether final, temporary or proposed), issued pursuant to the Code;
- (11) The filing copy of the Information Return Form 8038-G (IRS) for the Bonds and of the Report Relating to Bond and Security Issuance of the Arizona Department of Revenue for the Bonds;
- (12) Evidence that the Bonds have been assigned a rating of "\_\_\_\_" by Standard & Poor's Financial Services LLC (the "Rating");
- (13) An executed copy of each of the District Documents; and
- (14) Such additional opinions, letters, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably deem necessary to satisfy conditions to the issuance of the Bonds required by the Bond Resolution, to evidence the truth and accuracy as of the Closing, or prior to such time, of the representations, warranties and covenants of the District and Pulte, and the due performance or satisfaction by the District and Pulte, of all agreements then to be performed and all conditions then to be satisfied by each of them.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter and counsel to the Underwriter; provided, however, that acceptance by the Underwriter of the Bonds shall be deemed by the Underwriter to be satisfaction of the foregoing.

If the District shall be unable to satisfy the conditions contained in this Purchase Contract or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract (except the warranties and representations of the District herein) shall terminate and neither the Underwriter nor the District shall be under further obligation hereunder, except as further set forth in Section 8 hereof. However, the Underwriter

may, in its sole discretion, waive one or more of the conditions imposed by this Purchase Contract and proceed with the Closing.

8. Expenses.

(a) The District shall pay or cause to be paid from the proceeds of the sale of the Bonds the expenses incident to the performance of its obligations hereunder, including but not limited to:

(1) the cost of printing, engraving or typewriting and mailing or delivering the definitive Bonds and the Preliminary Official Statement, the Official Statement, the Bond Resolution and the District Documents in reasonable quantities and all other documents (other than as set forth in the next succeeding paragraph) prepared in connection with the transactions contemplated hereby;

(2) the fees and disbursements of the Bond Registrar in connection with the issuance of the Bonds;

(3) the fees and disbursements of Bond Counsel, counsel to the Underwriter and counsel to the District;

(4) the fees and expenses incurred for the Rating;

(5) the fees and disbursements of any other experts or consultants retained by the District in connection with the transactions contemplated hereby, including but not limited to, the financial consultant to the District; and

(6) reasonable miscellaneous, normally occurring, "out-of-pocket" expenses including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs incurred by the Underwriter in connection with the issuance and sale of the Bonds.

The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

(b) The Underwriter shall pay:

(1) all advertising expenses in connection with the public offering of the Bonds; and

(2) all other expenses incurred by it in connection with their public offering and distribution of the Bonds, except the fees and disbursements of counsel to the Underwriter and the other expenses provided for in the immediately preceding paragraph.

(c) If this Purchase Contract shall be terminated by the Underwriter because of any failure or refusal on the part of the District to comply with the terms or to fulfill any

of the conditions of this Purchase Contract, or if for any reason the District shall be unable to perform its obligations under this Purchase Contract, the District will reimburse the Underwriter for all "out-of-pocket" expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Purchase Contract or the offering contemplated hereunder.

9. Notice. Any notice or other communication to be given to the District pursuant to this Purchase Contract may be given by delivering the same in writing to the address set forth on the first page of this Purchase Contract, and any notice or other communication to be given to the Underwriter pursuant to this Purchase Contract may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, 2325 E. Camelback Road, Suite 750, Phoenix, Arizona 85016, Attention: Mr. Mark Reader, Managing Director.

10. Notice Concerning Cancellation of Contracts. As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the State, its political subdivisions (including the District) or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions, or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This section is not intended to expand or enlarge the rights of the District hereunder except as required by such Section. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section that would adversely affect the enforceability of this Purchase Contract and covenants that it shall take no action that would result in a violation of such Section.

11. Miscellaneous.

(a) Entire Agreement. When executed by the District, this Purchase Contract shall constitute the entire agreement between the District and the Underwriter and is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof. All the representations, warranties and agreements by the District in this Purchase Contract shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Underwriter, (ii) delivery of any payment for the Bonds hereunder, and (iii) any termination of this Purchase Contract.

(b) No Recourse. No recourse shall be had for any claim based on this Purchase Contract or any resolution, certificate, document or instrument delivered pursuant hereto

against any member, officer or employee, past, present or future, of the District or of any successor body, either directly or through the District or any such successor body.

(c) Execution in Counterparts; Section Headings. This Purchase Contract may be executed in any number of counterparts, all of which, taken together, shall be one and the same instrument, and any parties hereto may execute this Purchase Contract by signing any such counterpart. Section headings have been inserted in this Purchase Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Purchase Contract and will not be used in the interpretation of any provisions of this Purchase Contract.

(d) Severability. The invalidity or unenforceability of any provision hereof as to any one or more jurisdictions shall not affect the validity or enforceability of the balance of this Purchase Contract as to such jurisdiction or jurisdictions or affect in any way such validity or enforceability as to any other jurisdiction. If any provision of this Purchase Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Contract invalid, inoperative or unenforceable to any extent whatever.

(e) Waiver or Modification. No waiver or modification of any one or more of the terms and conditions of this Purchase Contract shall be valid unless in writing and signed by the party or parties making such waiver or agreeing to such modification.

(f) State Law Governs. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State.

(g) The electronic signature of a party to this Purchase Contract shall be as valid as an original signature of such party and shall be effective to bind such party to this Purchase Contract. For purposes hereof: (i) “electronic signature” means a manually signed original signature that is then transmitted by electronic means; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (pdf) or other replicating image attached to an electronic mail or internet message

[Remainder of page left blank intentionally]

(h) Effectiveness. This Purchase Contract shall become effective upon the acceptance hereof by the District and shall be valid and enforceable at the time of such acceptance.

**STIFEL, NICOLAUS & COMPANY,  
INCORPORATED, as Underwriter**

By: \_\_\_\_\_  
Authorized Officer

Accepted and agreed to as of the date first written  
above:

**MERRILL RANCH COMMUNITY  
FACILITIES DISTRICT NO. 2**

By: \_\_\_\_\_  
Brent Billingsley  
District Manager

ATTEST:

\_\_\_\_\_  
Lisa Garcia, District Clerk

[Signature page to Purchase Contract]



**SCHEDULE I**

<u>Maturity</u> (July 15)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
	\$	%	%

\*Yield calculated to the redemption date.

Optional Redemption. The Bonds maturing on and after July 15, \_\_\_\_ will be subject to redemption at the option of the District in whole or in part on July 15, \_\_\_\_ or any date thereafter by the payment of a redemption price equal to the principal amount of the Bonds redeemed plus interest accrued to the date fixed for redemption, but without premium.

Mandatory Redemption. The Bonds maturing on July 15, \_\_\_\_, July 15, \_\_\_\_, July 15, \_\_\_\_, July 15, \_\_\_\_ and July 15, \_\_\_\_ are subject to mandatory redemption on the following dates and in the amounts set forth below by payment of the principal amount of the Bonds so redeemed plus interest accrued to the date fixed for redemption, but without premium:

Term Bond Maturing July 15, \_\_\_\_

<u>Year Redeemed</u>	<u>Principal Amount Redeemed</u>
	\$

\_\_\_\_\_  
\*maturity

Term Bond Maturing July 15, \_\_\_\_\_

<u>Year Redeemed</u>	<u>Principal Amount Redeemed</u>
	\$

---

\*maturity

Term Bond Maturing July 15, \_\_\_\_\_

<u>Year Redeemed</u>	<u>Principal Amount Redeemed</u>
	\$

---

\*maturity

Term Bond Maturing July 15, \_\_\_\_\_

<u>Year Redeemed</u>	<u>Principal Amount Redeemed</u>
	\$

---

\*maturity

Term Bond Maturing July 15, \_\_\_\_\_

<u>Year Redeemed</u>	<u>Principal Amount Redeemed</u>
	\$

---

\*maturity

**ATTACHMENT I**  
**INDEMNITY LETTER**

\_\_\_\_\_, 2016

Stifel, Nicolaus & Company, Incorporated,  
as Underwriter  
2325 E. Camelback Road, Suite 750  
Phoenix, Arizona 85016

Merrill Ranch Community Facilities District No. 2  
c/o Town of Florence, Arizona  
775 N. Main Street  
Florence, Arizona 85232

Re: Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General  
Obligation Bonds, Series 2016

This Indemnity Letter is delivered by Pulte Home Corporation, a Michigan corporation (“Pulte”), in order to induce Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) and Merrill Ranch Community Facilities District No. 2 (the “District”) to enter into the Purchase Contract, dated this date (the “Purchase Contract”), related to the purchase by the Underwriter of the captioned bonds (the “Bonds”). Terms that are defined in the Purchase Contract have the meanings ascribed to them therein when used herein.

1. In consideration of the execution and delivery of the Purchase Contract, Pulte represents and warrants to the Underwriter and the District that:

(a) Pulte is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan and is qualified to transact business in the State of Arizona.

(b) As of the date of the Preliminary Official Statement, the information pertaining to Pulte in the Preliminary Official Statement under the headings “MAP SHOWING LOCATION OF DISTRICT IN CONTEXT OF SURROUNDING AREA,” “ANTHEM,” “PULTE” and “RISK FACTORS” was, and on the date hereof is, true and correct in all material respects for the purposes for which its use was and is authorized, and such information did not and does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein in light of the circumstances under which they are or were made, not misleading.

(c) The execution and delivery of this Indemnity Letter and the District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 2), dated as of November 1, 2005, by and among the Town of Florence, the District and Pulte, and as amended by a First Amendment and Waivers (Assessment Area One), dated as of February 1, 2006, a Second Amendment and Waivers (Assessment Area Two) dated as of April 1, 2008, a Third Amendment and Waivers (Assessment Area Three) dated as of November 1, 2008, a Fourth Amendment and Waivers (Assessment Area Four) dated as of February 1, 2010, a Fifth Amendment and Waivers (Assessment Area Five) dated as of May 1, 2013 and a Sixth Amendment and Waivers (Assessment Area Six) dated as of November 1, 2015, all by and between the District and the Pulte (collectively, hereinafter referred to as the “Documents”), have been duly authorized and delivered and Pulte has the full power and authority to perform its obligations thereunder and engage in the transactions contemplated by the Documents, and the Documents when executed by all applicable parties thereto will constitute valid, binding and enforceable obligations of Pulte except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors’ rights and/or by general principles of equity and except as the indemnification provisions hereof may be limited by applicable securities laws or public policy.

(d) There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the best knowledge of Pulte, threatened against Pulte wherein an adverse decision, ruling or finding would materially adversely affect the transactions contemplated by the Documents or adversely affect the validity or enforceability of the Documents.

(e) No consent, approval, authorization or other action by any governmental or regulatory authority pertaining to Pulte that has not been obtained is or will be required for the consummation of the transactions contemplated by the Documents, other than the permits and licenses for construction of the Project (as defined in the Official Statement) contemplated by the Development Agreement referred to in paragraph (c) above, which have not yet been issued.

2. To the extent permitted by law, Pulte shall indemnify and hold harmless the Underwriter and the District and each director, trustee, partner, member, officer, official or employee thereof and each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended (the “Securities Act”) (any such person being herein sometimes called an “Indemnified Party”), for, from and against any and all losses, claims, damages or liabilities, joint or several, (i) to which any such Indemnified Party may become subject, under any statute or regulation at law or in equity or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact set forth in the sections identified in Section 1(b) above in the Official Statement or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such section(s) or that is necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading in any material respect, except such indemnification shall not extend to any other statements in the Official Statement and (ii) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission

or alleged omission if such settlement is effected with the written consent of Pulte (which consent shall not be unreasonably withheld).

An Indemnified Party shall, promptly after the receipt of notice of a written threat of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against Pulte, notify Pulte in writing of the commencement thereof. Failure of the Indemnified Party to give such notice will reduce the liability of Pulte by the amount of damages attributable to the failure of the Indemnified Party to give such notice to Pulte but the omission to notify Pulte of any such action shall not relieve Pulte from any liability that it may have to such Indemnified Party otherwise than under this Section. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify Pulte of the commencement thereof, Pulte may, or if so requested by such Indemnified Party shall, participate therein or assume the defenses thereof, with counsel satisfactory to such Indemnified Party and Pulte (it being understood that, except as hereinafter provided, Pulte shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from Pulte to such Indemnified Party of an election so to assume the defenses thereof, Pulte will not be liable to such Indemnified Party under this Section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that unless and until Pulte assumes the defense of any such action at the request of such Indemnified Party, Pulte shall have the right to participate at its own expense in the defense of any such action. If within a reasonable time after receipt of notice of any such action Pulte shall not have employed counsel to have charge of the defense of any such action or if an Indemnified Party shall have reasonably concluded (and shall have notified Pulte) that there may be defenses available to it and/or other Indemnified Parties that are different from or additional to those available to Pulte (in which case Pulte shall not have the right to direct the defense of such action on behalf of such Indemnified Party) or to other Indemnified Parties, reasonable legal and other necessary expenses, including the expense of separate counsel, incurred by such Indemnified Party shall be borne by Pulte.

3. All of the representations, warranties, and agreements of Pulte contained in the Documents shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Underwriter, any controlling person referred to in paragraph 2 hereof or Pulte or (ii) delivery of and payment for the Bonds.

4. This letter is solely for the benefit of the Underwriter, the District and their successors or assigns, and, to the extent provided in paragraph 2 hereof, each Indemnified Party, and no other person shall acquire or have any right under or by virtue hereof. The terms “successors” and “assigns” as used in this letter shall not include any purchaser, as such purchaser, from the Underwriter of the Bonds.

5. This letter shall be governed by the laws of the State of Arizona.

6. Pulte shall pay all costs and expenses of its counsel with respect to the issuance and delivery of the Bonds.

7. Pulte consents to the references to Pulte in the Official Statement.

Respectfully submitted,

PULTE HOME CORPORATION,  
a Michigan corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

[LETTERHEAD OF GREENBERG TRAURIG LLP]

\_\_\_\_\_, 2016

Stifel, Nicolaus & Company, Incorporated  
2325 East Camelback Road, Suite 750  
Phoenix, Arizona 85016

Re: Merrill Ranch Community Facilities District No. 2 (Florence, Arizona)  
General Obligation Bonds, Series 2016

We have acted as Bond Counsel in connection with the issuance by Merrill Ranch Community Facilities District No. 2 (hereinafter referred to as the "Issuer") this date of bonds designated "General Obligation Bonds, Series 2016," in the aggregate principal amount of \$ \_\_\_\_\_ (hereinafter referred to as the "Bonds"). (You may rely on our approving opinion rendered as such counsel as if it were addressed to you.) The Bonds are subject of an Official Statement, dated \_\_\_\_\_, 2016 (hereinafter referred to as the "Official Statement"), and are being sold pursuant to a Purchase Contract, dated \_\_\_\_\_, 2016 (hereinafter referred to as the "Purchase Contract"), by and between the Issuer and Stifel, Nicolaus & Company, Incorporated (hereinafter referred to as the "Purchaser"), in each case in accordance with a resolution authorizing the issuance of, and certain other matters related to, the Bonds adopted by the District Board of the Issuer on \_\_\_\_\_, 2016 (hereinafter referred to as the "Resolution").

In our capacity as Bond Counsel, we have examined and, and in rendering the opinions herein have relied upon:

- (i) An executed copy of the Official Statement;
- (ii) An executed copy of the Purchase Contract;
- (iii) A certified copy of the Resolution (which authorized, among other matters, execution and delivery of the Purchase Contract);
- (iv) An executed copy of a Series 2016 Bond Registrar and Paying Agent Agreement, dated as of \_\_\_\_\_, 2016 (hereinafter referred to as the "Bond Registrar Agreement"), by and between the Issuer and \_\_\_\_\_, as bond registrar and paying agent;

(v) An executed copy of a Series 2016 Continuing Disclosure Undertaking, dated even date herewith (hereinafter referred to as the "Undertaking" and with the Purchase Contract and the Bond Registrar Agreement, hereinafter referred to as the "District Documents"), from the Issuer;

(vi) Such other agreements, certificates (including particularly, but not by way of limitation, certificates of the Issuer, the Purchaser and Pulte Home Corporation, dated of even date herewith), opinions (including particularly, but not by way of limitation, opinions of Counsel to Pulte Home Corporation and Counsel to the Purchaser, each dated of even date herewith), letters and other documents, including documents delivered or distributed with respect to the original issuance and delivery of the Bonds, as we have deemed necessary or appropriate in rendering the opinions set forth herein and

(vii) Such provisions of the Constitution and laws of the State of Arizona and the United States of America as we deemed necessary to enable us to render the opinions set forth herein.

In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents and the accuracy of the statements contained in such certificates. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents and other matters. In connection with our representation of the Issuer in the capacities described above, we have also participated in conferences from time to time with representatives of, and counsel to, Pulte Home Corporation and the Purchaser relating to the District Documents and the Official Statement.

We are of the opinion, based upon such examination and subject to the reliances, assumptions and exceptions hereinabove and hereinafter set forth, that, under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Issuer is duly organized and validly existing as a community facilities district pursuant to the Constitution and laws of the State of Arizona and has all requisite power and authority thereunder (a) to adopt the Resolution, (b) to authorize, execute, deliver and issue, as applicable, the District Documents and the Bonds, (c) to approve, execute and authorize the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement, dated \_\_\_\_\_, 2016 (hereinafter referred to as the "Preliminary Official Statement"), with respect to the Bonds) and (d) to carry out and consummate the transactions contemplated by the Official Statement, the Resolution, the District Documents and the Bonds (including performing the applicable obligations thereunder).

2. To our actual knowledge, adoption of the Resolution; authorization, execution, delivery and issuance, as applicable, of, and the due performance of the obligations of the Issuer under, the District Documents and the Bonds and the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) by the Issuer under the circumstances contemplated thereby do



not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or of any existing law, ordinance, administration regulation, court order or consent decree to which the Issuer is subject.

3. To our actual knowledge, no consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Bonds), is required in connection with the adoption by the Issuer of the Resolution or the authorization, execution, delivery, issuance and performance, as applicable, by the Issuer of the District Documents and the Bonds and the consummation of the transactions contemplated by the Official Statement.

4. The Issuer has duly (a) adopted the Resolution and (b) authorized (i) the authorization, execution, delivery and issuance, as applicable of, and the performance of its obligations under, the District Documents and the Bonds and (ii) the taking of the actions required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated by the Official Statement, the Resolution, the District Documents and the Bonds. The Issuer has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the aforesaid documents.

5. The District Documents have been duly authorized, executed and delivered by the Issuer and, in the case of the Purchase Contract and the Bond Registrar Agreement, assuming due and valid authorization, execution and delivery by, and enforceability against, the other party or parties thereto, and, in the case of the Undertaking, subject to annual appropriation to cover the costs of compliance therewith, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms.

6. Based solely upon a search of the computerized docket records available for review on \_\_\_\_\_, 2016, in the office of the Pinal County Superior Court and U.S. District Court, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, agency, public board or body, pending or overtly threatened against or affecting the Issuer, and there is no basis therefor, (i) which in any way questions the powers of the Issuer referred hereinabove or the validity of the proceedings by the Issuer in connection with the issuance and sale of the Bonds, (ii) wherein an unfavorable decision, ruling or finding would adversely affect the transaction contemplated by the Official Statement, the Resolution, the District Documents or the Bonds or would in any way adversely affect the validity or enforceability of the Resolution, the District Documents or the Bonds (or of any other instrument required or contemplated for use in consummating the transactions contemplated thereby or by the Official Statement), (iii) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or (iv) which questions the right of the Issuer to levy, receive and pledge special assessments or taxes, nor lawsuits pending or overtly threatened against the Issuer which, if decided adversely to the Issuer, would, individually or in the aggregate, have a material adverse effect on the financial condition of the Issuer or impair the ability of the Issuer to comply with all the requirements set forth in the Official Statement, the Resolution, the District Documents or the Bonds.

7. The information contained in the Official Statement in the tax caption on cover thereof, under the headings "THE BONDS" (except the information incorporated by reference to other headings or the appendices not otherwise included hereinbelow as to which we express no opinion), "QUALIFIED TAX-EXEMPT OBLIGATIONS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" (except the information incorporated by reference to other headings or the appendices not otherwise included hereinbelow as to which we express no opinion), "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS Additional General Obligation Bonded Indebtedness of the District," "TAX MATTERS," "CONTINUING DISCLOSURE" (except the compliance by the District with any undertaking) and "RELATIONSHIP AMONG PARTIES" (only as it relates to Bond Counsel) therein and in Appendix B "FORM OF LEGAL OPINION OF BOND COUNSEL" and in Appendix C "FORM OF SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING" thereto insofar as such information purports to summarize certain provisions of federal or state law or of the Bonds, fairly summarizes the information which it purports to summarize. Otherwise, we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information.

8. It is not necessary in connection with the issuance and sale of the Bonds to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution under the Trust Indenture Act of 1939, as amended, or the laws of the State of Arizona.

Our opinions expressed in paragraph 5 hereinabove are qualified to the extent that the enforceability of the District Documents is dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the District Documents by the other party or parties thereto and to the extent that the enforceability of the District Documents may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in accordance with general principles of equity, including possible refusal by a particular court to grant certain equitable remedies such as specific performance with respect to the enforcement of any provision of such documents. We express no opinion as to the enforceability of any provisions of the District Documents (i) restricting access to legal or equitable remedies, (ii) purporting to establish evidentiary standards or waiving or otherwise affecting any rights to notice, demand or exhaustion of collateral, (iii) relating to self-help, subrogation, indemnification, delay or omission to enforce rights or remedies, severability or marshaling of assets or (iv) purporting to grant to the owners of the Bonds or to any party to the District Documents (other than the Issuer) any rights or remedies not specifically set forth therein.

This opinion may be relied upon only by you and by persons to whom we grant written permission to do so.

Respectfully submitted,

GREENBERG TRAURIG, LLP

Exhibit A, page 4

**EXHIBIT B**

**FORM OF OPINION OF COUNSEL TO PULTE**

[LETTERHEAD OF BERENS, KOZUB, KLOBERDANZ & BLONSTEIN, PLC]

[Closing Date]

Stifel, Nicolaus & Company, Incorporated,  
as Underwriter  
2325 E. Camelback Road, Suite 750  
Phoenix, Arizona 85016

District No. 2 Board  
Merrill Ranch Community Facilities District No. 2  
(Florence, Arizona)  
Town of Florence  
775 N. Main St.  
Florence, AZ 85132

Re: Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General  
Obligation Bonds, Series 2016

Ladies and Gentlemen:

WE HAVE ACTED as counsel to Pulte Home Corporation, a corporation incorporated and existing pursuant to the laws of the State of Michigan (hereinafter referred to as "Pulte"), particularly in connection with the transactions provided for by the documents referred to herein and in connection with the issuance and sale of the captioned Bonds, sold pursuant to a Purchase Contract, dated \_\_\_\_\_, 2016 (hereinafter referred to as the "Purchase Contract"), by and between Stifel, Nicolaus & Company, Incorporated (hereinafter referred to as the "Underwriter"), and Merrill Ranch Community Facilities District No. 2 (hereinafter referred to as the "District No. 2"). Any capitalized term used and not defined herein shall have the meaning assigned to it in the Purchase Contract.

For purposes of this opinion, we have examined the following:

(1) The District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 2), dated as of November 1, 2005 (the "Development Agreement"), executed by the Town of Florence, Arizona, the District, Pulte and Pulte Development Company and the related First Amendment and Waivers (Assessment Area One), dated as of February 1, 2006 (the "First Amendment"), a Second Amendment and Waivers (Assessment Area Two) dated as of April 1, 2008 (the "Second Amendment"), a Third Amendment and Waivers (Assessment Area Three) dated as of November 1, 2008 (the "Third

Amendment”), a Fourth Amendment and Waivers (Assessment Area Four) dated as of February 1, 2010 (the “Fourth Amendment”), a Fifth Amendment and Waivers (Assessment Area Five) dated as of May 1, 2013 and a Sixth Amendment and Waivers (Assessment Area Six) dated as of November 1, 2015, each executed by the District No. 2 and Pulte;

- (2) The executed Pulte Indemnity Letter, dated the date of sale of the Bonds by Pulte;
- (3) The executed Purchase Contract;
- (4) The Official Statement;
- (5) Articles of Incorporation of Pulte Home Corporation, a Michigan corporation, as amended;
- (6) Bylaws of Pulte Home Corporation, a Michigan corporation, as amended;
- (7) Certain Certified Resolutions of the Board of Directors of Pulte;
- (8) Certificate of Good Standing of Pulte Home Corporation, a Michigan corporation, dated \_\_\_\_\_, 2016, issued by the Corporation Division of the Michigan Department of Labor and Economic Growth;
- (9) Certificate of Good Standing of Pulte Home Corporation, a Michigan corporation, dated \_\_\_\_\_, 2016, issued by the Arizona Corporation Commission;
- (10) Closing Certificate of Pulte executed by \_\_\_\_\_, \_\_\_\_\_ of Pulte, executed on \_\_\_\_\_, 2016 (the "Closing Certificate"); and

(11) Such other documents and instruments as we have considered necessary or appropriate for the purposes of this opinion and received such other information from representatives of Pulte as we have deemed necessary for the purposes of this opinion (hereinafter referred to, collectively, as "due inquiry") including the Official Statement. (The documents listed in paragraphs (1) and (2) above are hereinafter referred to as the "Pulte Documents." The documents listed in paragraphs (5) through (11) above are hereinafter referred to as the "Organizational Documents").

In rendering the following opinions, we have assumed:

- (a) The genuineness of all signatures to the Pulte Documents, and the legal capacity of each natural person executing the Pulte Documents;
- (b) The authenticity and completeness of documents submitted as originals and the conformity to originals of documents submitted as copies;

(c) The due authorization, execution, acknowledgment where necessary, and delivery, and the validity and binding effect, of the Pulte Documents with regard to the parties to those agreements other than Pulte;

(d) The Pulte Documents accurately describe and contain the agreement and mutual understanding of the parties thereto and that there are no oral or written statements or agreements that modify, amend or vary, or purport to modify, amend or vary, any of the terms of the Pulte Documents;

(e) That any certificate, representation (oral or otherwise), telegram, telex, telecopy, email or other documents on which we have relied, whether or not given or dated earlier than the date hereof, is authentic and remains accurate insofar as relevant to this opinion from such earlier date through and including the date hereof, and we are not aware of any facts inconsistent with this assumption; and

(f) After due inquiry, the party's representations and warranties contained in the Pulte Documents are truthful and accurate and all reports and other documents prepared by third party consultants, relating to the transactions contemplated by the Pulte Documents or any of the property within the District No. 2 are truthful and accurate.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is our opinion that:

1. Pulte is a corporation duly incorporated and validly existing under the laws and Constitution of the State of Michigan.

2. Pulte is qualified to do business under the laws of the State of Arizona.

3. Pulte has the requisite power and authority under the laws of the State of Arizona as well as all consents, approvals, authorizations and other actions by, and filings with, all federal, State and local governmental authorities required (i) to execute and deliver the Pulte Documents and carry out the terms and conditions applicable to it under, and consummate all transactions contemplated by, the Pulte Documents; (ii) to own and operate its properties and assets as described in the Official Statement and (iii) to carry out its business as such business is currently being conducted as described in the Official Statement.

4. The execution, delivery and performance of the Pulte Documents by Pulte and the carrying out, giving effect to and consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of Pulte, and the Pulte Documents has been duly executed and delivered by Pulte.

5. The Pulte Documents are in full force and effect as of the date hereof and constitute legal, valid and binding obligations of Pulte, enforceable in accordance with their terms.

6. The execution and delivery of the Pulte Documents by Pulte, and the performance of its obligations thereunder, do not and will not conflict with or result in a violation of, or a default pursuant to, the Organizational Documents.

7. To our actual knowledge, the execution and delivery of the Pulte Documents by Pulte will not conflict with or result in a violation of any contract, indenture, instrument or other agreement to which Pulte is a party or by which it or its properties are bound.

8. No consent, approval, authorization or other action by, or filing with, any federal, State or local governmental authority is required in connection with the execution and delivery by Pulte of the Pulte Documents which consent, approval, authorization or other action, etc. has not already been obtained.

9. We have no actual knowledge that Pulte is in violation of any provision of, or in default under, its Organizational Documents or any agreement or other instrument, violation of or default under which would materially and adversely affect the business, properties, assets, liabilities or conditions (financial or other) of Pulte.

10. We have no actual knowledge of any legal or governmental actions, proceedings, inquiries or investigations pending or overtly threatened by any governmental authorities or to which Pulte is a party or of which any property of Pulte is subject, except as described in the Official Statement.

11. The information contained in the Official Statement under the headings "MAP SHOWING LOCATION OF DISTRICT IN CONTEXT OF SURROUNDING AREA," "ANTHEM," "PULTE" and "RISK FACTORS" does not contain any untrue statement of material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. In connection with our participation with the Official Statement, we have not undertaken to independently determine the accuracy, completeness or fairness of the statements contained therein, except as and to the extent provided in this paragraph, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information. However, on the basis of such participation, we have not acquired any knowledge that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which such statements are made, not misleading.

The opinions set forth above are subject to the following qualifications and limitations: (i) enforceability of the Pulte Documents may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium, arrangement or laws or court decisions affecting the enforcement of creditors' rights generally; (ii) enforceability of the Pulte Documents is subject to general principles of equity, whether remedies are sought in equity or at law; (iii) enforceability of the Pulte Documents are further subject to the qualification that certain waivers, procedures, remedies, indemnities and other provisions of the Pulte Documents may be unenforceable under or limited by Arizona law; however, such law does not, in our opinion, substantially prevent the practical realization of the benefits intended by the Pulte Documents; (iv) we are expressing no

opinion as to the enforceability of any indemnity provision with respect to any claims or other matters that result from the negligence or misconduct of any indemnitee or the failure of any indemnitee to act in a commercially reasonable manner and (v) we are expressing no opinion as to the compliance of the Pulte Documents or the offer and sale of the Bonds with any securities law or regulation except as provided in paragraph 11 hereof.

Whenever we indicate that our opinion is based on “our knowledge,” or words of similar import, such opinion is based solely on the current actual knowledge of the firm’s attorneys who have devoted substantive attention to matters related to the Pulte Documents. We have not made any independent investigation, verification, or review of any matters whatsoever except as specifically set forth herein, and we are relying solely on such specifically stated investigation or review. We express no opinion concerning the legal validity and sufficiency of the acts of any of the other parties to the Pulte Documents.

We are qualified to practice law in the State of Arizona, and we do not purport to express any opinion herein concerning any law other than the laws of the State of Arizona and, for the limited subject of the corporate authority and corporate existence of Pulte, the laws of the State of Michigan. Our opinions are as to what the law is or might reasonably be expected to be at the date hereof, and we assume no obligation to revise or supplement this opinion due to any change in the law by legislative action, judicial decision or otherwise. Any opinion as to the enforceability of any document is limited to enforceability as between the original parties thereto.

This opinion is being furnished to you solely for your benefit and only with respect to the captioned Bonds. Accordingly, it may not be relied upon or quoted to any person or entity without, in each instance, our prior written consent.

Respectfully submitted,

**BERENS, KOZUB, KLOBERDANZ & BLONSTEIN, PLC**

## EXHIBIT C

### FORM OF OPINION OF COUNSEL TO UNDERWRITER

[LETTERHEAD OF SQUIRE PATTON BOGGS (US) LLP]

[Date of Closing]

To: Stifel, Nicolaus & Company, Incorporated  
Phoenix, Arizona

We have acted as counsel to you (the “Underwriter”) in connection with your purchase from Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) (the “Issuer”) of its \$\_\_\_\_\_ General Obligation Bonds, Series 2016 (the “Bonds”), dated as of the date of this letter, pursuant to the Purchase Contract, dated \_\_\_\_\_, 2016 (the “Purchase Agreement”), between you and the Issuer. This letter is provided pursuant to Section 7(e)(iv) of the Purchase Agreement in connection with your purchase of the Bonds. Capitalized terms not otherwise defined in this letter are used as defined in the Purchase Agreement.

In our capacity as counsel to the Underwriter, we have reviewed: (a) the Preliminary Official Statement, dated \_\_\_\_\_, 2016 (the “Preliminary Official Statement”) and the Final Official Statement, dated \_\_\_\_\_, 2016 (the “Final Official Statement” and, together with the Preliminary Official Statement, the “Official Statement”), each relating to the Bonds; (b) the Resolution adopted by the Board of Directors of the Issuer on March \_\_, 2016 (the “Bond Resolution”); (c) executed counterparts of the District Documents; and (d) such other proceedings, documents, matters and law as we deem necessary to provide this letter in accordance with the terms of our engagement. In accordance with the terms of our engagement, we have not reviewed any minutes of the meetings of the Issuer other than those included in the transcript of proceedings for the Bonds.

In providing this letter we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, the parties thereto and (iii) the correctness of the legal conclusions contained in all legal opinion letters of other counsel delivered in connection with this matter.

Based upon the foregoing and subject to the limitations contained in this letter, we are of the opinion that, under existing law, the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.

In accordance with the terms of our engagement, we have provided certain legal advice and assistance to the Underwriter in connection with the Underwriter’s responsibilities with respect to



the Official Statement. We have not been engaged to pass upon, and we do not assume any responsibility for and have not independently verified, the accuracy, completeness or fairness of any of the statements contained in the Official Statement. As part of our engagement, however, certain of our lawyers participated in telephone conferences and meetings with your representatives, representatives of the Town, the Issuer, Pulte Home Corporation and its counsel, Greenberg Traurig, LLP, as Bond Counsel, and others, during which telephone conferences and meetings the contents of the Official Statement and related matters were discussed. In reliance on those discussions and the proceedings, documents, matters and assumptions described above and subject to the qualifications set forth herein, we advise you that, during the course of our engagement on this matter, no facts came to the attention of the lawyers in our firm responsible for this matter that cause us to believe that the information and statements in the Preliminary Official Statement (except for any information listed in the following sentence, as to which we express no view), as of its date and as of the date of sale of the Bonds, and the Final Official Statement (except for any information listed in the following sentence, as to which we express no view), as of its date and as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. We express no view as to: (a) "TAX MATTERS" in the Official Statement; (b) financial statements included or incorporated by reference in Official Statement; (c) any other financial, technical, statistical or demographic data or forecasts included or incorporated by reference in the Official Statement or the Appendices thereto; and (d) any information about the book-entry system and The Depository Trust Company.

We also have rendered legal advice and assistance to you as to the requirements of Rule 15c2-12 prescribed under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with your review, for purposes of the Rule, of the Continuing Disclosure Undertaking, dated as of the date of this letter (the "Continuing Disclosure Undertaking"), of the Issuer. Based upon our examination of the items referenced in this letter, including the Continuing Disclosure Undertaking and the Rule, and subject to the limitations expressed above, we are of the opinion that, under existing law, the Continuing Disclosure Undertaking satisfies paragraph (b)(5)(i) of the Rule, which requires undertakings for the benefit of the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices at the time and in the manner required by the Rule. For purposes of rendering the foregoing opinion, we have relied upon the legal conclusions expressed by Greenberg Traurig, LLP, as Bond Counsel, as to the validity and enforceability against the Issuer of the Continuing Disclosure Undertaking.

Reference in this letter to "the lawyers in our firm responsible for this matter" includes only those lawyers now with this firm who rendered legal services in connection with this matter. This letter is delivered to you for your benefit in connection with the original issuance of the Bonds and may not be relied upon for any other purpose or by any other person, including the holders, owners or beneficial owners of the Bonds. The opinions and advice set forth in this letter are stated only as of this date, and no other opinion or statements shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement with respect to this matter has concluded on this date.

Respectfully submitted,

Exhibit C, page 2

**EXHIBIT D**

**\$ \_\_\_\_\_**  
**MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2**  
**(FLORENCE, ARIZONA)**  
**DISTRICT GENERAL OBLIGATION BONDS, SERIES 2016**  
**(BANK QUALIFIED)**

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**CLOSING CERTIFICATE OF**  
**PULTE HOME CORPORATION**

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The undersigned, \_\_\_\_\_ of Pulte Home Corporation, a Michigan corporation (the "Company"), acting for and on behalf of the Company, HEREBY CERTIFIES as follows:

1. That he is duly qualified and acting for and on behalf of the Company and as such is familiar with the books and corporate records of the Company.

2. That the Company is duly organized and validly existing under the laws of the State of Michigan, and is authorized to transact business in the State of Arizona. The Company has no proceedings pending or contemplated with a view to liquidation or dissolution.

3. The Company has the power and authority to execute and deliver the following documents (collectively, the "Documents") or, to the extent that any of the Documents were executed and delivered in the past, the Company had such power and authority, and that as executed and delivered by the duly authorized representative of the Company were approved or the execution and delivery thereof was authorized by the Company such approvals and authorizations remain in full force and effect and have not been repealed, revoked or rescinded and, except as noted below, such Documents have not been modified or amended:

(a) The District Development, Financing Participation and Intergovernmental Agreement (Merrill Ranch Community Facilities District No. 2), dated as of November 1, 2005 (the "Development Agreement"), executed by the Town of Florence, Arizona, the District, Pulte and Pulte Development Company and the related First Amendment and Waivers (Assessment Area One), dated as of February 1, 2006 (the "First Amendment"), a Second Amendment and Waivers (Assessment Area Two) dated as of April 1, 2008 (the "Second Amendment"), a Third Amendment and Waivers (Assessment Area Three) dated as of November 1, 2008 (the "Third Amendment"), a Fourth Amendment and Waivers (Assessment Area Four) dated as of February 1, 2010 (the "Fourth Amendment"), a Fifth Amendment and Waivers (Assessment Area Five) dated as of May 1, 2013 and a Sixth Amendment and Waivers (Assessment Area Six) dated as of

November 1, 2015, all by and between the District and Pulte. each executed by the District No. 2 (as hereafter defined) and Pulte; and

(b) The Indemnity Letter dated as of \_\_\_\_\_, 2016 from the Company to the Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) (the "District No. 2") and Stifel, Nicolaus & Company, Incorporated (the "Underwriter").

4. That the representative executing and delivering the Documents had the authority to execute and deliver the Documents.

5. That the undersigned and the persons named below were on the date or dates of the execution or acceptance of the Documents, and are on the date hereof, the duly qualified and acting incumbents of the offices of the Company appearing below.

<u>NAME</u>	<u>TITLE</u>
_____	_____
_____	_____

6. Neither the existence of the Documents, nor the consummation of the transactions contemplated by the Documents, nor compliance by the Company with the provisions thereof will result in any breach of any of the terms, conditions or provisions of, or constitute a default under, any material indenture, agreement or other instrument to which the Company is a party or by which the Company may be bound, which would materially affect the business, properties, assets, liabilities or conditions (financial or otherwise) of the Company taken as a whole.

7. No material consent, approval, authorization or other action by, or filing with, any federal, State or local government authority is required in connection with the execution, delivery and performance by the Company of the obligations of the Company under the Documents or to conduct the business of the Company as presently being conducted.

8. As of the date hereof, the information pertaining to Pulte in the Official Statement under the headings "MAP SHOWING LOCATION OF DISTRICT IN CONTEXT OF SURROUNDING AREA," "ANTHEM," "PULTE" and "RISK FACTORS" is true and correct in all material respects for the purposes for which its use is or was authorized, and such information does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein in light of the circumstances under which they are or were made, not misleading.

9. No litigation or administrative action or proceeding is pending or, to the knowledge of the undersigned, threatened, restraining or enjoining, or seeking to restrain or enjoin, the effectiveness or validity of any the proceedings relating to the formation of the District No. 2, or the issuance of the Bonds or the Documents or the performance by the Company of its obligations set forth in the Documents or contesting or questioning the proceedings and authority under which the Documents have been authorized and are delivered and executed.

10. Attached hereto as Exhibit A is a true, complete and correct copy of a Certificate of Good Standing as to the Company issued by the State of Michigan dated \_\_\_\_\_, 2016. Nothing has occurred since the date of the Certificate of Good Standing that would cause the Company to no longer be in good standing.

11. Attached hereto as Exhibit B is a true, complete and correct copy of a Certificate of Good Standing as to the Company issued by the Arizona Corporation Commission dated \_\_\_\_\_, 2016. Nothing has occurred since the date of the Certificate of Good Standing that would cause the Company to no longer be in good standing.

12. All of the representations and warranties of the Company made and contained in the Documents (which representations and warranties are hereby incorporated and stated herein by reference as fully and with the same effect as if set forth at length herein) are true and correct as of the date hereof as if said representations and warranties were made as of the date hereof.

13. The Company certifies that the improvements financed with the Bonds are complete and will be transferred to the District No. 2 in due course.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on \_\_\_\_\_, 2016.

**PULTE HOME CORPORATION,**  
a Michigan corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENTS**

**Exhibit A** – Certificate of Good Standing - Michigan

**Exhibit B** - Certificate of Good Standing - Arizona

## **EXHIBIT E**

### **FORM OF UNDERWRITER'S CERTIFICATE**

This Certificate is furnished by Stifel Nicolaus & Company, Incorporated as underwriter (the "Underwriter") of the Merrill Ranch Community Facility District No. 2 (Florence, Arizona) \$ \_\_\_\_\_ General Obligation Bonds, Series 2016. The Underwriter hereby certifies and represents the following, based upon the information available to it:

#### **1. Issue Price.**

1.1 As of the date a purchase agreement was signed with respect to the Bonds (the "Sale Date"), we reasonably expected that the first prices at which the Bonds would be sold to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriter or wholesalers) in a bona fide public offering would be the prices listed on Schedule A.

1.2 In our opinion, and based upon our estimate as of the Sale Date, the initial offering prices of the Bonds set forth in Schedule A are within a reasonable range of, and should reflect, the fair market prices for such Bonds.

1.3 As of the Sale Date, all of the Bonds have actually been offered to the general public at the prices listed in Schedule A.

1.4 As of the Sale Date at least 10% of each maturity of the Bonds were first sold [or reasonably expected to be sold] to the general public at the prices referred to in Schedule A[, with the exception of the following maturities: \_\_\_\_\_].

#### **2. [Credit Enhancement.**

2.1 The present value of the amounts paid to obtain the Bond Insurance (as defined in the Tax Certificate) is less than the present value of the interest reasonably expected to be saved as a result of having the Bond Insurance, using the yield on the Bonds as the discount factor for this purpose.

2.2 To the best knowledge of the undersigned, the amount paid by the District to the Bond Insurance for the Bond Insurance is within a reasonable range of premiums charged for comparable credit enhancement for obligations comparable to the obligation evidenced and represented by the Bonds.

2.3 The fees paid and to be paid to obtain the Bond Insurance were determined in arm's-length negotiations and were required as a condition to the issuance by the Bond Insurance of the Bond Insurance.

2.4 To the best of knowledge of the undersigned, the fees paid and to be paid for the Bond Insurance represent a commercially reasonable charge for the transfer of credit risk. Such fees do not include any direct or indirect payment for a cost, risk or other element that is not customarily borne by guarantors of tax-exempt bonds in transactions in which the guarantor has no

involvement other than as guarantor. No non guarantee services are being provided by the Bond Insurance.]

We express no view regarding the legal sufficiency of any such computations or the correctness of any legal interpretation made by Bond Counsel.

Nothing herein represents our interpretation of any laws or regulations under the Internal Revenue Code of 1986, as amended.

Dated: \_\_\_\_\_, 2016

STIFEL NICOLAUS & COMPANY,  
INCORPORATED, as underwriter

By: \_\_\_\_\_  
[banker]

By: \_\_\_\_\_  
[underwriter]

SERIES 2016  
BOND REGISTRAR AND PAYING AGENT AGREEMENT

\$\_\_\_\_\_,000  
MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2  
(FLORENCE, ARIZONA) GENERAL OBLIGATION BONDS,  
SERIES 2016

THIS SERIES 2016 BOND REGISTRAR AND PAYING AGENT AGREEMENT, dated as of April 1, 2016 (this "Agreement"), by and between WELLS FARGO BANK, N.A. (the "Bond Registrar and Paying Agent") and MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 (the "District");

W I T N E S S E T H:

WHEREAS, pursuant to a resolution duly adopted by the District Board (the "Board") of the District on March 29, 2016 (the "Bond Resolution"), the Board authorized the issuance and sale of \$\_\_\_\_\_,000 principal amount of Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General Obligation Bonds, Series 2016 (the "Bonds"); and

WHEREAS, by the Bond Resolution, the Board appointed the Bond Registrar and Paying Agent as the agent of the District, to act as authenticating agent, bond registrar, transfer agent and paying agent for and in connection with the Bonds and has authorized and directed the Bond Registrar and Paying Agent to keep all the books and records necessary for registration, transfer or exchange of the Bonds (the "Register");

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the District and the Bond Registrar and Paying Agent agree as follows:

Section 1. At the time and place for the original delivery of the Bonds (the "Closing"), the District shall deliver to the Bond Registrar and Paying Agent the duly executed Bonds and any other information needed to complete the Bonds at the Closing. The Bond Registrar and Paying Agent, through a duly authorized representative or representatives, shall (i) coordinate the completion of the Bonds to be delivered at the Closing; (ii) record the names and addresses of the registered owners in, and otherwise complete the Register and (iii) sign the Certificate of Authentication on the Bonds, all so as to permit delivery of the Bonds at the Closing. These procedures shall also be used, as appropriate, for the completion and authentication of any Bond to be delivered to the Bond Registrar and Paying Agent for transfer as provided herein.

Section 2. The Bond Registrar and Paying Agent shall keep and maintain the Register at its designated corporate trust office so long as any Bond remains outstanding and shall perform, without limitation, authentication, transfer, registration and paying agent functions, and related mechanical, clerical and record or bookkeeping functions, in connection with the Bonds in accordance with this Agreement, the Bond Resolution, and any applicable requirements of Section 149(a) of the Internal Revenue Code of 1986, as amended, and applicable regulations, proposed regulations (if they are proposed to take effect retrospectively) and rulings thereunder.

Section 3. In accordance with the Bond Resolution, the Bond Registrar and Paying Agent shall:

(i) Subject to the restrictions included in the form thereof, transfer any Bond upon presentation and surrender thereof at the office of the Bond Registrar and Paying Agent, together with a request for an assignment, signed by the registered owner or by a person authorized by the registered owner to do so by a power of attorney in a form satisfactory to the Bond Registrar and Paying Agent, and the other documents as are required in the legend of the Bonds at the head thereof in connection with transfer thereof, and shall complete, authenticate and deliver the new Bonds to the registered owner or the registered owner of the transferred Bonds in a denomination or denominations equal in the aggregate to the unmatured and unredeemed principal amount of the Bonds surrendered, bearing interest at the same rate and maturing on the same date.

(ii) Record the transfer of any Bond on the Register.

(iii) Complete the transfer, completion, authentication and delivery of the new Bonds within the time required by then applicable rules and regulations.

Section 4. (A) The fee of the Bond Registrar and Paying Agent for the remainder of the current fiscal year, estimated to be \$250.00, shall be paid from the proceeds of the sale of the Bonds.

(B) Subsequent payments of \$\_\_\_\_.00 per year while any of the Bonds are outstanding shall be paid by the District.

(C) The Bond Registrar and Paying Agent shall charge the registered owner of any transferred Bond an amount sufficient to reimburse it for any fee, tax or other charge required to be paid with respect to the transfer. The Bond Registrar and Paying Agent may require that those charges be paid before it begins the procedure for the transfer.

Section 5. The Bond Registrar and Paying Agent shall complete, authenticate, deliver and register the new Bonds to replace any Bond lost, stolen, destroyed, or mutilated, upon receipt by the Bond



Registrar and Paying Agent of evidence satisfactory to it of the loss, theft, destruction or mutilation of any Bond and of indemnity satisfactory to it.

Section 6. The Bond Registrar and Paying Agent shall cancel any Bond surrendered to it pursuant to the Bond Resolution for payment or retirement or for replacement or transfer. The cancelled Bonds shall be destroyed by the Bond Registrar and Paying Agent and a record of such destruction and the number and amount of Bonds destroyed shall be kept by the Bond Registrar and Paying Agent and upon request of the District, furnished by the Bond Registrar and Paying Agent to the District.

Section 7. The Bond Registrar and Paying Agent shall retain and store the Register for seven (7) years after full payment of the Bonds. At any time and upon request by an authorized representative of the District, the Bond Registrar and Paying Agent shall permit such representative to inspect the Register and shall provide such representative with a copy of the Register. In the event of a request to the Bond Registrar and Paying Agent by any person other than such representative of the District for inspection of the Register, the Bond Registrar and Paying Agent shall notify the District and shall not permit that inspection unless it is approved by such representative of the District, except that the Bond Registrar and Paying Agent may permit an inspection pursuant to an order of a court of competent jurisdiction.

Section 8. The Bond Registrar and Paying Agent shall pay the principal of and interest on the Bonds and shall redeem Bonds in accordance with the Bond Resolution, but only from moneys deposited with the Bond Registrar and Paying Agent by the District for that purpose. The District shall cause funds to be on deposit with the Bond Registrar and Paying Agent in an amount sufficient and available to pay the interest, or principal and interest, then to be due on the day prior to the day on which that payment is to be made. The Bond Registrar and Paying Agent shall pledge assets to secure the deposits made for the purpose of paying either principal or interest or both principal and interest on the Bonds.

Section 9. In the event any check for payment of interest on a Bond is returned to the Bond Registrar and Paying Agent undorsed or is not presented for payment within two (2) years from its payment date or any Bond is not presented for payment of principal due at the maturity or redemption date, if funds sufficient to pay such interest or principal due upon such Bond shall have been made available to the Bond Registrar and Paying Agent for the benefit of the registered owner thereof, it shall be the duty of the Bond Registrar and Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the registered owner of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. The obligation of the Bond Registrar and Paying Agent to hold such funds shall continue for two (2) years and six (6) months following

the date on which such interest or principal amount became due, whether at maturity, or at the date fixed for redemption, or otherwise, at which time the Bond Registrar and Paying Agent shall surrender such unclaimed funds so held to the District, whereupon any claim of whatever nature by the registered owner of such Bond arising under such Bond shall be made upon the District.

Section 10. In the absence of bad faith on its part in the performance of its services under this Agreement, the Bond Registrar and Paying Agent shall be protected in acting upon any notice, request, certificate, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper party or parties.

Section 11. (A) The Bond Registrar and Paying Agent may resign as Bond Registrar and Paying Agent at any time by giving thirty (30) days' written notice of resignation to an authorized representative of the District. The Bond Registrar and Paying Agent may be removed at any time by written notice signed by such authorized representative and delivered to the Bond Registrar and Paying Agent. Upon the effectiveness of the resignation or termination, the Bond Registrar and Paying Agent shall deliver the Register and all other records (or copies of those records) pertaining to the Bonds and all forms of Bond to the District.

(B) Every successor Bond Registrar and Paying Agent appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Arizona, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000.

(C) Any bank, trust company or national banking association into which the Bond Registrar and Paying Agent or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business shall be the successor of the Bond Registrar and Paying Agent under this Bond Registrar and Paying Agent Agreement with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 12. Notice shall be sufficient hereunder if it is contained in a writing sent to the District at 775 North Main Street, Florence, Arizona 85132, Attention: District Manager, and to the Bond Registrar and Paying Agent at Suite 5A, 333 South Grand Avenue, Los Angeles, California 90071, Attention: Corporate Trust Services (MAC E2064-05A), or any other address which may be designated from time to time by either party in writing delivered to the District or the Bond Registrar and Paying Agent, as applicable.

Section 13. Neither this Agreement nor any provision hereof may be changed, revised or amended, except by a writing signed by the District and the Bond Registrar and Paying Agent.

Section 14. In case any section or provision of this Agreement, or any agreement, obligation, act or action, or part thereof, made, assumed, entered into, done or taken under this Agreement, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder of this Agreement or any other section or provision of this Agreement or any other agreement, obligation, act or action, or part thereof, made, assumed, entered into, done or taken under this Agreement, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein. Any illegality, invalidity or inoperability shall not affect any legal, valid and operable section, provision, agreement, obligation, act, action, part or application, all of which shall be deemed to be effective, operative, made, assumed, entered into, done or taken in the manner and to the full extent permitted by law from time to time.

Section 15. (A) To the extent applicable by provision of law, the Bond Registrar and Paying Agent acknowledges that this 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 District may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by the District if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the District 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.

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

Section 16. This Agreement shall for all purposes be governed by and construed in accordance with the laws of the State of Arizona. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors. This Agreement may be executed in several counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto have executed this Bond Registrar and Paying Agent Agreement as of the day and year first above written.

WELLS FARGO BANK, N.A.

By.....  
Authorized Officer

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO. 2

By.....  
District Manager

ATTEST:

.....  
District Clerk

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

Merrill Ranch Community Facilities District No. 2 (the “Issuer”), has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, “tax-advantaged obligations”) that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the “Code”).

The Issuer has established the policies and procedures contained herein (the “Procedures”) as of March 29, 2016, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the “Tax Certificate”) executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

### **A. GENERAL MATTERS.**

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

contents of the Procedures, review of the requirements contained in the Code applicable to each tax-advantaged obligation, identification of all tax-advantaged obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.

5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the “remedial action” regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service (“IRS”) (or successor guidance). Such periodic review shall occur at least annually.
6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

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

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

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.
2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.
3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how proceeds were spent; review

requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.

5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than “direct tracing” (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of “direct tracing” is often made to reduce the private business use of bond proceeds that would otherwise result from “direct tracing” of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier)*. Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

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

1. Identify Financed Facilities. Identify or “map” which outstanding issues financed which facilities and in what amounts.
2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as “private persons”) with respect to the financed facilities which could result in private business use of the facilities:
  - a. Sales of financed facilities;
  - b. Leases of financed facilities;
  - c. Management or service contracts relating to financed facilities;
  - d. Research contracts under which a private person sponsors research in financed facilities; and
  - e. Any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.



3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond counsel to review such amendment or agreement to determine whether it results in private business use.
4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of “unrelated or disproportionate” private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.
7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.

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

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

1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.
2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable

rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.

3. Temporary Periods. Review the Tax Certificate to determine the “temporary periods” for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.
4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.
5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid “hedge bond” status.
6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0 percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.
7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.
10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a “bona fide debt service fund,” i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for

a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.

11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.
  
12. Rebate and Yield Reduction Payment Compliance. Review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described below, investment earnings on proceeds at a yield in excess of the yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.
  - a. Ensure that rebate and yield reduction payment calculations will be timely performed and payment of such amounts, if any, will be timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue, then in succeeding installments every five years. The final rebate payment for an issue is due 60 days after retirement of the last obligation of the issue. The Issuer should hire a rebate consultant if necessary.
  - b. Review the rebate section of the Tax Certificate to determine whether the "small issuer" rebate exception applies to the issue.
  - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Tax Certificate) may apply to the tax-advantaged obligations, ensure that the spending of proceeds is monitored prior to semiannual spending dates for the applicable exception.
  - d. Make rebate and yield reduction payments and file Form 8038-T in a timely manner.
  - e. Even after all other proceeds of a given issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants contained in the Tax Certificate).

13. Maintenance and Retention of Arbitrage and Rebate Records. Maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

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

**ATTACHMENT I TO  
WRITTEN PROCEDURES**

**REMEDIAL ACTION PROCEDURES**

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

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

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

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

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

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

(c) Unless otherwise excepted under the Treasury Regulations, the Town delivers a certificate, instrument, or other written records satisfactory to bond counsel

demonstrating that the terms of the arrangement pursuant to which the Deliberate Action is taken is *bona fide* and arm's-length, and that the non-exempt Person using either the Financed Property or the proceeds of the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

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

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

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

(a) Redemption or Defeasance of Obligations.

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

(ii) If the Deliberate Action consists of a fair market value disposition of any portion of the Financed Property for other than exclusively cash, then the Town may use any funds (other than proceeds of the Obligations or proceeds of any obligation the interest on which is excludable from the gross income of the registered owners thereof for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance

Escrow within 90 days of the date of the Deliberate Action for all of the maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

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

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

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

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

(iii) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;

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

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

(c) Alternative Use of Financed Property. The Town may be considered to have taken sufficient Remedial Actions to cause the Obligations to continue their

applicable treatment under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Financed Property:

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

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

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

Absent an opinion of bond counsel, no Remedial Actions are available to remediate the satisfaction of the Private Security or Payment Test regarding the same with respect to the Obligations. Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Financed Property.

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

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

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

“*Deliberate Action*” means any action, occurrence, or omission by the Town (or, if applicable, by a conduit borrower) that is within the control of the Town (or, if applicable, by such conduit borrower) that causes either (1) the Private Business Use Test to be satisfied with respect to the Obligations or the Financed Property (without regard to the Private Security or Payment Test), or (2) the Private Loan Financing Test to be satisfied with respect to the



Obligations or the proceeds thereof. An action, occurrence, or omission is not a Deliberate Action if (1) the action, occurrence, or omission would be treated as an involuntary or compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence, or omission is in response to a regulatory directive made by the government of the United States.

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

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

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

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

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

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

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

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

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

## **PROCEDURES FOR COMPLIANCE WITH OBLIGATIONS UNDER CONTINUING DISCLOSURE UNDERTAKINGS**

These Procedures for Compliance with Obligations under Continuing Disclosure Undertakings (these “Procedures”) are established as of March 29, 2016, and set forth specific procedures of Merrill Ranch Community Facilities District No. 2 (the “Issuer”), designed to assist in compliance with applicable requirements set forth in undertakings (“Continuing Disclosure Undertakings”) providing for ongoing disclosure in connection with the offering of obligations to investors for obligations (whether or not tax-exempt/tax-advantaged) subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

These Procedures document practices and describe various procedures for preparing and disseminating related reports and information and reporting “listed events” for the benefit of the holders of the Issuer’s obligations and to assist the Participating Underwriters (within the meaning of the Rule) in complying with the Rule and the Continuing Disclosure Undertaking.

The Issuer recognizes that compliance with pertinent law is an ongoing process; necessary during the entire term of any obligations issued by the Issuer, and is an integral component of the Issuer’s debt management. Accordingly, implementation of these Procedures will require ongoing monitoring and consultation with bond counsel and the Issuer’s accountants and advisors.

### **General Policies and Procedures**

The following policies relate to procedures and systems for monitoring post-issuance compliance generally.

1. The District Manager (the “Compliance Officer”) shall be responsible for monitoring post-issuance compliance issues.
2. The Compliance Officer will coordinate procedures for record retention and review of such records.
3. All documents and other records relating to obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer.
4. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.
5. The Compliance Officer will review the annual information required to be filed pursuant to each Continuing Disclosure Undertaking.

## **Continuing Disclosure**

Under the provisions of the Rule, Participating Underwriters are required to reasonably determine that issuers (such as the Issuer) have entered into written Continuing Disclosure Undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the Rule. Unless the Issuer is exempt from compliance with the Rule or the continuing disclosure provisions of the Rule as a result of certain permitted exemptions, a Continuing Disclosure Undertaking executed by the Issuer will be required.

In order to monitor compliance by the Issuer with its Continuing Disclosure Undertakings, the Compliance Officer will take the actions listed below, if and as required by such Continuing Disclosure Undertakings. The Compliance Officer may coordinate with staff, and may engage a dissemination agent, counsel, and/or other professionals to assist in discharging the Compliance Officer's duties under these Procedures as the Compliance Officer deems necessary.

### **A. Compilation of Currently Effective Continuing Disclosure Undertakings**

The Compliance Officer shall compile and maintain a set of all currently effective Continuing Disclosure Undertakings of the Issuer. Such agreements are included in the transcript of proceedings for the Issuer's respective obligation issue. Continuing Disclosure Undertakings are "Currently Effective" for purposes of these Procedures (and hence shall be included in the set of Currently Effective Continuing Disclosure Undertakings) for so long as the obligations to which they relate are outstanding. As obligations are completely repaid or redeemed, the Compliance Officer shall remove the related Continuing Disclosure Undertakings from the set of Currently Effective Continuing Disclosure Undertakings.

### **B. Annual Review and Annual Reporting Requirements**

The Compliance Officer shall ensure that all necessary financial statements, financial information and operating data is filed in the manner and by the filing dates set forth in the Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall review the set of Currently Effective Continuing Disclosure Undertakings annually, prior to each annual filing, keeping in mind:

- The financial information and operating data required to be reported under a particular Continuing Disclosure Undertaking may differ from the financial information and operating data required to be reported under another Continuing Disclosure Undertaking; and
- The timing requirements for reporting under a particular Continuing Disclosure Undertaking may differ from the timing requirements for filing under another Continuing Disclosure Undertaking.

### **C. Calendar; EMMA Notification System**

The Compliance Officer shall keep a calendar of all pertinent filing dates required under the Issuer's Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall also subscribe to notification services made available through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

### **D. Annual Review of Prior Filings**

As part of the annual review process, the Compliance Officer shall also review prior filings made within the past five years subsequent to the last such review of prior filings. If the Compliance Officer discovers any late or missing filings, the Compliance Officer (after discussing the circumstances with the Issuer's dissemination agent, counsel or other agents as necessary) shall file the missing information.

### **E. Monitoring of Listed events**

The Compliance Officer shall monitor the occurrence of any of the following events and/or other events set forth in the Currently Effective Continuing Disclosure Undertakings and shall provide notice of the same in the required manner and by the relevant reporting deadline (generally within 10 days of the occurrence):

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations;
- Modification to rights of holders of the Issuer's obligations, if material;
- Calls of the Issuer's obligations, if material, and tender offers;
- Defeasances of the Issuer's obligations;
- Release, substitution or sale of property securing repayment of the Issuer's obligations, if material;
- Rating changes;

- Bankruptcy, insolvency, receivership or similar event of the Issuer;
- The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

**F. Review of Official Statements**

The Compliance Officer shall review drafts of any offering document for a new offering of obligations, with assistance from its dissemination agent, counsel or other agents of the Issuer as necessary, and shall determine that the offering document accurately and completely describes the Issuer’s continuing disclosure compliance history within the five years prior to the date of the respective Official Statement. This compliance review is not meant to limit the Issuer’s other reviews of or diligence procedures relating to its offering documents.

**G. Record Retention**

The Compliance Officer shall retain documentation evidencing the Issuer’s annual reviews and its reviews of offering documents in connection with new offerings as set forth above. This Issuer shall retain this documentation, for each Continuing Disclosure Undertaking, for the period that the related obligations are outstanding.

**H. Annual Review Checklist**

The Compliance Officer may (or may not) choose to use and retain the attached Annual Review Checklist to assist in implementing these Procedures.

**CONTINUING DISCLOSURE ANNUAL REVIEW CHECKLIST**

- 1. Fiscal Year Ending:** \_\_\_\_\_
- 2. Compliance Officer:** \_\_\_\_\_
- 3. Checklist Completion Date:** \_\_\_\_\_

**4. Obligations for which there are Currently Effective Continuing Disclosure Undertakings - Attach Agreements:**

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

**5. Have any new Obligations subject to Continuing Disclosure Been Issued this Year?**

\_\_\_\_\_ No

\_\_\_\_\_ Yes (Add Agreement to Currently Effective Continuing Disclosure Undertakings) If Yes, did the Compliance Officer review the Offering Document's Description of the Issuer's Continuing Disclosure Compliance History within the Prior 5 Years?

**Circle: Y/ N** (If N, review and discuss any issues with counsel.)

**6. Have any Obligations subject to Continuing Disclosure Been Completely Paid or Redeemed this Year?**

\_\_\_\_\_ No

\_\_\_\_\_ Yes (Remove Agreement from Currently Effective Continuing Disclosure Undertakings)

**7. (a) Has the Compliance Officer Reviewed the Annual Continuing Disclosure Filing to Ensure that all Necessary Financial Statements, Financial Information and Operating Data is Included?**

\_\_\_\_\_ Yes

\_\_\_\_\_ No (Compliance Officer must review the Annual Continuing Disclosure Filing)

**(b) For purposes of this review, please keep in mind:**

	Checked?
Different Continuing Disclosure Undertakings may require different information to be file (so check each one)	Y / N
Different Continuing Disclosure Undertakings may have different filing timing requirements (so check each one).	Y / N

**Have any of the Following Events Occurred this Year?**

Event	Circle
1. Principal and interest payment delinquencies	Y / N
2. Non-payment related defaults, if material	Y / N
3. Unscheduled draws on debt service reserves reflecting financial difficulties	Y / N
4. Unscheduled draws on credit enhancements reflecting financial difficulties	Y / N
5. Substitution of credit or liquidity providers, or their failure to perform	Y / N
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations	Y / N
7. Modification to rights of holders of the Issuer's obligations, if material	Y / N
8. Calls of the Issuer's obligations, if material, and tender offers	Y / N
9. Defeasances of the Issuer's obligations	Y / N
10. Release, substitution or sale of property securing repayment of the Issuer's obligations, if material	Y / N
11. Rating changes	Y / N
12. Bankruptcy, insolvency, receivership or similar event of the Issuer	Y / N
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material	Y / N
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material	Y / N

**If any such Event Occurred, was Proper Notice Provided?**

\_\_\_\_\_ Yes

\_\_\_\_\_ No (Call your dissemination agent or counsel immediately to discuss)

\_\_\_\_\_ N/A

**Has the Issuer Retained a Dissemination Agent? (i.e., a Paid Third Party that Assists with Filings)**

\_\_\_\_\_ Yes: Name/Contact: \_\_\_\_\_

\_\_\_\_\_ No



MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2

and

DAVID TAUSSIG & ASSOCIATES, INC.

---

DISSEMINATION AGENCY AGREEMENT

Dated as of \_\_\_\_\_, 2016

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§ \_\_\_\_\_  
Merrill Ranch Community Facilities District No. 2  
(Florence, Arizona)  
General Obligation Bonds, Series 2016

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THIS DISSEMINATION AGENCY AGREEMENT, dated as of \_\_\_\_\_, 2016 (hereinafter referred to as this "*Agreement*"), by and between Merrill Ranch Community Facilities District No. 2, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "*Issuer*"), and David Taussig & Associates, Inc., a corporation duly incorporated and validly existing pursuant to the laws of the State of California (hereinafter together with its successors referred to as the "*Agent*");

W I T N E S S E T H:

WHEREAS, pursuant to a Resolution of the district board of the Issuer (hereinafter referred to as the "*Board*") adopted on \_\_\_\_\_, 2016, the Board has authorized the issuance of certain general obligation bonds (hereinafter referred to as the "*Securities*") to provide funds for certain public infrastructure purposes provided for in Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "*Enabling Act*"); and

WHEREAS, in order to provide terms for providing for compliance with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, with respect to the Securities, the Board has duly authorized the execution and delivery of a Continuing Disclosure Undertaking, dated the date of initial delivery of the Securities (hereinafter referred to as the "*Undertaking*"); and

WHEREAS, in order to assist the Issuer in complying with the Undertaking, the Board has determined to enter into this Agreement; and

WHEREAS, pursuant to the Enabling Act, the Issuer may enter into agreements to process the issuance of the Securities, including this Agreement;

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

ARTICLE ONE

SECTION 1.01. *Definitions.*

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

A. The terms in this Agreement have the meanings assigned to them hereinabove and in the Section 1 of the Undertaking and include the plural as well as the singular.

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

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

SECTION 1.02. *Notices, etc.*

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

1. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to it at 775 North Main Street, Box 2670, Florence, Arizona 85132, Attention: District Clerk or at any other address furnished previously in writing to such person by the Issuer, and

2. the Agent shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to it at Suite 6000, 5000 Birch Street, Newport Beach, California 92660, Attention: Andrea R. Roess, Managing Director, or at any other address furnished previously in writing to such person by the Agent.

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

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

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

SECTION 1.04. *Successors and Assigns.*

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

SECTION 1.05. *Severability Clause.*

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

SECTION 1.06. *Benefits of Agreement.*

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

SECTION 1.07. *Governing Law.*

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

SECTION 1.08. *Incorporation of State Statutes.*

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

B. To the extent applicable under Section 41-440, Arizona Revised Statutes, as amended, the Agent shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes, as amended. The breach by the Agent of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Agent. The Issuer retains the legal right to randomly inspect the papers and records of the Agent to ensure that the Agent is complying with the above-mentioned warranty. The Agent shall keep such papers and records open for random inspection during normal business hours by the Issuer. The Agent shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

SECTION 1.09. *Further Assurances; Recording.*

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

SECTION 1.10. *Amendments.*

This Agreement may be amended by an instrument in writing executed and delivered by each of the Agent and the Issuer.

SECTION 1.11. *Termination.*

The Issuer or the Agent may terminate this Agreement by giving written notice to the other party at least thirty (30) days prior to such termination. Otherwise, this Agreement shall terminate coincident with the termination of the Undertaking. The Issuer is not required to

appoint a successor to the Agent. The absence of the Agent or a successor to the Agent shall not relieve the Issuer of the responsibilities of the Issuer pursuant to the Undertaking.

SECTION 1.12. *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement between the Issuer and the Agent with regard to the matters provided for herein.

\* \* \*

ARTICLE TWO

SECTION 2.01. *Annual Reports.*

The Agent shall compile and deliver each Annual Report to the Issuer by December 1 of each year for review by the Issuer, and the Issuer shall thereafter deliver to the Agent any revisions to each Annual Report by the next succeeding January 15 for dissemination as set forth in Section 2.03.

SECTION 2.02. *Listed Events.*

A. The Issuer shall provide a written description to the Agent of the occurrence of any Listed Event pursuant to Section 3 of the Undertaking, signed by an appropriate representative of the Issuer. Upon the Agent becoming aware of any such Listed Event, the Agent shall promptly notify the Issuer of such Listed Event. (The Agent shall have no duty or responsibility to review the determination of the Issuer that such Listed Event is material, as applicable, or the written description of such Listed Event.)

B. The Agent shall disseminate Notices of Listed Events as set forth in Section 2.04.

SECTION 2.03. *Dissemination of Annual Reports.*

A. The Agent shall disseminate each Annual Report to the entities, in the manner and on the dates provided in Section 2 of the Undertaking.

B. The Agent shall disseminate such information in the form delivered to the Agent by the Issuer pursuant to Section 2.01. (Any information furnished by the Agent hereunder for such purpose may contain a legend to such effect.)

C. The Agent shall promptly provide a copy of each Annual Report to the Issuer, along with a notice stating the date such Annual Report was filed and the identities of the entities with which such Annual Report was filed.

D. The Agent shall also, if necessary, file the notices required pursuant to Sections 2(a)(ii) and 2(b)(i)(B) of the Undertaking with respect to inability or failure to provide

an Annual Report and change of fiscal year of the Issuer, respectively, and shall provide a copy thereof to the Issuer.

SECTION 2.04. *Dissemination of Notices of Listed Events.*

A. The Agent shall disseminate each Notice of Listed Event to the entities and in the manner provided in Section 3 of the Undertaking within one (1) business day after receipt of such information by the Agent pursuant to Section 2.02.

B. The Agent shall disseminate such information in the form delivered to it by the Issuer pursuant to Section 2.02. (Any information furnished by the Agent hereunder for such purpose may contain a legend to such effect.)

C. The Agent shall promptly provide a copy of each Notice of Listed Event to the Issuer, along with a notice stating the date and the identities of the entities with which such Notice of Listed Event was filed.

SECTION 2.05. *Dissemination of Other Notices.*

The Agent shall file the notices required pursuant to Section 4 and 5 of the Undertaking with respect to termination of the Undertaking and changes in accounting principles of the Issuer, respectively, and shall provide a copy thereof to the Issuer.

SECTION 2.06. *Duty to Update.*

One (1) business day prior to the date the Issuer is required to file information with the Municipal Securities Rulemaking Board (“MSRB”), through its Electronic Municipal Market Access system (“EMMA”), as applicable, the Agent shall determine the manner and format by which information is to be transmitted and filed with MSRB.

SECTION 2.07. *Consequences of Default by Agent; Standard of Care.*

A. In the event of a failure of the Agent to comply with any provisions of this Agreement, the Issuer may take any action at law or in equity to enforce the obligations of the Agent hereunder.

B. In the absence of bad faith on its part, the Agent 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 Agent or matters of public record.

C. The Agent shall have only such duties as are specifically set forth in this Agreement and the Undertaking.

D. To the extent permitted by applicable law, the Issuer shall indemnify and save the Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Agent may incur arising out of or in the exercise or performance of the powers and duties of the Agent pursuant to this Agreement and the Undertaking, including the costs and expenses (including attorneys fees) of defending against

any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Agent and payment of the Securities.

SECTION 2.08. *Additional Information.*

Nothing in this Agreement shall be deemed to prevent the Issuer from delivering any other information to the Agent, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or Notice of Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any such information, the Issuer shall have no obligation pursuant to this Agreement to update such information or include it in any future disclosure or notice.

SECTION 2.09. *Compensation.*

The Issuer shall compensate the Agent for the services provided and the expenses incurred pursuant to this Agreement in an amount to be agreed upon from time to time.

SECTION 2.10. *Recordkeeping.*

The Agent shall maintain records of the Annual Reports and the Notices of Listed Events including the names of the entities with which the same were filed and the date of filing, and copies thereof shall be available to the Issuer upon reasonable request and the payment of reasonable copying and delivery charges.

\* \* \*



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

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

MERRILL RANCH COMMUNITY FACILITIES  
DISTRICT NO.2

By.....  
Tom Rankin, Chairperson, District  
Board

ATTEST:

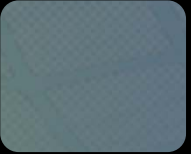
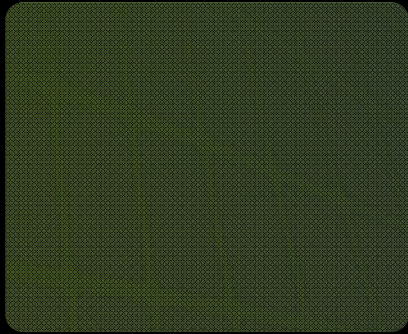
.....  
Lisa Garcia, District Clerk

DAVID TAUSSIG & ASSOCIATES, INC., a  
California corporation

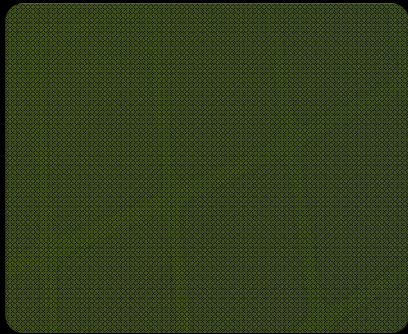
By.....

Printed Name: .....

Title:.....



# FY 15/16 Budget Target Update






# 2015/2016 Adopted Budget



## ➤ Highlights of Budget Adopted

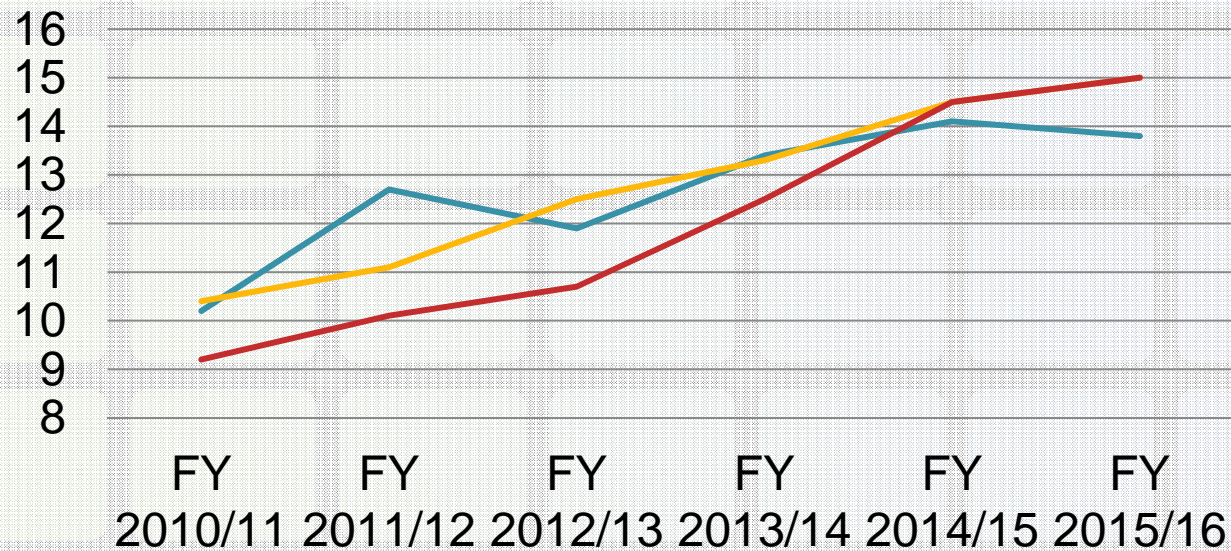
- ❖ \$1,200,000 use of reserves in General Fund creating a balanced budget



## ➤ **Mid-Year Budget Target** **\$500,000 (reduction)**

- ❖ Presented to Town Council on March 7th
  - ❖ To be revisited through the end of the fiscal year
- 

# General Fund Review



Revenues

Budgeted Expenditures

Actual Expenditure

Excludes Transfers to CIP:

FY 2012/13 \$4.5 Million

FY 2013/14 \$3.9 Million



1

Reduce Expenditures




2

Generate Additional Revenues



3

Change the way we do business

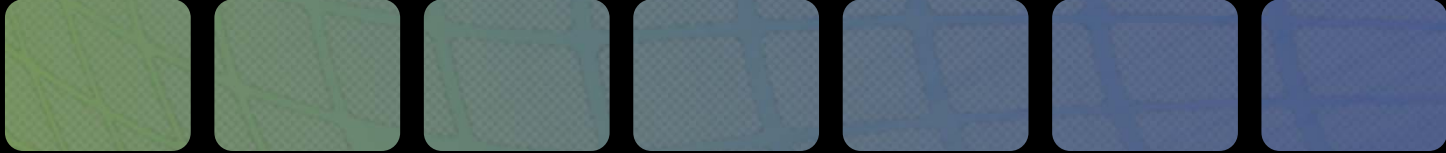


Goal: Budget Target Update

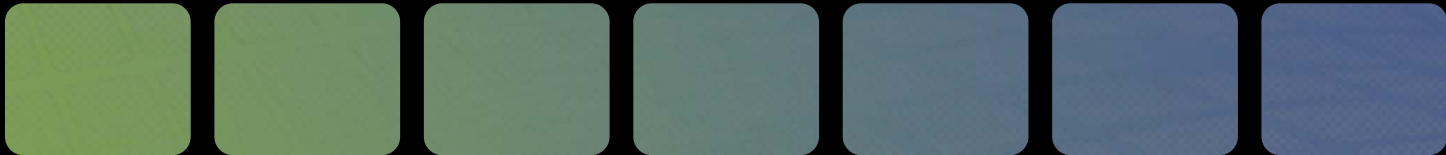
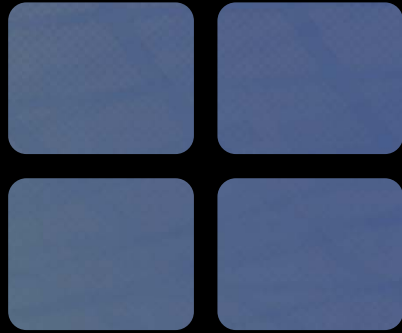


# Updates

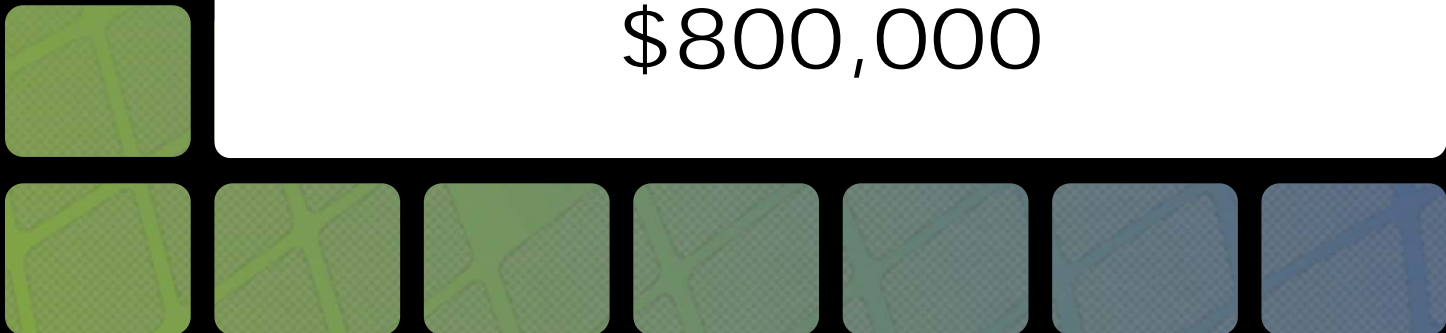
- Dissolved Internal Service Funds(fleet, facilities, fuel, etc.)
- Updated Financial Projections (based on new data)
- Food Tax Amendment



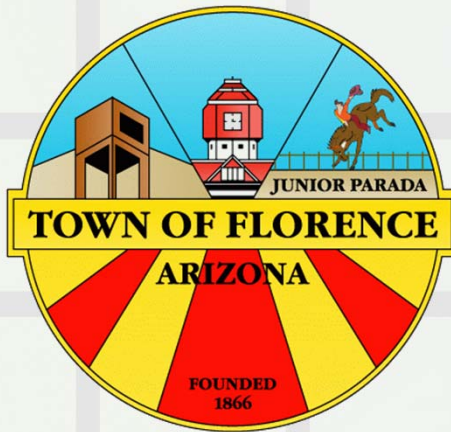
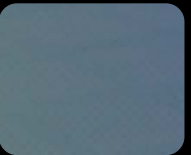
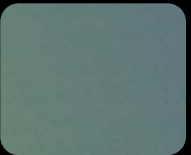
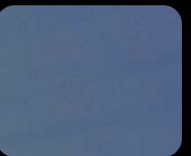
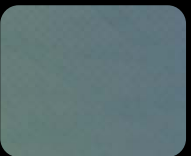
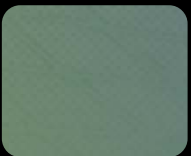
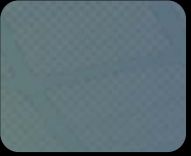
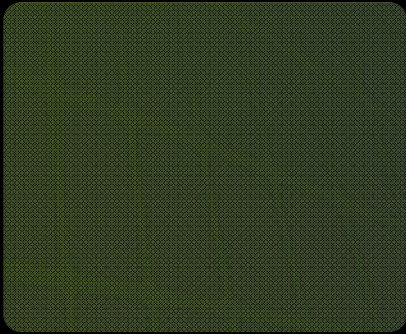
Target Update



Reduce Expenditures by  
\$800,000







# QUESTIONS





*Ready to **vote*** 



Special Election - May 17, 2016

Special Election on Prop 468



# Why Are We Here?

3

On August 26, 2014, the electors of the Town of Florence voted on the Home Rule Option.

- Prop 400
  - ✦ NO - 52% (667 votes)
  - ✦ YES - 48% (622 votes)

Town is now subject to the State-Imposed Expenditure Limitation until Florence voters decide otherwise.

Town cannot spend more per year than the Fiscal Year 1979/1980 base amount, with adjustments.

- Town must spend what state specifies.

# What is Home Rule?

4

The Town is a political sub-division of the State.

In 1980, Arizona voters approved an amendment to the State Constitution and created Home Rule.

The amendment to the State Constitution created a system that requires voters in cities and towns (non-chartered) to decide every four years to:

- Allow residents and Town Council to determine its own expenditure limitation; or
- Restrict spending to the State-Imposed Expenditure Limitation (regardless of revenues or available funds).

**Home Rule does not impact taxes or fees that the Town collects.**



# Last Year's Special Election

6

On May 19, 2015 a Special Election was held.

- Prop 407
  - ✦ YES - 78% (1439 votes)
  - ✦ NO - 22% (409 votes)

Election results allowed Town Council and citizens to retain local control.

**This special election authorized the Town to exceed the expenditure limitation for the existing budget year.**

# This Year's Two Town Elections

7

Special Election (Prop 408) on May 17, 2016.

- A YES vote allows the Town to determine its own expenditure limitation for next year (FY 16/17).
- A NO vote allows the State to determine the Town's expenditure limitation for the next year (FY 16/17).

Home Rule Option Election on August 30, 2016.

- A YES vote allows the Town to determine its own expenditure limitation for next four years.
- A NO vote allows the State to determine the Town's expenditure limitation for the next four years.
  - Annual Special Elections can occur each year.



# May 17 Special Election

8

Election has no impact on raising or lowering taxes or fees.

Identical to last year's May Special Election.

- **No Increase in overall expenditures from last year.**

Voters decide if annual expenditure limitation is determined by local control or by the State of Arizona.

Voters decide if the Town can adopt a budget that allows the Town to set an expenditure limitation of \$15 million in excess of the State-Imposed Expenditure Limitation for the next fiscal year.



# May 17 Special Election

10

**Actual ballot language (Prop 408):**

**Shall the Town of Florence retain local control and exceed the state-imposed expenditure limitation for Fiscal Year 2016-2017 by \$15,000,000, to allow the Town to adopt a budget no greater than the amount that was adopted for Fiscal Year 2015-2016?**

# May 17 Special Election

11

Actual ballot language (Prop 408):

A **“YES”** vote shall have the effect of allowing the Town of Florence to retain local control and expend existing funds and revenues in a way that will allow the Town to continue to provide the existing services to its residents. A **“YES”** vote will not increase or decrease taxes.

A **“NO”** vote shall have the effect of preventing the Town of Florence from retaining local control and its ability to expend existing funds and revenues and instead require expenditures be limited by the state-imposed expenditure formula based on Fiscal Year 1979-1980 expenditures, resulting in cuts in existing Town services and projects. A **“NO”** vote will not increase or decrease taxes.



# Impact to Services and Projects

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The Town of Florence provides many local services:

- ✦ Police
- ✦ Fire
- ✦ Street Maintenance
- ✦ Parks
- ✦ Library
- ✦ Senior Center
- ✦ Courts
- ✦ Water and Wastewater
- ✦ Community Development
- ✦ Economic Development
- ✦ Special Events
- ✦ Much more

**Town Council would need to make \$15 million in cuts in services, projects and personnel, if the Prop 408 fails.**

# Fiscal Responsibility

14

FY 15/16 Target Budget was presented to the Town Council on Tuesday, February 16<sup>th</sup>.

Town has been reducing expenditures by:

- Changing the way we do business.
- Developing best practices in our operations.
- Implementing fiscally conservative practices.

Every year, citizens participate in the annual adoption of the Town budget and the setting of the expenditure limitation.





# May 17 Election Info

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**This is not an all-mail ballot election!**

- Voters can request an early ballot by contacting the Pinal County Elections Office.

Election is held at three physical locations.

<b>23 FLORENCE NORTH</b>	<b>FLORENCE TOWN HALL COUNCIL CHAMBERS</b>	<b>775 N MAIN ST</b>
<b>24 FLORENCE SOUTH</b>	<b>FLORENCE K-8 SCHOOL GYM</b>	<b>225 S ORLANDO ST (JR HIGH MULTI-PURPOSE ROOM)</b>
<b>27 POSTON BUTTE</b>	<b>ANTHEM PARKSIDE COMMUNITY CENTER</b>	<b>3200 N ANTHEM WAY</b>

The last day to register to vote is April 18th.

- Register at [www.servicearizona.com](http://www.servicearizona.com) or contact the Pinal County Elections Office.

The publicity pamphlet is mailed out on April 25th.

Early ballots must be received by May 17th (Election Day).

# August 30 Home Rule Election

17

Similar election to the August 2014 election.

- **Voters approved Home Rule for 8 out of 9 elections.**
- **Town retained local control for 33 out of the last 35 years.**

Election has no impact on raising or lowering taxes or fees.

Voters decide if annual expenditure limitation is determined by local control and or by the State of Arizona.

If passed, the Town regains local control for 4 years.

# Need More Info?

18

**Elections: Lisa Garcia, Deputy Town Manager/Town Clerk: (520) 868-7552**

**Finance: Gabe Garcia, Finance Director: (520) 868-7505**

**General Information visit [www.florenceaz.gov](http://www.florenceaz.gov)**

**Brent Billingsley, Town Manager: (520) 868-7558**

**Jess Knudson, Assistant Town Manager/PIO: (520) 868-7541**

**150**  
YEARS  
TOWN OF  
**FLORENCE**  
1866 - 2016

**TOWN OF FLORENCE**



- **Home Rule does not impact taxes or fees that the Town collects.**
- **This special election authorized the Town to exceed the expenditure limitation for the existing budget year.**
- **No Increase in overall expenditures from last year.**
- **Town Council would need to make \$15 million in cuts in services, projects and personnel, if the Prop 408 fails.**
- **Voters approved Home Rule for eight out of nine elections.**
- **Town retained local control for 33 out of the last 35 years.**

*Ready to **vote*** 



# Questions?

# Proposition 123



## PROPOSITION 123 – SAMPLE BALLOT/BALLOT FORMAT

### **OFFICIAL TITLE**

**PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ARIZONA; AMENDING ARTICLE X, SECTION 7, CONSTITUTION OF ARIZONA; AMENDING ARTICLE XI, CONSTITUTION OF ARIZONA, BY ADDING SECTION 11; RELATING TO EDUCATION FINANCE**

### **DESCRIPTIVE TITLE**

**INCREASES ANNUAL DISTRIBUTIONS FROM THE STATE LAND TRUST PERMANENT ENDOWMENT FUND FROM 2.5% TO 6.9% TO BENEFIT ARIZONA K-12 SCHOOLS, COLLEGES, AND OTHER BENEFICIARY INSTITUTIONS.**

**A “yes” vote shall have the effect of increasing distributions from the State Land Trust Permanent Endowment Fund in fiscal years 2016-2025 from 2.5% to 6.9% of average monthly market values to benefit Arizona K-12 schools, colleges, and other beneficiary institutions, including a \$259,266,200 distribution in fiscal year 2016; includes protections for state funds in the case of a severe economic downturn.**

**YES**

**A “no” vote shall have the effect of retaining the existing 2.5% distribution formula from the State Land Trust Permanent Endowment Fund and maintaining current funding levels for Arizona K-12 schools, colleges, and other beneficiary institutions.**

**NO**

# Proposition 124



## PROPOSITION 124 – SAMPLE BALLOT/BALLOT FORMAT

### **OFFICIAL TITLE**

**PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE XXIX, SECTION 1, CONSTITUTION OF ARIZONA; RELATING TO PUBLIC RETIREMENT SYSTEMS.**

### **DESCRIPTIVE TITLE**

**THE PROPOSITION AND ACCOMPANYING LEGISLATION PERMIT THE STATE TO ADJUST CERTAIN BENEFITS IN THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM TO ALLEVIATE SYSTEM UNDERFUNDING, INCLUDING THE REPLACEMENT OF THE CURRENT PERMANENT BENEFIT INCREASE STRUCTURE WITH A COST OF LIVING ADJUSTMENT THAT IS INDEXED FOR INFLATION, CAPPED AT 2% PER YEAR.**

**A “YES” vote will allow the state to adjust certain benefits for public safety retirees, including the replacement of the current permanent benefit increase structure with a cost of living adjustment based on inflation, capped at 2% per year.**

**YES**

**A “NO” vote shall have the effect of maintaining the current benefit increase structure in the underfunded Public Safety Personnel Retirement System and prohibiting the proposed legislative adjustment intended to stabilize the system.**

**NO**

# Public Safety Personnel Retirement System

23

- Prop 124
- This is an initiative from the State Legislature relating to the Arizona Public Safety Personnel Retirement System (PSPRS).
- Town of Florence police officers and firefighters are covered under this retirement system.
- A “Yes” vote authorizes the replacement of the current mandatory cost-of-living adjustments for PSPRS retirees to a system linked to actual inflation.
- A “No” vote has the effect of preserving the current mandatory adjustment.



# Target Budget



## Reduce Expenditures and Improve Efficiencies

- Defer some capital projects
- Eliminate non-essential services
- Freeze vacated job positions
- Reduce professional services
- Line item adjustments
- Evaluate increase in volunteer workforce
- Evaluate hours of operation
- Evaluate regional partnerships