

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 AND MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2

SPECIAL MEETING AGENDA

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Merrill Ranch Community Facility District No. 1 and District No. 2 Members and to the general public that a Joint Special Meeting of the District Boards will be held on Monday, December 5, 2016, at 5:15 p.m., in the Florence Town Council Chambers, located at 775 N. Main Street, 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. ADJOURN TO EXECUTIVE SESSION:

An Executive Session will be held during the District Meeting for the purpose of discussions or consultations with designated representatives of the public body and/or legal counsel pursuant to A.R.S. Sections 38-431.03 (A)(3) and (A)(4) to consider its position and instruct its representatives and/or attorneys regarding:

- a. Terms and conditions for agreements implementing the sale and issuance of Merrill Ranch Community Facilities District No. 1 General Obligation Refunding Bonds, including a placement agency agreement, an escrow trust agreement, and contract for placement of such bonds.
- b. Terms and conditions for agreements implementing the sale and issuance of Merrill Ranch Community Facilities District No. 2 General Obligation Refunding Bonds, including a placement agency agreement, an escrow trust agreement, and contract for placement of such bonds.

4. ADJOURN FROM EXECUTIVE SESSION

5. NEW BUSINESS OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT 1

- a. Discussion and possible action of adopting Resolution No. MRCFD1 135-16: A RESOLUTION OF THE BOARD OF DIRECTORS OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1, APPROVING AND AUTHORIZING THE SALE AND ISSUANCE OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 (FLORENCE, ARIZONA) GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016 AND ALL MATTERS RELATED THERETO; PRESCRIBING CERTAIN TERMS AND CONDITIONS OF SUCH BONDS INCLUDING THE DELEGATION TO THE DISTRICT MANAGER OF THE AUTHORITY TO DESIGNATE THE FINAL PRINCIPAL AMOUNT, MATURITIES, INTEREST RATES AND YIELDS AND OTHER MATTERS WITH RESPECT TO SUCH BONDS; APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF A PLACEMENT AGENCY AGREEMENT AND AN ESCROW TRUST

AGREEMENT RELATING TO SUCH BONDS; AWARDED A CONTRACT FOR THE PLACEMENT OF SUCH BONDS AND ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE DISTRICT.

6. NEW BUSINESS OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT 2

- a. **Discussion and possible** action of adopting Resolution No. MRCFD2 232-16: A RESOLUTION OF THE BOARD OF DIRECTORS OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2, APPROVING AND AUTHORIZING THE SALE AND ISSUANCE OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 (FLORENCE, ARIZONA) GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016 AND ALL MATTERS RELATED THERETO; PRESCRIBING CERTAIN TERMS AND CONDITIONS OF SUCH BONDS INCLUDING THE DELEGATION TO THE DISTRICT MANAGER OF THE AUTHORITY TO DESIGNATE THE FINAL PRINCIPAL AMOUNT, MATURITIES, INTEREST RATES AND YIELDS AND OTHER MATTERS WITH RESPECT TO SUCH BONDS; APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF A PLACEMENT AGENCY AGREEMENT AND AN ESCROW TRUST AGREEMENT RELATING TO SUCH BONDS; AWARDED A CONTRACT FOR THE PLACEMENT OF SUCH BONDS AND ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE DISTRICT.

7. ADJOURNMENT

POSTED DECEMBER 1, 2016 BY LISA GARCIA, DISTRICT CLERK, AT 775 N. MAIN STREET, ARIZONA AND 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.*****



**Community Facilities
District No. 1
District ACTION FORM**

**AGENDA ITEM
5a.**

MEETING DATE: December 5, 2016

DEPARTMENT: Finance/Administration

STAFF PRESENTER: Brent Billingsley, District Manager

SUBJECT: Refunding certain maturities of the outstanding 2008 General Obligation Bonds – Resolution No. MRCFD 1 135-16

- Action
- Information Only
- Public Hearing
- Resolution
- Ordinance
 - Regulatory
 - 1st Reading
 - 2nd Reading
- Other

RECOMMENDED MOTION/ACTION:

Due to potential favorable market conditions (subject to change), staff recommends approval to proceed with the submission of a Private Placement RFP/Term Sheet to several financial institutions, working closely with Stifel, Nicolaus (Mark Reader and Erika Coombs) as the District’s Placement Agent and Greenberg Traurig, Bond Counsel (Michael Cafiso and Paul Gales).

BACKGROUND/DISCUSSION:

In 2008, the District issued \$4,390,000 of General Obligation Bonds for the purpose of acquiring certain public infrastructure. Due to the early stage of development in 2008 and bond market conditions at the time of sale, the bonds carried no rating resulting in bonds being sold at interest rates of 6.00% - 7.40%. The District currently has approximately \$3,540,000 outstanding of which approximately \$3,145,000 (7.40%) have been identified as potential bonds to be refunded at a rate of approximately 3% - subject to change based on final bid reception and related negotiations. Based on this assumption, the following represents potential savings to the District, assuming the bonds are paid off sooner than the original maturity date due to the potential significant reduction of the interest rates.

FINANCIAL IMPACT:

The following represents the estimated financial impact of a transaction assuming the District would like to pay off the bonds approximately 3-years early. Additional discussion can be held regarding other options associated with savings.

2008 Bond Rate [2021 – 2033]	7.40%
Bond Call Date:	7/1/2018, at Par
2016 Refunding Bond Rate [2017 – 2030]	3.00% - Subject to change based on bid reception

Net Estimated Secondary Tax Levy Savings	\$1,294,275
Estimated Net Present Value Savings	\$837,502
Estimated Net Present Value Savings as a % of Bonds to be Refunded	26.6% [Generally a NPV savings % of 3% or greater considered an efficient refunding]
Estimated Amortization Period Reduced:	Approximately 3-Years early if savings structure in this manner

The following represents an estimated calendar associated with the transaction:

December 5 th	CFD Board approval to proceed with the transaction assuming certain level of savings is achieved.
December 6 th	Due Diligence conference call with CFD and financing team members to review RFP/Term Sheet in advance of submitting to qualified financial institutions.
Week of December 12 th	Mandatory Pre-Bid Conference Call with prospective bidders regarding financing details.
Week of December 19 th	Bids due to Stifel and the District.
Week of December 19 th	Select successful bidder – move towards closing.
December 29 th – on or around	Closing.

STAFF RECOMMENDATION:

Proceed with submission of RFP/Term Sheet, working closely with Stifel and Greenberg Traurig. Mark Reader and Michael Cafiso will make a presentation to discuss additional details and be available to answer any questions.

ATTACHMENTS:

Resolution No. MRCFD1 135-16: Authorizing the Placement of Refunding Bonds (Prepared by: Greenberg Traurig, Bond Counsel, MRCFD No. 1)

MRCFD RESOLUTION NO. 135-16

(MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1)

A RESOLUTION OF THE BOARD OF DIRECTORS OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 APPROVING AND AUTHORIZING THE SALE AND ISSUANCE OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1 (FLORENCE, ARIZONA) GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016 AND ALL MATTERS RELATED THERETO; PRESCRIBING CERTAIN TERMS AND CONDITIONS OF SUCH BONDS INCLUDING THE DELEGATION TO THE DISTRICT MANAGER OF THE AUTHORITY TO DESIGNATE THE FINAL PRINCIPAL AMOUNT, MATURITIES, INTEREST RATES AND YIELDS AND OTHER MATTERS WITH RESPECT TO SUCH BONDS; APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF A PLACEMENT AGENCY AGREEMENT AND AN ESCROW TRUST AGREEMENT RELATING TO SUCH BONDS; AWARDING A CONTRACT FOR THE PLACEMENT OF SUCH 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 DIRECTORS OF MERRILL RANCH COMMUNITY FACILITIES NO. 1 as follows:

1. Findings.

a. The board of directors (the "Board") of Merrill Ranch Community Facilities District No. 1, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (the "District") hereby finds and determines that it is expedient to refund the portion of the General Obligation Bonds, Series 2008A of the District (the "Series 2008A Bonds") remaining outstanding determined as provided herein (the "Bonds Being Refunded") and that the issuance of certain refunding bonds by the District (the "Bonds") and the application of the net proceeds thereof to pay at maturity or earlier redemption the Bonds Being Refunded are necessary

and advisable and in the best interests of the District and shall result in a present value debt service savings, net of costs associated with the Bonds, of not less than three percent (3.0%) of the principal amount of the Bonds Being Refunded.

b. The Board also hereby finds and determines that the total aggregate outstanding amount of the Bonds and the Series 2008A Bonds not to be the Bonds Being Refunded will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District.

c. The total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded.

d. The Board will receive a proposal from Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the placement agent (the "Placement Agent") and not acting as a municipal advisor as defined in the "Registration of Municipal Advisors" rule promulgated by the United States Securities and Exchange Commission, and has determined that the Bonds should be placed by the Placement Agent.

e. Pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (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 ("Tax-Exempt Obligations"), are

required to establish policies and procedures to ensure compliance with the applicable provisions of the Code and the Regulations.

f. The Board hereby further finds and determines that procedures approved at the meeting of the Board held on March 29, 2016, in order to ensure that Tax-Exempt Obligations (including the Bonds) issued by the District comply with the provisions of the Code and the Regulations (the "Procedures") should be ratified and confirmed.

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

2. Authorization and Sale of the Bonds.

a. The Bonds are authorized by the provisions of Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the "Enabling Act"), specifically Section 48-719(D), Arizona Revised Statutes, and Title 35, Chapter 3, Article 4, Arizona Revised Statutes.

b. The Bonds are hereby authorized to be sold and issued for the purposes set forth hereinabove. (All actions to refund the Bonds Being Refunded, whether taken before or after adoption of this Resolution, are ratified and confirmed and approved, respectively.)

c. The Bonds Being Refunded shall be paid or earlier redeemed on redemption dates determined as provided herein.

d. i. Proceeds of the sale of the Bonds shall, along with amounts otherwise available, if any, be deposited with a trustee appointed as hereinafter described which shall be a national banking association authorized to do trust business in the State of Arizona (the "Trustee"), pursuant to an Escrow Trust Agreement, to be dated as of the first day of the month of the dated date of the Bonds (the "Escrow Trust Agreement"), between the Trustee and the District. (Any proceeds of the sale of the Bonds not used for such purpose shall be held by the District and used to pay costs of issuance of the Bonds or deposited in the same fashion as taxes.)

ii. The District Manager of the District is hereby authorized to execute and deliver the Escrow Trust Agreement, for and on behalf of the District, in such standard form and in a final form satisfactory to the District Manager of the District, and such execution and delivery by the District Manager of the District shall indicate the approval thereof on behalf of the District.

e. The owners of the Bonds shall rely upon the sufficiency of the funds deposited as described in subsection d. for the payment of the Bonds Being Refunded. The issuance of the Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for the payment of principal

and interest on the Bonds Being Refunded if such redemption funds prove insufficient.

3. Title of the Bonds. The Bonds shall be designated "Merrill Ranch Community Facilities District No. 1 (Florence, Arizona) General Obligation Refunding Bonds, Series 2016."

4. Delegation. The District Manager of the District is hereby authorized and directed to determine on behalf of the District: (1) the identity of the Trustee; (2) the series name and designation of the Bonds if issued after December 31, 2016; (3) the sales date of the Bonds and the dated date and total principal amount of the Bonds; (4) the final principal and maturity schedule of the Bonds; (5) the maturities and amounts of the Series 2008A Bonds to be the Bonds Being Refunded and the dates of payment or redemption thereof; (6) the interest rate on each maturity of the Bonds and the dates for payment of such interest (the "interest payment dates"); (7) the provisions for redemption in advance of maturity of the Bonds and (8) the sales price and terms of the Bonds and their placement and sale (including for placement agent compensation, original issue discount and premium), provided, however, that such determinations must result in at least the savings indicated in the recitals hereto.

5. Terms.

a. The Bonds shall separately be numbered, by maturity, from 1 consecutively upwards; shall be fully registered Bonds without coupons; shall be in the denomination of \$100,000 of principal due on a maturity date or any integral multiple of \$1,000 or lesser amount determined on behalf of the District by the District

Manager of principal amount thereof except that Bonds may be in denominations less than \$100,000 to effect redemptions ("authorized denominations") and shall bear interest from the most recent July 15 or January 15 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date. The principal of and premium, if any, and interest on the Bonds shall be payable by wire transfer of immediately available, federal funds to the entity with which they are placed pursuant to Section 9 (the "Purchaser") to the account designated by such registered owner and thereafter to any entity to which they are transferred as hereinafter described (for purposes of this section together with the Purchaser, "registered owners") at the close of business on the first day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest 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 Bonds) as of the regular record date and shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. Such special record date shall be fixed 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 the Bonds not less than ten (10) days prior thereto.

b. i. The Bonds may be transferred to a registered owner without the necessity of obtaining the consent of District; provided, that such transferee represents to the

District that (i) it has sufficient knowledge and experience in financial and business matters to be able to evaluate the risks and merits of the investment in the Bonds, (ii) it understands that neither this Resolution nor the Bonds will be registered pursuant to the Securities Act of 1933, (iii) it is either an "accredited investor" within the meaning of Regulation D promulgated pursuant to the Securities Act of 1933, or a qualified institutional buyer within the meaning of Rule 144A promulgated under the Securities Act of 1933, and (iv) its present intention is to acquire such interest (A) for investment for its own account or (B) for resale in a transaction exempt from registration under the Securities Act of 1933; *provided, however,* that there shall only be three registered owners at any time and the District shall only report to and take direction from the entity which is the registered owner of a majority in the principal amount of the Bonds outstanding or designated for such purpose by the registered owners of a majority in principal amount of the Bonds outstanding (the "principal registered owner"); *provided further,* upon such transfer, if the Purchaser is no longer the registered owner of a majority in principal amount of the Bonds outstanding, the District reserves the right to employ the services of third party paying agent and bond registrar. Upon transfer of any Bonds, the District shall execute and deliver new Bonds in the name of the transferee, in authorized denominations, in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing

interest at the same rate and maturing on the same date as, the Bonds submitted for transfer.

ii. Transfer of Bonds shall not be required (a) during a period beginning with the opening of business on the fifteenth (15th) business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (b) of any Bonds which have been selected for redemption.

c. Not more than forty-five (45) nor less than thirty (30) days before any redemption date, a notice of such redemption shall be mailed by first class mail, postage prepaid, to the principal registered owner.

6. Mutilated, Destroyed or Lost Bonds. In case any Bond becomes mutilated or destroyed or lost, the District shall cause to be executed and delivered a new Bond of like 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 District by the registered owner evidence satisfactory to the District that such Bond was destroyed or lost, and furnishing the District with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

7. Execution of Bonds. The Bonds shall be executed on behalf of the District by the Chairperson or Vice Chairperson of the

Board and attested by the District Clerk of the District and countersigned by the District Treasurer of the District with their manual or facsimile signatures, and such officials are hereby authorized and directed to execute, attest and countersign the Bonds as aforesaid. Unless a bond registrar and paying agent is employed by the District as hereinabove provided to do so, the District Clerk of the District shall authenticate and deliver Bonds upon original issuance and subsequent transfer as provided herein.

8. Form of Bonds. The Bonds shall be in substantially the form attached hereto as the Exhibit, allowing those executing the Bonds to make the insertions and deletions necessary to conform the Bonds hereto.

9. Tax Levy; Payment.

a. In each year while any of the Bonds shall be outstanding, there shall be and hereby is levied upon all taxable property within the District a continuing, direct, annual, *ad valorem* tax over and above all other taxes authorized or limited by law, which tax, together with other funds then on hand and available for such purposes, shall be sufficient to pay the principal of and interest on the Bonds as the same become due, provided, however, that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity on the Bonds Being Refunded. The tax shall be extended and collected for the District, and the officials of the District and Pinal County, Arizona charged

with the annual extension and collection of taxes, without further instructions from the Board, shall extend and collect the tax upon issuance of the Bonds. All moneys collected through such tax shall be paid into the treasury of the District, to the credit of a separate "Bond Fund" of the District for the Bonds, from which funds the Bonds shall be payable, which tax moneys shall be held in subfunds in such fund to be known as the "Interest Fund" and the "Redemption Fund", which funds shall be kept separate and apart from and not commingled with any other funds or moneys and which shall be used solely for, respectively, payment of interest on and principal of the Bonds.

b. Neither the full faith and credit nor the general taxing power of the Town of Florence, Arizona (the "Town") is pledged to the payment of the Bonds. Nothing contained in this Resolution or any other instrument related to the Bonds shall be construed as obligating the Town, or as incurring a charge upon the general credit or any other credit or revenues of the Town nor shall the breach of any agreement contained in this Resolution 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 Town.

c. A record of the Bonds sold and their numbers and dates shall be entered into the minutes of the Board and, subject to the limitation of applicable laws of the State of Arizona (the "State") as they relate to Bonds, an *ad valorem* property tax shall be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described

herein, to pay debt service when due. Annual statements and estimates of the amount to be raised to pay such debt service shall be made. Such annual statements and estimates shall be filed with the Clerk of the Town, and a notice of the filing of the estimate shall be published. On or before the date set by law for certifying the annual budget of the Town, the amounts to be raised by *ad valorem* property taxes of the District shall be fixed, levied and assessed, and certified copies of the order shall be delivered to the Board of Supervisors of Pinal County, Arizona, and to the Department of Revenue of the State of Arizona. 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.

10. Placement. The District Manager of the District is hereby authorized to accept a proposal of the Placement Agent for the placement of the Bonds in a standard form, and the Bonds are hereby ordered placed with the entity identified in accordance with the terms of the Placement Agent Agreement. The District Manager of the District is hereby authorized to execute and deliver the Placement Agent Agreement, for and on behalf of the District, in substantially such form and in a final form satisfactory to the District Manager of the District, and such execution and delivery by the District Manager of the District shall indicate the approval thereof on behalf of the District. In accordance with the provisions of this Resolution and upon payment therefor, the District Manager, the District Clerk and the District Treasurer of the District, or any of them, are hereby

authorized and directed to deliver the Bonds to the Purchaser upon receipt of payment therefor.

11. Federal Tax Matters.

a. As to be provided in a certificate as to federal tax matters to be delivered upon initial issuance of the Bonds (the "Tax Certificate"), the District 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 Internal Revenue Code of 1986, as amended (the "Code"), or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the District shall comply with the requirements of the Code sections and related regulations throughout the term of the Bonds. (Particularly, the District or the Town shall be the owner of the facilities refinanced with the proceeds of the sale of the Bonds (the "Facilities") for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), (i) no management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities shall be entered into unless the management or service contract complies with the requirements of Revenue Procedure 97-13, Revenue Procedure 2016-44 or such other authority as may control at the time, and (ii) no 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 shall be entered into.) 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 hereby further covenants and agrees to comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Bonds (originally as provided in Section 11 hereof) 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, as amended, the Board covenants, and the appropriate officials of the District are hereby directed, to take all action required or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

b. i. The District shall take all necessary and desirable steps, as determined by the Board, 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 District receives a Bond Counsel's Opinion (as such term is hereinafter defined) 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 District receives such a Bond Counsel's Opinion, the parties agree to amend this Resolution to conform to the requirements set forth in such opinion.

ii. If for any reason any requirement hereunder is not complied with, the District shall take all necessary and desirable steps, as determined by the Board, 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 Regulations section 1.148-3(h) with respect to the Code.

c. The Procedures to establish policies and procedures in connection with Tax-Exempt Obligations issued by the District to ensure that all applicable post-issuance requirements of the Code and the Regulations needed to preserve the status of such Tax-Exempt Obligations are hereby ratified and confirmed. 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.

d. 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. It is represented and warranted 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.

e. (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 and, as such, the District has an exception to the payment of rebate as described in the next Section available to it with respect to the Bonds.

12. Arbitrage Matters.

a. Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the arbitrage certificate of the District delivered in connection with the issuance of the Bonds.

b. In addition to the terms defined elsewhere herein, the following terms shall have the following meanings:

Bond Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the District.

Bond Year shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Bonds and shall end on the date selected by the District, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Bond.

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

Gross Proceeds shall mean:

i. any amounts actually or constructively received by the District from the sale of the Bonds but excluding amounts used to pay accrued interest on the Bonds within one year of the date of issuance of the Bonds;

ii. transferred proceeds of the Bonds under Regulations section 1.148-9;

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

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

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

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

Nonpurpose Investment shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Bonds.

Payment shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

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

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

c. Within 60 days after the end of each Bond Year, if the exception to the requirement to do so described in Section 10(e) is not available, the District shall cause the Rebate Requirement to be calculated and, unless shall pay to the United States of America:

1. not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Bonds

(determined as of such computation date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the Bonds (determined as of the last day of such Bond Year); and

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

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

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

e. For purposes of Subsection (d), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(1) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which

a contract to purchase or sell the Nonpurpose Investment becomes binding.

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

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

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

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

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

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

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the District or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the District or any other person for purposes of satisfying the requirements in the Regulations that the District receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Bonds.

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

(3) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must

be received from providers that have no material financial interest in the Bonds (e.g., a lead underwriter within 15 days of the issue date of the Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the District uses an agent to conduct the bidding, the agent may not bid.

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

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

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

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

(8) The District retains until three years after the last outstanding Bond is retired, (i) a copy of

the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the District and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

h. The employment of such experts and consultants to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code, is hereby authorized.

13. Miscellaneous.

a. In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall be the registered owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the District and the registered owners of the Bonds.

b. If any section, paragraph, subdivision, sentence, clause or phrase of this Resolution is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Resolution. The Board of Directors of the District hereby declare that it would have adopted this

Resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution may be held illegal, invalid or unenforceable.

c. All actions of the officers and agents of the District including the Board of Directors of the District which conform to the purposes and intent of this Resolution and which further the issuance and sale 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.

d. All acts and conditions necessary to be performed by the District or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

[Remainder of page left blank intentionally.]

PASSED by the Board of Directors of Merrill Ranch Community
Facilities District No. 1 this 5th day of December, 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

EXHIBIT:

Exhibit - Form of Bond

EXHIBIT
FORM OF BOND

REGISTERED
NO.

REGISTERED
\$.....

UNITED STATES OF AMERICA

STATE OF ARIZONA

COUNTY OF PINAL

(THIS BOND IS ONLY TRANSFERABLE UPON COMPLIANCE WITH THE
RESTRICTED TERMS PROVIDED IN THE RESOLUTION DESCRIBED HEREIN)

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1
(FLORENCE, ARIZONA)
GENERAL OBLIGATION REFUNDING BOND, SERIES 2016

Interest Rate: Maturity Date: Dated as of:
.....% per annum July 15,, 2016

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1, a community facilities district, duly organized and existing under the laws of the State of Arizona (the "District"), for value received, hereby promises to pay to the Registered Owner indicated above, or registered assigns, the Principal Amount indicated above on the aforesaid Maturity Date, and to pay interest on the Principal Amount at the aforesaid Interest Rate on 15, 20.., and on 15 and 15 of each year thereafter (each an "interest payment date") from the date of this Bond to its maturity or its redemption prior to maturity. The principal of and premium, if any, and interest on this Bond are payable by wire transfer of immediately available, federal funds to the registered owners (as described in the herein-after described Resolution) to the account designated by such owners at the close of business on the first day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest 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 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 the Bonds not less than 10 days prior thereto.

The bonds of this series (the "Bonds") are issued to refund certain of the District's outstanding General Obligation Bonds, Series 2008A (the "Bonds Being Refunded"). This Bond is one of a series of such bonds, issued in the aggregate principal amount of \$.....,000, of like tenor except as to maturity date, rate of interest and number by virtue of a resolution (the "Resolution"), duly adopted prior to the issuance hereof, and pursuant to and in conformity with the Constitution and laws of the State of Arizona, including particularly, Article 4 Chapter 3 of Title 35 and Section 48-719(D) of the Arizona Revised Statutes and all other laws of the State of Arizona relating thereto.

For the punctual payment of this Bond, and the interest hereon, there shall be levied on all the taxable property in the District a continuing, direct, annual, *ad valorem* tax sufficient to pay all such principal and interest of and on this Bond as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected; provided, however, that the issuance of the Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for payment of the principal and interest on the Bonds Being Refunded if the moneys or obligations of the United States government in which net proceeds of the Bonds are held to provide funds to pay when due, or called for redemption, the Bonds Being Refunded together with interest thereon, and with other funds legally available for such purposes deposited in the respective principal and interest redemption funds and held for the payment of the Bonds Being Refunded with interest on maturity or upon an available redemption date prove insufficient and further that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The owners of the Bonds must rely on the sufficiency of the funds and securities held irrevocably in trust for payment of the Bonds Being Refunded.

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 DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS.

The Bonds maturing on July 15,, and July 15,, are not subject to redemption prior to maturity. The Bonds maturing on or after July 15,, are subject to optional redemption prior to maturity, in whole or in part, on July 15,, or any interest payment 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, the premium (calcu-

lated 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 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, At the option of the District, whenever Bonds maturing on July 15, are purchased, redeemed (other than pursuant to the foregoing scheduled mandatory redemption) or delivered by the District for cancellation, the principal amount of such Bonds so retired will satisfy and be credited against the mandatory redemption requirement for such Bonds in such manner as the District determines; provided, however, that following such reduction each mandatory redemption requirement for such Bonds is an integral multiple of \$5,000 of principal.

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, , Bonds maturing on July 15, , shall be selected for redemption (by lot) 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.

Not more than 45 nor less than 30 days before any redemption date, notice of any such redemption shall be mailed by first class mail, postage prepaid, to the principal registered owner.

This Bond may be transferred only pursuant to the terms provided by the Resolution.

Transfer of Bonds will not be required (a) during a period beginning with the opening of business on the 15th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (b) of any Bonds which have been selected for redemption.

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 [District Clerk of the District].*

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 as limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

* Subject to change if a bond registrar and paying agent is employed as provided in the Resolution.

IN WITNESS WHEREOF, MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 1, has caused this Bond to be executed in the name of the District by the facsimile signature of the Chairperson of the Board of Directors of the District and attested by the facsimile signature of the Clerk of the District and countersigned by the facsimile signature of the District Treasurer of the District.

MERRILL RANCH COMMUNITY FACILITIES
DISTRICT NO. 1

By (Facsimile)
Chairperson

ATTEST:

..... (Facsimile)
District Clerk

COUNTERSIGN:

..... (Facsimile)
District Treasurer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolution and is one of Merrill Ranch Community Facilities District No. 1 (Florence, Arizona) General Obligation Refunding Bonds, Series 2016.

Date of Authentication:

.....
[District Clerk, Merrill Ranch
Community Facilities District No. 1]*

* Subject to change if a bond registrar and paying agent is employed as provided in the Resolution.



**Community Facilities
District No. 2
District ACTION FORM**

**AGENDA ITEM
6a.**

MEETING DATE: December 5, 2016
DEPARTMENT: Finance/Administration
STAFF PRESENTER: Brent Billingsley, District Manager
SUBJECT: Refunding certain maturities of the outstanding 2010 General Obligation Bonds Resolution No. MRCFD2 232-16

- Action
- Information Only
- Public Hearing
- Resolution
- Ordinance
 - Regulatory
 - 1st Reading
 - 2nd Reading
- Other

RECOMMENDED MOTION/ACTION:

Due to potential favorable market conditions (subject to change), staff recommends approval to proceed with the submission of a Private Placement RFP/Term Sheet to several financial institutions, working closely with Stifel, Nicolaus (Mark Reader and Erika Coombs) as the District's Placement Agent and Greenberg Traurig, Bond Counsel (Michael Cafiso and Paul Gales).

BACKGROUND/DISCUSSION:

In 2010, the District issued \$3,560,000 of General Obligation Bonds for the purpose of acquiring certain public infrastructure. Due to the early stage of development in 2010 and bond market conditions at the time of sale, the bonds carried a BBB- rating resulting in bonds being sold at interest rates of 2.10% - 6.25%. The District currently has approximately \$2,645,000 outstanding of which approximately \$1,780,000 (6.0% - 6.25%) have been identified as potential bonds to be refunded at a rate of approximately 3% - subject to change based on final bid reception and related negotiations. Based on this assumption, the following represents potential savings to the District, assuming the bonds are paid off sooner than the original maturity date due to the potential significant reduction of the interest rates.

FINANCIAL IMPACT:

The following represents the estimated financial impact of a transaction assuming the District would like to pay off the bonds approximately 3-years early. Additional discussion can be held regarding other options associated with savings.

2010 Bond Rate [2021 – 2033]	6.16%%
Bond Call Date:	7/1/2020, at Par
2016 Refunding Bond Rate [2017 – 2035]	3.00% - Subject to change based on bid reception

Net Estimated Secondary Tax Levy Savings	\$323,000
Estimated Net Present Value Savings	\$248,000
Estimated Net Present Value Savings as a % of Bonds to be Refunded	13.9% [Generally a NPV savings % of 3% or greater considered an efficient refunding]
Savings Structure:	Level Debt Service Savings of Approximately \$16,000 per year

The following represents an estimated calendar associated with the transaction:

December 5 th	CFD Board approval to proceed with the transaction assuming certain level of savings is achieved.
December 6 th	Due Diligence conference call with CFD and financing team members to review RFP/Term Sheet in advance of submitting to qualified financial institutions.
Week of December 19 th	Bids due to Stifel and the District.
Week of December 19 th	Select successful bidder – move towards closing.
December 29 th – on or around	Closing.

STAFF RECOMMENDATION:

Proceed with submission of RFP/Term Sheet working closely with Stifel and Greenberg Traurig. Mark Reader and Michael Cafiso will make a presentation to discuss additional details and be available to answer any questions.

ATTACHMENTS:

Resolution No. MRCFD2 232-16: Authorizing the Placement of Refunding Bonds (Prepared by: Greenberg Traurig, Bond Counsel, MRCFD No. 2)

MRCFD2 RESOLUTION NO. 232-16

(MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2)

A RESOLUTION OF THE BOARD OF DIRECTORS OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 APPROVING AND AUTHORIZING THE SALE AND ISSUANCE OF MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2 (FLORENCE, ARIZONA) GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016 AND ALL MATTERS RELATED THERETO; PRESCRIBING CERTAIN TERMS AND CONDITIONS OF SUCH BONDS INCLUDING THE DELEGATION TO THE DISTRICT MANAGER OF THE AUTHORITY TO DESIGNATE THE FINAL PRINCIPAL AMOUNT, MATURITIES, INTEREST RATES AND YIELDS AND OTHER MATTERS WITH RESPECT TO SUCH BONDS; APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF A PLACEMENT AGENCY AGREEMENT AND AN ESCROW TRUST AGREEMENT RELATING TO SUCH BONDS; AWARDING A CONTRACT FOR THE PLACEMENT OF SUCH 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 DIRECTORS OF MERRILL RANCH COMMUNITY FACILITIES NO. 2 as follows:

1. Findings.

a. The board of directors (the "Board") of 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 (the "District") hereby finds and determines that it is expedient to refund all or a portion of the General Obligation Bonds, Series 2010 of the District (the "Series 2010 Bonds") and the General Obligation Bonds, Series 2013 of the District (the "Series 2013 Bonds") remaining outstanding determined as provided herein (collectively, the "Bonds Being Refunded") and that the issuance of certain refunding bonds by the District (the "Bonds") and the

application of the net proceeds thereof to pay at maturity or earlier redemption the Bonds Being Refunded are necessary and advisable and in the best interests of the District and shall result in a present value debt service savings, net of costs associated with the Bonds, of not less than three percent (3.0%) of the principal amount of the Bonds Being Refunded.

b. The Board also hereby finds and determines that the total aggregate outstanding amount of the Bonds, the Series 2010 Bonds and the Series 2013 Bonds not to be the Bonds Being Refunded will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District.

c. The total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded.

d. The Board will receive a proposal from Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the placement agent (the "Placement Agent") and not acting as a municipal advisor as defined in the "Registration of Municipal Advisors" rule promulgated by the United States Securities and Exchange Commission, and has determined that the Bonds should be placed by the Placement Agent.

e. Pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (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 ("Tax-Exempt Obligations"), are required to establish policies and procedures to ensure compliance with the applicable provisions of the Code and the Regulations.

f. The Board hereby further finds and determines that procedures approved at the meeting of the Board held on March 29, 2016, in order to ensure that Tax-Exempt Obligations (including the Bonds) issued by the District comply with the provisions of the Code and the Regulations (the "Procedures") should be ratified and confirmed.

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

2. Authorization and Sale of the Bonds.

a. The Bonds are authorized by the provisions of Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the "Enabling Act"), specifically Section 48-719(D), Arizona Revised Statutes, and Title 35, Chapter 3, Article 4, Arizona Revised Statutes.

b. The Bonds are hereby authorized to be sold and issued for the purposes set forth hereinabove. (All actions to refund the Bonds Being Refunded, whether taken before or after adoption of

this Resolution, are ratified and confirmed and approved, respectively.)

c. The Bonds Being Refunded shall be paid or earlier redeemed on redemption dates determined as provided herein.

d. i. Proceeds of the sale of the Bonds shall, along with amounts otherwise available, if any, be deposited with a trustee appointed as hereinafter described which shall be a national banking association authorized to do trust business in the State of Arizona (the "Trustee"), pursuant to an Escrow Trust Agreement, to be dated as of the first day of the month of the dated date of the Bonds (the "Escrow Trust Agreement"), between the Trustee and the District. (Any proceeds of the sale of the Bonds not used for such purpose shall be held by the District and used to pay costs of issuance of the Bonds or deposited in the same fashion as taxes.)

ii. The District Manager of the District is hereby authorized to execute and deliver the Escrow Trust Agreement, for and on behalf of the District, in such standard form and in a final form satisfactory to the District Manager of the District, and such execution and delivery by the District Manager of the District shall indicate the approval thereof on behalf of the District.

e. The owners of the Bonds shall rely upon the sufficiency of the funds deposited as described in subsection d. for the payment of the Bonds Being Refunded. The issuance of the Bonds shall in no way infringe upon the rights of the owners of the Bonds

Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if such redemption funds prove insufficient.

3. Title of the Bonds. The Bonds shall be designated "Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General Obligation Refunding Bonds, Series 2016."

4. Delegation. The District Manager of the District is hereby authorized and directed to determine on behalf of the District: (1) the identity of the Trustee; (2) the series name and designation of the Bonds if issued after December 31, 2016; (3) the sales date of the Bonds and the dated date and total principal amount of the Bonds; (4) the final principal and maturity schedule of the Bonds; (5) the maturities and amounts of the Series 2010 Bonds and the Series 2013 Bonds to be the Bonds Being Refunded and the dates of payment or redemption thereof; (6) the interest rate on each maturity of the Bonds and the dates for payment of such interest (the "interest payment dates"); (7) the provisions for redemption in advance of maturity of the Bonds and (8) the sales price and terms of the Bonds and their placement and sale (including for placement agent compensation, original issue discount and premium), provided, however, that such determinations must result in at least the savings indicated in the recitals hereto.

5. Terms.

a. The Bonds shall separately be numbered, by maturity, from 1 consecutively upwards; shall be fully registered Bonds without coupons; shall be in the denomination of \$100,000 of

principal due on a maturity date or any integral multiple of \$1,000 or lesser amount determined on behalf of the District by the District Manager of principal amount thereof except that Bonds may be in denominations less than \$100,000 to effect redemptions ("authorized denominations") and shall bear interest from the most recent July 15 or January 15 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date. The principal of and premium, if any, and interest on the Bonds shall be payable by wire transfer of immediately available, federal funds to the entity with which they are placed pursuant to Section 9 (the "Purchaser") to the account designated by such registered owner and thereafter to any entity to which they are transferred as hereinafter described (for purposes of this section together with the Purchaser, "registered owners") at the close of business on the first day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest 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 Bonds) as of the regular record date and shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. Such special record date shall be fixed 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 the Bonds not less than ten (10) days prior thereto.

b. i. The Bonds may be transferred to a registered owner without the necessity of obtaining the consent of District; provided, that such transferee represents to the District that (i) it has sufficient knowledge and experience in financial and business matters to be able to evaluate the risks and merits of the investment in the Bonds, (ii) it understands that neither this Resolution nor the Bonds will be registered pursuant to the Securities Act of 1933, (iii) it is either an "accredited investor" within the meaning of Regulation D promulgated pursuant to the Securities Act of 1933, or a qualified institutional buyer within the meaning of Rule 144A promulgated under the Securities Act of 1933, and (iv) its present intention is to acquire such interest (A) for investment for its own account or (B) for resale in a transaction exempt from registration under the Securities Act of 1933; *provided, however,* that there shall only be three registered owners at any time and the District shall only report to and take direction from the entity which is the registered owner of a majority in the principal amount of the Bonds outstanding or designated for such purpose by the registered owners of a majority in principal amount of the Bonds outstanding (the "principal registered owner"); *provided further,* upon such transfer, if the Purchaser is no longer the registered owner of a majority in principal amount of the Bonds outstanding, the District reserves the right to employ the services of third party paying agent and bond registrar. Upon transfer of any Bonds, the District shall

execute and deliver new Bonds in the name of the transferee, in authorized denominations, in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date as, the Bonds submitted for transfer.

ii. Transfer of Bonds shall not be required (a) during a period beginning with the opening of business on the fifteenth (15th) business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (b) of any Bonds which have been selected for redemption.

c. Not more than forty-five (45) nor less than thirty (30) days before any redemption date, a notice of such redemption shall be mailed by first class mail, postage prepaid, to the principal registered owner.

6. Mutilated, Destroyed or Lost Bonds. In case any Bond becomes mutilated or destroyed or lost, the District shall cause to be executed and delivered a new Bond of like 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 District by the registered owner evidence satisfactory to the District that such Bond

was destroyed or lost, and furnishing the District with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

7. Execution of Bonds. The Bonds shall be executed on behalf of the District by the Chairperson or Vice Chairperson of the Board and attested by the District Clerk of the District and countersigned by the District Treasurer of the District with their manual or facsimile signatures, and such officials are hereby authorized and directed to execute, attest and countersign the Bonds as aforesaid. Unless a bond registrar and paying agent is employed by the District as hereinabove provided to do so, the District Clerk of the District shall authenticate and deliver Bonds upon original issuance and subsequent transfer as provided herein.

8. Form of Bonds. The Bonds shall be in substantially the form attached hereto as the Exhibit, allowing those executing the Bonds to make the insertions and deletions necessary to conform the Bonds hereto.

9. Tax Levy; Payment.

a. In each year while any of the Bonds shall be outstanding, there shall be and hereby is levied upon all taxable property within the District a continuing, direct, annual, *ad valorem* tax over and above all other taxes authorized or limited by law, which tax, together with other funds then on hand and available for such purposes, shall be sufficient to pay the principal of and interest on the Bonds as the same become due, provided, however, that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and

interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity on the Bonds Being Refunded. The tax shall be extended and collected for the District, and the officials of the District and Pinal County, Arizona charged with the annual extension and collection of taxes, without further instructions from the Board, shall extend and collect the tax upon issuance of the Bonds. All moneys collected through such tax shall be paid into the treasury of the District, to the credit of a separate "Bond Fund" of the District for the Bonds, from which funds the Bonds shall be payable, which tax moneys shall be held in subfunds in such fund to be known as the "Interest Fund" and the "Redemption Fund", which funds shall be kept separate and apart from and not commingled with any other funds or moneys and which shall be used solely for, respectively, payment of interest on and principal of the Bonds.

b. Neither the full faith and credit nor the general taxing power of the Town of Florence, Arizona (the "Town") is pledged to the payment of the Bonds. Nothing contained in this Resolution or any other instrument related to the Bonds shall be construed as obligating the Town, or as incurring a charge upon the general credit or any other credit or revenues of the Town nor shall the breach of any agreement contained in this Resolution 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 Town.

c. A record of the Bonds sold and their numbers and dates shall be entered into the minutes of the Board and, subject to the limitation of applicable laws of the State of Arizona (the

"State") as they relate to Bonds, an *ad valorem* property tax shall be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described herein, to pay debt service when due. Annual statements and estimates of the amount to be raised to pay such debt service shall be made. Such annual statements and estimates shall be filed with the Clerk of the Town, and a notice of the filing of the estimate shall be published. On or before the date set by law for certifying the annual budget of the Town, the amounts to be raised by *ad valorem* property taxes of the District shall be fixed, levied and assessed, and certified copies of the order shall be delivered to the Board of Supervisors of Pinal County, Arizona, and to the Department of Revenue of the State of Arizona. 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.

10. Placement. The District Manager of the District is hereby authorized to accept a proposal of the Placement Agent for the placement of the Bonds in a standard form, and the Bonds are hereby ordered placed with the entity identified in accordance with the terms of the Placement Agent Agreement. The District Manager of the District is hereby authorized to execute and deliver the Placement Agent Agreement, for and on behalf of the District, in substantially such form and in a final form satisfactory to the District Manager of the District, and such execution and delivery by the District Manager

of the District shall indicate the approval thereof on behalf of the District. In accordance with the provisions of this Resolution and upon payment therefor, the District Manager, the District Clerk and the District Treasurer of the District, or any of them, are hereby authorized and directed to deliver the Bonds to the Purchaser upon receipt of payment therefor.

11. Federal Tax Matters.

a. As to be provided in a certificate as to federal tax matters to be delivered upon initial issuance of the Bonds (the "Tax Certificate"), the District 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 Internal Revenue Code of 1986, as amended (the "Code"), or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the District shall comply with the requirements of the Code sections and related regulations throughout the term of the Bonds. (Particularly, the District or the Town shall be the owner of the facilities refinanced with the proceeds of the sale of the Bonds (the "Facilities") for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), (i) no management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities shall be entered into unless the management or service contract complies with the requirements of Revenue Procedure 97-13, Revenue Procedure 2016-44 or such other authority as

may control at the time, and (ii) no 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 shall be entered into.) 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 hereby further covenants and agrees to comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Bonds (originally as provided in Section 11 hereof) 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, as amended, the Board covenants, and the appropriate officials of the District are hereby directed, to take all action required or to refrain from taking any action

prohibited by the Code which would adversely affect in any respect such exclusion.

b. i. The District shall take all necessary and desirable steps, as determined by the Board, 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 District receives a Bond Counsel's Opinion (as such term is hereinafter defined) 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 District receives such a Bond Counsel's Opinion, the parties agree to amend this Resolution to conform to the requirements set forth in such opinion.

ii. If for any reason any requirement hereunder is not complied with, the District shall take all necessary and desirable steps, as determined by the Board, 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 Regulations section 1.148-3(h) with respect to the Code.

c. The Procedures to establish policies and procedures in connection with Tax-Exempt Obligations issued by the District to ensure that all applicable post-issuance requirements of the Code and the Regulations needed to preserve the status of such Tax-Exempt

Obligations are hereby ratified and confirmed. 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.

d. 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. It is represented and warranted 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.

e. (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 and, as such, the District has an exception to the payment of rebate as described in the next Section available to it with respect to the Bonds.

12. Arbitrage Matters.

a. Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the arbitrage

certificate of the District delivered in connection with the issuance of the Bonds.

b. In addition to the terms defined elsewhere herein, the following terms shall have the following meanings:

Bond Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the District.

Bond Year shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Bonds and shall end on the date selected by the District, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Bond.

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

Gross Proceeds shall mean:

i. any amounts actually or constructively received by the District from the sale of the Bonds but excluding amounts used to pay accrued interest on the Bonds within one year of the date of issuance of the Bonds;

ii. transferred proceeds of the Bonds under Regulations section 1.148-9;

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

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

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

Issue Price is as indicated in the Tax Certificate, which is the initial offering price to the public (not including bond

houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of the Bonds was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

Nonpurpose Investment shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Bonds.

Payment shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

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

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

c. Within 60 days after the end of each Bond Year, if the exception to the requirement to do so described in Section 10(e) is not available, the District shall cause the Rebate Require-

ment to be calculated and, unless shall pay to the United States of America:

1. not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Bonds (determined as of such computation date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the Bonds (determined as of the last day of such Bond Year); and

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

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

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

e. For purposes of Subsection (d), whether a Non-purpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

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

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

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

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

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

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

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

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the District or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the District or any other person for purposes of satisfying the requirements in the Regulations that the District receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Bonds.

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

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

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

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

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

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

(8) The District retains until three years after the last outstanding Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the District and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

h. The employment of such experts and consultants to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code, is hereby authorized.

13. Miscellaneous.

a. In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall be the registered owners of the same from time to time, this Resolution shall

be deemed to be and shall constitute a contract among the District and the registered owners of the Bonds.

b. If any section, paragraph, subdivision, sentence, clause or phrase of this Resolution is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Resolution. The Board of Directors of the District hereby declare that it would have adopted this Resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution may be held illegal, invalid or unenforceable.

c. All actions of the officers and agents of the District including the Board of Directors of the District which conform to the purposes and intent of this Resolution and which further the issuance and sale 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.

d. All acts and conditions necessary to be performed by the District or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District will at the time of delivery of the Bonds

have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

[Remainder of page left blank intentionally.]

PASSED by the Board of Directors of Merrill Ranch Community Facilities District No. 2 this 5th day of December, 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

EXHIBIT:

Exhibit - Form of Bond

EXHIBIT
FORM OF BOND

REGISTERED
NO.

REGISTERED
\$.....

UNITED STATES OF AMERICA

STATE OF ARIZONA

COUNTY OF PINAL

(THIS BOND IS ONLY TRANSFERABLE UPON COMPLIANCE WITH THE
RESTRICTED TERMS PROVIDED IN THE RESOLUTION DESCRIBED HEREIN)

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2
(FLORENCE, ARIZONA)
GENERAL OBLIGATION REFUNDING BOND, SERIES 2016

Interest Rate: Maturity Date: Dated as of:
.....% per annum July 15,, 2016

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

MERRILL RANCH COMMUNITY FACILITIES DISTRICT NO. 2, a community facilities district, duly organized and existing under the laws of the State of Arizona (the "District"), for value received, hereby promises to pay to the Registered Owner indicated above, or registered assigns, the Principal Amount indicated above on the aforesaid Maturity Date, and to pay interest on the Principal Amount at the aforesaid Interest Rate on 15, 20.., and on 15 and 15 of each year thereafter (each an "interest payment date") from the date of this Bond to its maturity or its redemption prior to maturity. The principal of and premium, if any, and interest on this Bond are payable by wire transfer of immediately available, federal funds to the registered owners (as described in the herein-after described Resolution) to the account designated by such owners at the close of business on the first day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest 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 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 the Bonds not less than 10 days prior thereto.

The bonds of this series (the "Bonds") are issued to refund certain of the District's outstanding General Obligation Bonds, Series 2010 and General Obligation Bonds, Series 2013 (collectively, the "Bonds Being Refunded"). This Bond is one of a series of such bonds, issued in the aggregate principal amount of \$.....,000, of like tenor except as to maturity date, rate of interest and number by virtue of a resolution (the "Resolution"), duly adopted prior to the issuance hereof, and pursuant to and in conformity with the Constitution and laws of the State of Arizona, including particularly, Article 4 Chapter 3 of Title 35 and Section 48-719(D) of the Arizona Revised Statutes and all other laws of the State of Arizona relating thereto.

For the punctual payment of this Bond, and the interest hereon, there shall be levied on all the taxable property in the District a continuing, direct, annual, *ad valorem* tax sufficient to pay all such principal and interest of and on this Bond as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected; provided, however, that the issuance of the Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for payment of the principal and interest on the Bonds Being Refunded if the moneys or obligations of the United States government in which net proceeds of the Bonds are held to provide funds to pay when due, or called for redemption, the Bonds Being Refunded together with interest thereon, and with other funds legally available for such purposes deposited in the respective principal and interest redemption funds and held for the payment of the Bonds Being Refunded with interest on maturity or upon an available redemption date prove insufficient and further that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The owners of the Bonds must rely on the sufficiency of the funds and securities held irrevocably in trust for payment of the Bonds Being Refunded.

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 DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS.

The Bonds maturing on July 15,, and July 15,, are not subject to redemption prior to maturity. The Bonds maturing on or after July 15,, are subject to optional redemption prior to maturity, in whole or in part, on July 15,, or any interest payment 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, the premium (calcu-

lated 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 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, At the option of the District, whenever Bonds maturing on July 15, are purchased, redeemed (other than pursuant to the foregoing scheduled mandatory redemption) or delivered by the District for cancellation, the principal amount of such Bonds so retired will satisfy and be credited against the mandatory redemption requirement for such Bonds in such manner as the District determines; provided, however, that following such reduction each mandatory redemption requirement for such Bonds is an integral multiple of \$5,000 of principal.

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, , Bonds maturing on July 15, , shall be selected for redemption (by lot) 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.

Not more than 45 nor less than 30 days before any redemption date, notice of any such redemption shall be mailed by first class mail, postage prepaid, to the principal registered owner.

This Bond may be transferred only pursuant to the terms provided by the Resolution.

Transfer of Bonds will not be required (a) during a period beginning with the opening of business on the 15th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (b) of any Bonds which have been selected for redemption.

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 [District Clerk of the District].*

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 as limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

* Subject to change if a bond registrar and paying agent is employed as provided in the Resolution.

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 Chairperson of the Board of Directors of the District and attested by the facsimile signature of the Clerk of the District and countersigned by the facsimile signature of the District Treasurer of the District.

MERRILL RANCH COMMUNITY FACILITIES
DISTRICT NO. 2

By (Facsimile)
Chairperson

ATTEST:

..... (Facsimile)
District Clerk

COUNTERSIGN:

..... (Facsimile)
District Treasurer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolution and is one of Merrill Ranch Community Facilities District No. 2 (Florence, Arizona) General Obligation Refunding Bonds, Series 2016.

Date of Authentication:

.....
[District Clerk, Merrill Ranch
Community Facilities District No. 2]*

* Subject to change if a bond registrar and paying agent is employed as provided in the Resolution.