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

Closing: June 17, 2010

CLOSING DOCUMENT LIST

TERMS USED HEREIN

County	-	Pima County, Arizona
Board	-	Board of Supervisors of the County
Special Counsel	-	Greenberg Traurig, LLP
Underwriter	-	RBC Capital Markets Corporation
Trustee	-	The Bank of New York Mellon Trust Company, N.A.
Insurer	-	Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)
Counsel to Underwriter	-	Squire Sanders & Dempsey L.L.P.

Basic Documents

1. (A) Series 2010 Purchase Agreement, by and between the County, as purchaser, and the Trustee, in its separate capacity as "Seller," dated as of June 1, 2010.

   (B) Bill of Sale.

2. Series 2010 Obligation Indenture, by and between the County and the Trustee, dated as of June 1, 2010.

3. Specimen Obligation/Letter of Representations to The Depository Trust Company.

4. Purchase Contract, by and between the County and the Underwriter, dated June 2, 2010 (the "*Obligation Purchase Agreement*").

County Documents

5. Certificate on Behalf of the County with the following exhibit:

   Notice and Agenda for March 9, 2010, Meeting.

6. (A) Certified copy of Resolution Nos. 1991-138 and 1991-182, passed, adopted and approved by the Board on June 18, 1991 and August 6, 1991, respectively.

   (B) Certified copy of Resolution No. 2010-50, passed, adopted and approved by the Board of the County on March 9, 2010.

7. Certificate of the County Required by the Obligation Purchase Agreement.

8. Request to Authenticate and Deliver.

9. Receipt of the County Treasurer for Obligation Proceeds.

Documents Relating to Underwriting

10. Preliminary Official Statement, dated May 21, 2010.

11. Official Statement, dated June 2, 2010.

12. Continuing Disclosure Undertaking of the County, dated June 17, 2010.

13. Rating Letters from Standard & Poor's Ratings Services and Fitch Ratings. (S&P insured - "AAA" (negative outlook)/underlying "A"; Fitch -"AA-".)

14. Receipt of the Underwriter.

Opinions

15. Opinion of Special Counsel.

16. Supplemental Opinion of Special Counsel required by the Obligation Purchase Agreement.

17. Opinion of Counsel to the Underwriter.

18. Opinion of Counsel to the County.

Other Certificates and Reports

19. Execution and Signature Identification Certificate and Receipt of the Trustee with the following exhibit:

    Resolution or Certification

20. Arbitrage Certificate with the following exhibits:

    Certificate of Underwriter

    Certificate of Insurer

21. IRS Form 8038-G and Evidence of Mailing.

22. Report to Arizona Department of Revenue and Evidence of Mailing.

Credit Enhancement

23. Municipal Bond Insurance Policy No. 212073-N, issued by the Insurer.

24. Special Counsel's Reliance letter to the Insurer.

25. Opinion of Counsel to the Insurer.

DISTRIBUTION OF TRANSCRIPTS

Transcripts containing executed counterparts or photocopies of the closing documents will be distributed by Special Counsel to the following parties:

Pima County, Arizona	5 CD
RBC Capital Markets Corporation	1 CD
Greenberg Traurig, LLP	1 CD
Squire, Sanders & Dempsey, L.L.P.	1 CD
Assured Guaranty Municipal Corp.	3 CD
The Bank of New York Mellon Trust Company, N.A.	1 paper/1 CD

EXECUTION COPY

SERIES 2010 PURCHASE AGREEMENT

by and between

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Seller

and

PIMA COUNTY, ARIZONA,
as Purchaser

Dated as of June 1, 2010

The rights of The Bank of New York Mellon Trust Company, N.A., in its separate capacity as seller under this Series 2010 Purchase Agreement, have been assigned to The Bank of New York Mellon Trust Company, N.A., in its separate capacity as trustee under a Series 2010 Obligation Indenture, dated as of June 1, 2010.

(This Table of Contents is for informational purposes only and is not to be considered a part of this Purchase Agreement)

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SERIES 2010 PURCHASE AGREEMENT

THIS SERIES 2010 PURCHASE AGREEMENT, dated as of June 1, 2010 (this *"Purchase Agreement"*), by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, authorized to exercise trust powers in the State of Arizona, as trustee but in its separate capacity as seller (the *"Seller"*), and PIMA COUNTY, ARIZONA, a county of the State of Arizona, as purchaser (the *"County"*),

W I T N E S S E T H:

WHEREAS, pursuant to Resolution No. 2010-50 adopted by the Board of Supervisors of the County on March 9, 2010, it was found and determined to be advantageous and in the public interest that the Series 2010 Obligations (as such term is defined below) be sold and executed and delivered; and

WHEREAS, pursuant to this Purchase Agreement, the County has agreed to purchase the Series 2010 Property (as such term is defined below) from the Seller;

NOW, THEREFORE, for and in consideration of the mutual covenants contained in this Purchase Agreement, the Seller and the County agree as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

The words and terms used in this Purchase Agreement that are also used in the Indenture (as such term is defined below) shall have the respective meanings assigned to them in the Indenture. In addition, the following words and terms will have the meaning indicated, unless the context or use clearly indicates a different meaning or intent. All accounting terms not otherwise so defined shall have the meanings assigned to them in accordance with generally accepted accounting principles.

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

"Additional Obligations" means obligations (including loans and bonds) or applicable interests therein that are incurred (i) by, or the payment of which is assumed by, the County subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share *pro rata* in payments to be made by the County from the Pledged Revenues, without priority one over the other or over this Purchase Agreement, and (ii) for the purpose of making extensions, renewals, improvements or replacements to the System or to refund the Series 2010 Obligations or Additional Obligations.

"Assumed Interest Rate" means an interest rate for a series of Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate that the Variable Rate Obligations of a series may bear under the terms of their incurrence or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond

Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the Finance Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

"Bond Year" means a 12-month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

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

"County Series 2010 Obligations Fund" means the fund of that name created pursuant to Section 3.3(a).

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

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

"Indenture" means the Series 2010 Obligation Indenture, dated as of June 1, 2010, by and between the Trustee and the County, as supplemented from time to time.

"Insurer Advances" has the meaning provided in Section 3.3(i).

"Interest Requirement" means (i) with respect to this Purchase Agreement, as of any date of calculation, the interest amount on this Purchase Agreement due during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the amount required to be paid by the County during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of any Additional Obligations issued as "Build America Bonds" within the meaning of Section 54AA of the Code (or any successor provision), the Interest Requirement is to be computed by subtracting the amount of any interest credit payments to be received by the County from the United States Treasury Department pursuant to Section 6431 of the Code (or any successor provision) with respect to such Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

"Late Payment Rate for Series 2010 Policy" means the difference between the net effective interest rate for the Series 2010 Obligations and the lesser of (a) the greater of (1) the

per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (*"Prime Rate"*) (any change in Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3 percent, and (2) the then applicable highest rate of interest on the Series 2010 Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate for Series 2010 Policy shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

"Operating Expenses" means the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, and insurance, but excluding (i) non-cash transactions, including particularly, but not by way of limitation, depreciation or loss on disposal or transfer of assets, (ii) the Principal Requirement and the Interest Requirement on the Series 2010 Obligations and Additional Obligations; provided, however, if any Additional Obligations are issued as "Build America Bonds," the Interest Requirement on such Additional Obligations shall not be reduced by the amount of any interest credit payments to be received by the County from the United States Treasury Department pursuant to Section 6431 of the Code (or any successor provision) with respect to such Additional Obligations, (iii) payments required to be made by the County pursuant to Section 3.3(b)(iv) or similar provisions with respect to any documents authorizing Additional Obligations for deposit into the Debt Service Reserve Account or a debt service reserve account with respect to Additional Obligations, and (iv) the Rebate Requirement determined pursuant to Section 2.4 and any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Code with respect to any Additional Obligations.

"Outstanding" when used with reference to Additional Obligations, shall have the meaning assigned to such term in the corresponding, applicable Additional Obligation Documents, which shall be as similar as possible to such definition in the Indenture.

"Parity Lien Test Debt Service" means the highest aggregate Principal Requirement and Interest Requirement of all Series 2010 Obligations and Additional Obligations then Outstanding to fall due and payable in the current or any future Bond Year.

"Pledged Revenues" means Revenues (including any unrestricted cash balances of the System) remaining after deducting the Operating Expenses. For the purposes of the computation required by Sections 4.4, 5.3(b) and 5.3(c), additional amounts will be added to, or subtracted from, the Pledged Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Additional Obligations described in Section 4.4 are to be expended for the acquisition of sewer properties, then the Revenues that would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by a Consultant, will be added; (ii) if during such preceding Fiscal Year the County has acquired or sold sewer properties, then the revenues that would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating or sold and not operating throughout such Fiscal Year, as estimated by a Consultant, will be added or subtracted, respectively; and (iii) if during such preceding Fiscal Year the County has increased rates, fees and charges with respect to the System, then the

increased amount that would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by a Consultant, will be added.

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

"Purchase Event of Default" means one of the events defined as such in Section 7.1.

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

"Rating Category" means one of the general rating categories of a Rating Agency without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

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

"Revenues" means and includes all income, moneys and receipts derived by the County from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding (i) any amounts received that the County is contractually required to pay out as reimbursement for acquisition, construction or installation of the System, (ii) the proceeds of the Series 2010 Obligations or any Additional Obligations or the interest received on any proceeds of Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any Series 2010 Obligations or Additional Obligations, or (iii) any non-cash capital contributions received by the County for the use and operation of the System.

"Series 2010 Obligations" means the $165,000,000 aggregate original principal amount of Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the

Holders Thereof in Installment Payments of the Purchase Price to be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, dated as of June 1, 2010, evidencing a proportionate interest in certain rights pursuant to this Purchase Agreement, including the right to receive payment of the Purchase Price.

"Series 2010 Projects" means, in the aggregate, the improvements described on *Exhibit A* attached to this Purchase Agreement and incorporated by reference in this Purchase Agreement, as amended from time to time.

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

"System" means the entire sewer system of the County including all sewer properties of every nature owned by the County after execution of this Purchase Agreement and all acquisitions, improvements and extensions added thereto by the County, including all real and personal property of every nature comprising part of, or used or useful in connection with, the sewer system of the County, and including all appurtenances, contracts, leases, franchises, and other intangibles.

"Variable Rate Obligations" means any Additional Obligations that may, in the future, bear interest at rates that cannot be determined with specificity on their original incurrence.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; references to an "Article" or a "Section" are to those of this Purchase Agreement. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise. The captions and headings in this Purchase Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses of this Purchase Agreement.

ARTICLE 2
EXECUTION AND DELIVERY OF SERIES 2010 OBLIGATIONS; APPLICATION OF PROCEEDS; IMPROVEMENTS FUND; FEDERAL LAW COVENANTS

Section 2.1 Agreement to Cause Execution and Delivery of Series 2010 Obligations; Application of Proceeds. In order to provide funds for payment of the costs of the acquisition, construction and improvement of the Series 2010 Projects and of execution and delivery of the Series 2010 Obligations, the Series 2010 Obligations shall be executed and delivered pursuant to the Indenture. (Reimbursement of capital expenditures relating to the Series 2010 Projects advanced prior to the execution and delivery of the Series 2010 Obligations shall be reimbursed, and the costs of the Series 2010 Projects, including but not limited to the costs of execution and delivery of the Series 2010 Obligations, shall be paid, in each case as provided in Section 2.2.)

Section 2.2 Improvements Fund.

(a) The County shall establish and maintain a separate fund known as the *"Improvements Fund,"* that shall be funded from amounts transferred to the County by the Trustee pursuant to Section 5.2 of the Indenture. Moneys in the Improvements Fund shall be disbursed by the County for the following purposes and for no other purposes:

(i) to the extent not paid by the Trustee from the Delivery Costs Fund established under the Indenture, Delivery Costs;

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

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

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

(b) Before any of the foregoing payments may be made, the County shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Improvements Fund, (ii) each item for which payment is proposed to be made is or was necessary in connection with the Series 2010 Projects and (iii) each item for which payment is proposed is for a purpose permitted by this Section.

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.3 and 2.4, the County may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

(d) The County shall notify the Trustee of the completion date of the Series 2010 Projects by delivery of a certificate signed by the County Representative stating that (i) acquisition, construction and improvement of the Series 2010 Property has been completed and (ii) all obligations and costs in connection with the Series 2010 Property and payable out of the Improvements Fund have been paid and discharged, except for amounts retained by the County for payment of costs of the Series 2010 Property not yet due and payable. Any moneys held in the Improvements Fund upon delivery of such certificate that are not needed to pay costs of the Series 2010 Projects shall be transferred by the County to the Trustee for deposit to the Interest Account or the Principal Account as indicated in such certificate.

Section 2.3 General Federal Tax Covenants.

(a) The County shall not make or direct the making of any investment or other use of the proceeds of any of the Series 2010 Obligations that would cause such Series 2010 Obligations to be "arbitrage bonds" as that term is defined in section 148 of the Code or "private activity bonds" as that term is defined in section 141 of the Code and shall comply with the requirements of such sections of the Code and the related Regulations throughout the term of the Series 2010 Obligations. (Particularly, the County shall be the owner of the Series 2010 Projects for federal income tax purposes. The County shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Series 2010 Projects unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Series 2010 Projects. Also, the payment of principal and interest with respect to the Series 2010 Obligations shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Series 2010 Obligations, or amounts treated as proceeds of the Series 2010 Obligations, 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 Series 2010 Obligations are being executed and delivered, (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.)

(b) The County shall comply with the procedures and covenants contained in any arbitrage rebate provision (initially, Section 2.4) or separate agreement executed in connection with the issuance of the Series 2010 Obligations 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 Series 2010 Obligations. In consideration of the purchase and acceptance of the Series 2010 Obligations by the Holders thereof 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 County covenants, and the appropriate officials of the County are directed by this Purchase Agreement, to take all action required by the Code to preserve such exclusion or to refrain from taking any action prohibited by the Code that would adversely affect in any respect such exclusion.

(c) (i) The County shall take all necessary and desirable steps to comply with the requirements under this Purchase Agreement in order to ensure that interest on the Series 2010 Obligations 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 County receives a Special Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Series 2010 Obligation, or (B) compliance with some other requirement will meet the requirements of the Code. In the event the County receives such a Special Counsel's Opinion, this Purchase Agreement shall be amended to conform to the requirements set forth in such opinion.

(ii) If for any reason any requirement under this Purchase Agreement is not complied with, the County shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the County shall pay any required interest or penalty under Regulations section 1.148-3(h).

Section 2.4 Arbitrage Rebate Covenants.

(a) Terms used in Subsection (b) and not otherwise defined in Article 1 or in subsection (b) shall have the meanings given to them in the Code and the Regulations.

(b) For purposes of this Section, the following terms shall have the following meanings:

"*Bond Year*" shall have the meaning provided above, except that for purposes of this Section the first Bond Year shall begin on the date of issue of the Series 2010 Obligations and shall end on July 1, 2010, and the last Bond Year shall end on the date of retirement of the last Series 2010 Obligations.

"*Bond Yield*" is as indicated in the arbitrage certificate delivered simultaneously with the Series 2010 Obligations and means the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Series 2010 Obligations 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 Series 2010 Obligations and using semiannual compounding on the basis of a 360-day year. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3).

"*Gross Proceeds*" means:

(i) any amounts actually or constructively received by the County from the sale of the Series 2010 Obligations;

(ii) transferred proceeds of the Series 2010 Obligations under Regulations section 1.148-9;

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

(iv) replacement proceeds of the Series 2010 Obligations within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Series 2010 Obligations, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Series 2010 Obligations in the event the County encounters financial difficulties and other replacement proceeds

within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under the Indenture.

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

"*Issue Price*" is as indicated in such arbitrage 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 Series 2010 Obligations was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

"*Nonpurpose Investment*" means any Investment Property acquired with Gross Proceeds, and that is not acquired to carry out the governmental purposes of the Series 2010 Obligations.

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

"*Rebate Requirement*" means 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*" means 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, the County shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(i) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount that, when added to the future value of all previous rebate payments with respect to the Series 2010 Obligations (determined as of such Computation Date), is equal to at least 90 percent 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 Series 2010 Obligations (determined as of the last day of such Bond Year) and

(ii) not later than 60 days after the retirement of the last Series 2010 Obligation, an amount equal to 100 percent of the Rebate Requirement (determined as of the date of retirement of the last Series 2010 Obligation).

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:

(i) 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.

(ii) 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.

(iii) 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:

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

(ii) 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:

(i) 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 County or any other person (whether or not in connection with the Series 2010 Obligations), and that the bid is not being

submitted solely as a courtesy to the County or any other person for purposes of satisfying the requirements in the Regulations that the County receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Series 2010 Obligations.

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

(iii) 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 Series 2010 Obligations (e.g., a lead underwriter within 15 days of the issue date of the Series 2010 Obligations or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the County uses an agent to conduct the bidding, the agent may not bid.

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

(v) 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.

(vi) 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).

(vii) 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.

(viii) The County retains until three years after the last Outstanding Series 2010 Obligation is retired, (A) a copy of the guaranteed investment contract, (B) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the County and a copy of the provider's certification described in (vii) above, (C) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (D) 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) Such experts and consultants shall be employed to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Series 2010 Obligations.

Section 2.5 Continuing Disclosure Undertaking. The County shall comply with and carry out all of the provisions of the Series 2010 Continuing Disclosure Undertaking, dated June 17, 2010 (the *"Continuing Disclosure Agreement"*). Notwithstanding any other provision of this Purchase Agreement, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered a Purchase Event of Default, an Indenture Event of Default or other event of default; however, the Trustee (at the request of the Holders or beneficial owners of at least 25 percent aggregate principal amount in Outstanding Series 2010 Obligations and receipt of indemnity to its satisfaction) shall take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the County to comply with its obligations under this Section.

ARTICLE 3
AGREEMENT OF SALE; PURCHASE PRICE

Section 3.1 Agreement of Sale. For the amounts payable pursuant to this Purchase Agreement (including the Purchase Price), the Seller sells and conveys to the County, and the County purchases from the Seller, the Series 2010 Property. In order to evidence such sale and conveyance, the Seller has executed and delivered to the County a bill of sale in substantially the form of *Exhibit B* attached to this Purchase Agreement and incorporated by reference in this Purchase Agreement.

Section 3.2 Possession of and Title to Series 2010 Property; Authority of Seller to Pledge Its Interests.

(a) The County shall be entitled to possession of, and full and unencumbered title to, the Series 2010 Property, without suit, trouble or hinderance from the Seller. The Series 2010 Property shall be made a part of the System and shall be used in accordance with all applicable laws.

(b) The Seller may mortgage, hypothecate or pledge all or any part of the interest of the Seller in this Purchase Agreement as security for the Series 2010 Obligations.

Section 3.3 County Series 2010 Obligations Fund; Amounts Payable After Execution and Delivery of Series 2010 Obligations.

(a) Upon the issuance of the Series 2010 Obligations, the County shall establish and maintain a separate fund known as the *"County Series 2010 Obligations Fund,"* which shall be held in trust for the Holders of the Series 2010 Obligations and the Series 2010 Insurer, as the case may be. On or before the 10th day of each month, the County shall transfer Pledged Revenues received pursuant to Section 4.1 into the County Series 2010 Obligations Fund as follows:

(i) Commencing July 10, 2010, one-sixth (1/6) of the interest on the Series 2010 Obligations falling due on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(ii) below. The County shall, in addition to amounts due the Series 2010 Insurer as a result of the

subrogation of the rights of the Holders of the Series 2010 Obligations, as part of the preceding sentence in connection with amounts paid by the Series 2010 Insurer under the Series 2010 Policy (the *"Insurer Advances"*), pay directly to the Series 2010 Insurer interest on such Insurer Advances from the date paid by the Series 2010 Insurer until payment thereof in full, payable to the Series 2010 Insurer at the Late Payment Rate for Series 2010 Policy per annum as well as any and all charges, fees, costs and expenses that the Series 2010 Insurer may reasonably pay or incur in connection with the administration, enforcement, defense or preservation of any rights or security in any Related Document (as such term is defined in Article XII of the Indenture), the pursuit of any remedies under the Indenture or any Related Document or otherwise afforded by law or equity, any amendment, waiver or other action with respect to, or related to, the Indenture or any Related Document whether or not executed or completed, or any litigation or other dispute in connection with the Indenture or any Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Series 2010 Insurer to honor its obligations under the Series 2010 Policy.

(ii) Commencing July 10, 2010, one-twelfth (1/12) of the principal due or subject to mandatory redemption on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(iii) below.

(b) After providing for any amounts due pursuant to Section 2.4(c), the Pledged Revenues received pursuant to Section 4.1 (whether held by the County in the County Series 2010 Obligations Fund or otherwise) shall be paid for the following purposes and in the following order of priority:

(i) On the dates necessary therefor, fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.

(ii) Not later than one Business Day prior to the date on which due, the interest on the Series 2010 Obligations falling due on the next succeeding Obligation Payment Date for deposit to the Interest Account created by the Trustee under the Indenture.

(iii) Not later than one Business Day prior to the date on which due, the principal of the Series 2010 Obligations due or subject to mandatory redemption on the next succeeding Obligation Payment Date for deposit to the Principal Account.

(iv) After a determination of the Trustee that the amount on deposit in the Debt Service Reserve Account is less than the Reserve Requirement, on or before the 10th day of each month, an amount equal to one-twelfth (1/12) of the amount that, when added to the balance in the Debt Service Reserve Account, will be equal to the amount then required to be on deposit therein for deposit to the Debt Service Reserve Account.

(c) In the event the County should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the County, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the County shall pay the same with interest thereon at the rate applicable to the

corresponding maturities of Series 2010 Obligations, from the date said payment was to be made to the date of payment by the County until paid. This Purchase Agreement shall be deemed and construed to be a *"net purchase agreement,"* and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in this Purchase Agreement. The County shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of this Purchase Agreement.

(d) The County acknowledges that the Series 2010 Insurer may charge the County a fee as a condition to executing any amendment, waiver or consent relating to the Indenture or any Related Document. The County agrees to pay any such fee if the Series 2010 Insurer submits a written request therefor to the Trustee.

Section 3.4 Obligations of County Unconditional. The obligations of the County to make the payments required in Section 3.3 and to perform and observe the other agreements on its part contained in this Purchase Agreement shall be absolute and unconditional, regardless of the continued existence of the Series 2010 Property or its physical condition. The County (a) shall not diminish, suspend or discontinue any payments provided for in Section 3.3, (b) shall perform and observe all of its other agreements contained in this Purchase Agreement and (c) shall not terminate this Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, loss, theft or destruction of or damage to the Series 2010 Property, or any part thereof, frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof, or any failure of the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Purchase Agreement. Nothing contained in this Section shall be construed to release the Seller from the performance of any of the agreements on its part contained in this Purchase Agreement, and in the event the Seller shall fail to perform any such agreement on its part, the County may institute such action against the Seller as the County may deem necessary to compel performance or recover its damages for non-performance so long as such action shall not violate or impair the effectiveness of the agreements on the part of the County contained in the next two preceding sentences. The County may, however, at its own cost and expense and in its own name or in the name of the Seller, prosecute or defend any action or proceeding or take any other action involving third persons that the County deems reasonably necessary in order to secure or protect its rights of ownership, possession and use under this Purchase Agreement, and in such event the Seller agrees to cooperate fully with the County and to take all action necessary to effect the substitution of the County for the Seller in any such action or proceeding if the County shall so request.

Section 3.5 Prepayment of Purchase Price Generally. The County shall be permitted to prepay all or a part of the Purchase Price composed of the principal and interest components thereof to the extent and in the manner permitted by the Indenture for the redemption of the Series 2010 Obligations. If such prepayment is made in compliance with the terms of the Indenture, the Seller shall cause the Trustee under the Indenture to accept such prepayment to the extent required to provide for a permitted redemption or provision for payment of such Series

2010 Obligations as shall be directed by the County. No other prepayment of the Purchase Price shall be permitted.

Section 3.6 Effect of Partial Payment or Prepayment. Upon any partial payment or prepayment of the Purchase Price resulting in a redemption of Series 2010 Obligations, each installment of interest that is thereafter payable as a part of the Purchase Price shall be reduced, taking into account the interest rate or rates on the Series 2010 Obligations remaining Outstanding after the redemption of Series 2010 Obligations from the proceeds of such partial payment or prepayment so that the interest remaining payable as a part of the Purchase Price shall be sufficient to pay the interest on such Outstanding Series 2010 Obligations when due.

Section 3.7 Termination Upon Payment of Purchase Price; Excess Payments.

(a) Subject to Article 6, upon full payment or provision for payment of the Purchase Price (and all other payments provided for in this Purchase Agreement or due to the Series 2010 Insurer) and provided that the County has performed all the covenants and agreements required by the County to be performed under this Purchase Agreement, this Purchase Agreement shall cease and expire. Upon the expiration of this Purchase Agreement, the Seller shall cause the Trustee under the Indenture to release any interest that the Trustee may have in the Pledged Revenues from the lien of the Indenture.

(b) In the event of prepayment of the Purchase Price in full or provision for the payment thereof in full such that the Indenture shall be discharged by its terms as a result of such prepayment and payment of any fees and charges due and owing to the Trustee, all amounts then on deposit in the Improvements Fund (except for amounts retained by the County for payment of costs of the Series 2010 Property not yet due and payable in accordance with Section 2.2(c)) and the Obligation Fund shall be credited toward the amounts then required to be so prepaid at the direction of the Finance Director. Upon the payment thereof in accordance with the Indenture such that the Indenture shall be discharged by its terms, any money remaining that is not otherwise required to be applied to the payment of debt service on the Series 2010 Obligations or to the payment of any other amounts due under the Indenture shall be paid over to the County.

ARTICLE 4
SOURCE OF PURCHASE PRICE; RATE COVENANT; PARITY OBLIGATIONS

Section 4.1 Limitation of Source of County Payments.

(a) This Purchase Agreement is a limited, special obligation of the County, payable solely and secured as to the payment in accordance with the terms and the provisions of this Purchase Agreement.

(b) All amounts to be paid by the County pursuant to Section 3.3 (or under any other section of this Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the County, in the sole and absolute discretion of

the Board, from paying such amounts from other moneys of the County; provided, however, under no circumstances shall amounts paid under this Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the County under this Purchase Agreement shall never constitute a general obligation of the County or a pledge of *ad valorem* property taxes by the County.

(c) The County pledges, and shall raise and apply, the Pledged Revenues in such amounts and in such manner as required in this Purchase Agreement to make the payments required to be made by the County under this Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the Series 2010 Obligations. All of the Pledged Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere in this Purchase Agreement to incur this Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under this Purchase Agreement or under the Indenture. After the application of the Pledged Revenues for the purposes in this Purchase Agreement, they may be used for any lawful purpose.

Section 4.2 Rate Covenant. The County shall continuously control, operate and maintain the System in an efficient and economical manner and on a revenue-producing basis and shall establish and maintain rates, fees and other charges for all services supplied by the System to provide Pledged Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates to produce (a) the Pledged Revenues in each Fiscal Year equal to at least 120 percent of the Principal Requirement and the Interest Requirement on all Series 2010 Obligations and Additional Obligations then Outstanding for the corresponding Bond Year (treating the Variable Interest Rate Obligations as bearing interest at the Assumed Interest Rate and Series 2010 Obligations and Additional Obligations then Outstanding subject to mandatory redemption as maturing on their respective mandatory redemption dates) and (b) an amount of Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility, due and owing in such Fiscal Year.

Section 4.3 Prior Lien Obligations. After the date of execution of this Purchase Agreement, the County shall not incur any obligations payable from the Pledged Revenues that rank prior to the obligations of the County under this Purchase Agreement.

Section 4.4 Additional Obligations Generally. Additional Obligations may be incurred if there shall not be any Indenture Event of Default or Purchase Event of Default upon the incurrence thereof and the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to 120 percent of the Parity Lien Test Debt Service including such Additional Obligations and

(b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility due and owing in such Fiscal Year.

ARTICLE 5
COVENANTS REGARDING THE SYSTEM, MAINTENANCE, INVESTMENTS AND TAXES

Section 5.1 Utilities; Maintenance of the System in Good Condition. All maintenance and repair of the Series 2010 Property and utilities therefor shall be the responsibility of the County. (In exchange for the payment of the amounts due under this Purchase Agreement, the Seller shall provide nothing more than the Series 2010 Property.) The County shall (a) maintain the System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

Section 5.2 Insurance. The County shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the Series 2010 Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the County), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies, except public liability policies, is pledged by the County as security for the payment of this Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the County; provided that (a) any such program has been adopted by the County and (b) an independent insurance or actuarial consultant appointed by the County annually reviews and reports to the County in writing that any such program is adequate and actuarially sound.

Section 5.3 No Sale; Lease or Encumbrance Exceptions.

(a) The County shall not sell, lease, encumber or in any manner dispose of the System as a whole until all of the Series 2010 Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The County may sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the System, (b) such property is not useful in the operation of the System, (c) such property is not profitable in the operation of the System or (d) the disposition of such property will be advantageous to the System and will not

adversely affect the security for the Holders of the Series 2010 Obligations. In addition, the County may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the System if there is filed with the Finance Director and the Series 2010 Insurer a certificate executed by the Consultant showing that, in opinion of such Consultant, the proposed sale will not reduce the Pledged Revenues to be received in the full Bond Year next succeeding such sale to an amount less than 120 percent of the Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of Series 2010 Obligations then Outstanding.

(c) The County may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the Finance Director, the County's obligations under this Purchase Agreement; provided that there shall be first filed with the Finance Director (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Series 2010 Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Series 2010 Obligations (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the County under this Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Bond Year next succeeding such transfer the Pledged Revenues will be less than 120 percent of the Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency.

(d) Notwithstanding the above provisions, the County may sell or lease all or any part of the System in connection with the issuance of Additional Obligations to finance additional improvements to the System or refinance the Series 2010 Obligations or Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the County, of such portion of the System.

Section 5.4 Books, Records and Accounts. The County shall cause to be kept proper books, records and accounts of the System in accordance with standard accounting practices and procedures customarily used for systems of similar nature.

Section 5.5 Satisfaction of Liens. The County shall, from time to time, duly pay and discharge or cause to be paid and discharged all taxes, assessments and other governmental charges, if any, lawfully imposed upon the System or any part thereof or upon the Pledged Revenues, as well as any lawful claims for labor, materials or supplies that if unpaid might by law become a lien or charge upon the System or the revenues or any part thereof or that might impair the security of the Series 2010 Obligations, except when the County in good faith contests its liability to pay the same.

Section 5.6 Disconnection of Service for Non-Payment; No Free Service.

(a) The County shall diligently enforce payment of all bills for sewer services supplied by the System. If a bill becomes delinquent and remains so for a period to be determined in accordance with County policy from time to time, the County shall discontinue sewer service in accordance with the laws of the State to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until all delinquent charges with penalties shall have been paid in full or provisions for payment satisfactory to the County shall have been made. The County shall do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the System.

(b) No free sewer service shall be furnished by the System to the County or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in this Purchase Agreement. The reasonable cost and value of all service rendered to the County and its various departments by the System shall be charged against the County and will be paid for as the service occurs from the County's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in this Purchase Agreement for the application of the Revenues of the System.

Section 5.7 No Competing System. The County shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing sewer system within, in whole or in part, the service areas of the System.

Section 5.8 Taxes. All taxes of any type or nature charged to the Seller by reason of this Purchase Agreement or affecting the Series 2010 Property or affecting the amount available to the Seller from payments received under this Purchase Agreement for the payment of the Series 2010 Obligations (including charges assessed or levied by any governmental agency, district or corporation having power to levy taxes) shall upon receipt of invoices therefor be paid by the County. Upon written request of the County, the Seller shall take whatever steps are necessary to contest the amount of tax, or to recover any tax paid if the County believes such tax or assessment to be improper or invalid. The County shall reimburse the Seller for any and all costs, including reasonable attorneys' fees and expenses, thus incurred by the Seller.

ARTICLE 6
INDEMNIFICATION

To the extent permitted by law, the County agrees to indemnify and hold the Seller, its directors, officers, agents, attorneys and employees, harmless for, from and against any and all claims, expenses, liens, judgments, liability or loss whatsoever, including reasonable legal fees and expenses, relating to or in any way arising out of (a) this Purchase Agreement, the Indenture, financing statements, supplements, amendments or additions thereto or the enforcement of any of the terms thereof; (b) the Series 2010 Obligations; (c) any official statement or disclosure documents, either preliminary or final, pertaining to such Series 2010 Obligations; (d) the sale and execution and delivery of the Series 2010 Obligations or the transactions contemplated in any of the aforementioned acts, agreements or documents; or (e) the acquisition, purchase,

ownership, lease, possession, rental, use, operation, sale or disposition of the Series 2010 Property under this Purchase Agreement or in connection with this Purchase Agreement (including, without limitation, expense, liability or loss relating to or in any way arising out of injury to persons, property or the environment, patent or invention rights or strict liability in tort). The right of the Seller to indemnification from the County shall not extend to claims, suits and actions successfully brought against the Seller for, or losses, liabilities or expenses incurred as a result of, the negligence, bad faith, willful misconduct or breach of trust of the Seller. To the extent that the County makes or provides for payment to the satisfaction of the Seller under the indemnity provisions of this Purchase Agreement, the County shall be subrogated to the rights of the Seller with respect to such event or condition and shall have the right to determine the settlement of claims thereon, it being agreed that, except to the foregoing extent, the Seller shall have the right to determine such settlement. The County shall pay all amounts due under this Purchase Agreement promptly upon notice thereof from the Seller. In case any action, suit or proceeding is brought against the Seller, if any, by reason of any act or condition that requires indemnification by the County under this Purchase Agreement, the Seller shall notify the County promptly of such action, suit or proceeding, and the County may (and shall upon the request of the Seller), at the expense of the County, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended, by counsel designated by the County and approved by the Seller. If the Seller desires to participate in the defense of such action, suit or proceeding through its own counsel, it may do so at its own expense. The Seller, its directors, officers, agents, attorneys, and employees, shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in connection with the Series 2010 Property. These indemnity provisions shall survive the satisfaction and expiration of this Purchase Agreement and the Indenture and the earlier removal or resignation of the Trustee, as assignee of the Seller under this Purchase Agreement.

ARTICLE 7
DEFAULT AND REMEDIES

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

(a) The County shall fail to make any payment when due under Section 3.3(b)(ii) or (iii); or

(b) The County shall fail to make any payment under Section 3.3(b)(i) or (iv) for a period of 30 days after notice of such failure shall have been given in writing to the County by the Seller or by the Trustee; or

(c) The County shall fail to perform any other covenant in this Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the County by the Seller or the Trustee, provided that if such failure is a type that cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the County diligently tries to remedy the same and such failure does not continue for a period of more than 60 days unless otherwise consented to by the Series 2010 Insurer; or

(d) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy statutes, as amended, or under any similar acts that may be enacted after execution of this Purchase Agreement.

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

Section 7.3 Default by Seller. The Seller shall in no event be in default in the performance of any of its obligations under this Purchase Agreement unless and until the Seller shall have failed to perform such obligation within 30 days or such additional time as is reasonably required to correct any such default after notice by the County to the Seller properly specifying how the Seller has failed to perform any such obligation. No default by the Seller shall relieve the County of its obligations to make the various payments required in this Purchase Agreement, so long as any of the Series 2010 Obligations remain Outstanding; however, the County may exercise any other remedy available at law or in equity to require the Seller to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made to the Trustee under the Indenture.

ARTICLE 8
MISCELLANEOUS

Section 8.1 Arizona Law to Govern; Entire Agreement.

(a) This Purchase Agreement shall be governed exclusively by the provisions of this Purchase Agreement and by the laws of the State as the same from time to time exist.

(b) This Purchase Agreement and the Indenture expresses the entire understanding and all agreements of the parties to this Purchase Agreement with each other and neither party has made or shall be bound by any agreement or by representation to the other party with respect to the matters covered by this Purchase Agreement that is not expressly set forth in this Purchase Agreement or in the Indenture.

Section 8.2 Amendments for Securities and Exchange Commission, Blue Sky and Other Limited Purposes. If it shall ever become necessary to make any amendment to this Purchase Agreement or to the Indenture in order to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or the registration of the Series 2010 Obligations with the Securities and Exchange Commission or the sale of the Series 2010 Obligations in accordance with the "blue sky" laws of any state, the County and the Seller shall agree to such amendments to both this Purchase Agreement and the Indenture as may be necessary or advisable, in the Opinion of Counsel, to permit such qualification, registration or sale.

Section 8.3 Assignment and Pledge of Seller's Interest in Purchase Agreement. The Seller assigns, mortgages, hypothecates and pledges to the Trustee all and every part of the right, privilege and interest of the Seller in this Purchase Agreement. The County consents to such assignment, mortgage hypothecation and pledge.

Section 8.4 Recordation and Filing of Instruments. The County shall prepare all documents of every kind and description, make all filings and recordings and shall deliver all Opinions of Counsel to the Seller and to the Trustee required under any provision of the Indenture.

Section 8.5 Right of Seller to Perform County's Obligations. In the event that the County should fail for any reason to make any payment or perform any obligation under this Purchase Agreement, and such failure shall continue for a period of 30 days after written notice has been given to the County by the Seller or the Trustee specifying such failure and requesting that it be remedied, the Seller, or the Trustee on its behalf, may but shall not be required to make any such payment or to perform any such duty. The amount of such payment and all expenses reasonably incurred by the Seller, or the Trustee on its behalf, in making such payment and performing such duty shall be additional items payable under this Purchase Agreement and shall be paid by the County immediately upon invoices by the Seller or the Trustee with interest at the average rate of interest applicable to the Series 2010 Obligations from the date said payment was due or expenses incurred to the date of payment by the County.

Section 8.6 Notices; Mailing Addresses. All notices, consents or other communications required or permitted under this Purchase Agreement shall be deemed sufficient if given in writing addressed and mailed by registered or certified mail, delivered, or transmitted by telecopy, telex or other electronic transmission that produces written evidence of its delivery, to the party for which the same is intended, as follows:

To the Seller:

The Bank of New York Mellon Trust Company, N.A.
Suite 126
1225 West Washington Street
Tempe, Arizona 85281
Attn: Corporate Trust Department

To the County:	Pima County, Arizona 10th Floor 130 West Congress Tucson, Arizona 85701 Attn: Finance Director
To the Series 2010 Insurer:	As provided in Section 11.6 of the Indenture
To the Trustee:	The Bank of New York Mellon Trust Company, N.A. Suite 126 1225 West Washington Street Tempe, Arizona 85281 Attn: Corporate Trust Department

or to such other address as such party may later designate by notice in writing addressed and mailed or delivered to the other party to this Purchase Agreement.

Section 8.7 Amendments. This Purchase Agreement may only be amended with the express written consent of the Trustee and in accordance with the provisions of Section 9.4 of the Indenture.

Section 8.8 Severability. If any term or provision of this Purchase Agreement or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Purchase Agreement or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Purchase Agreement shall be valid and be enforced to the fullest extent permitted by law.

Section 8.9 Counterparts. This Purchase Agreement may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all together shall constitute but one Purchase Agreement, and it is also understood and agreed that separate counterparts of this Purchase Agreement may separately be executed by the Seller and the County, all with the same full force and effect as though the same counterpart had been executed by both the Seller and the County.

Section 8.10 Assignment by County. Neither this Purchase Agreement nor any interest of the County in this Purchase Agreement may at any time after the date of this Purchase Agreement be mortgaged, pledged, assigned or transferred by the County by voluntary act or by operation of law or otherwise. The County shall at all times remain liable for the performance of all of the covenants and conditions on its part to be performed, notwithstanding any such action.

Section 8.11 Interested Parties. Nothing in this Purchase Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the County, the Seller, the Trustee, the Paying Agent, if any, the Series 2010 Insurer and the Holders of the Series 2010 Obligations, any right, remedy or claim under or by reason of this Purchase Agreement or any covenant, condition or stipulation of this Purchase

Agreement, and all covenants, stipulations, promises and agreements in this Purchase Agreement contained by and on behalf of the County shall be for the sole and exclusive benefit of the County, the Seller, the Trustee, the Paying Agent, if any, the Series 2010 Insurer and the Holders of the Series 2010 Obligations.

Section 8.12 Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Seller acknowledges that this Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated in this Purchase Agreement and that provides that the County may within three years after its execution cancel any contract (including this Purchase Agreement) without penalty or further obligation made by the County if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the County is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The Seller covenants not to employ as an employee, an agent or, with respect to the subject matter of this Purchase Agreement, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Purchase Agreement on behalf of the County within three years from the execution of this Purchase Agreement. The County and the Seller represent that, to the best of their knowledge, as of the date of this Purchase Agreement, no basis exists for the County to cancel this Purchase Agreement pursuant to Section 38-511 of the Arizona Revised Statutes, as amended.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, as amended, the Seller shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the E-verify requirements under Section 23-214(A), Arizona Revised Statutes, as amended. The breach by the Seller of the foregoing shall be deemed a material breach of this Purchase Agreement and may result in the termination of the services of the Seller by the County. The County retains the legal right to randomly inspect the papers and records of the Seller to ensure that the Seller is complying with the above-mentioned warranty. The Seller shall keep such papers and records open for random inspection during normal business hours by the Seller. The Seller shall cooperate with the random inspections by the County including granting the County entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential. The County shall preserve the confidentiality of any information, records or papers the County views, accesses or otherwise obtains during any and every such random inspection, including, without limitation, such information.

(c) Pursuant to Sections 35-391.06 and 35-393.06, Arizona Revised Statutes, as amended, the Seller certifies that it does not have a scrutinized business operation in Sudan or Iran. For the purpose of this subsection, the term "scrutinized business operations" shall have the meanings set forth in Section 35-391 or and 35-393, Arizona Revised Statutes, as amended, as applicable. If the County determines that the Seller submitted a false certification, the County may impose remedies as provided by law including terminating the services of the Seller.

Section 8.13 Holidays. When any action is provided in this Purchase Agreement to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

Section 8.14 The Seller. The Seller is the seller of the Series 2010 Property described in this Purchase Agreement solely for purposes of effecting the financing described in this Purchase Agreement and the Indenture, bears no responsibility for the Series 2010 Property and shall in no event be reflected in the chain of title for the Series 2010 Property. The Seller shall have the same rights, protections, immunities and indemnities under this Purchase Agreement as afforded to the Trustee under the Indenture.

ARTICLE 9
RESOLUTION NO. 1991-138 AS AMENDED BY RESOLUTION NO. 1991-182

The terms and provisions of Resolution No. 1991-138 passed and adopted on June 18, 1991, as amended by Resolution No. 1991-182 passed and adopted on August 6, 1991, as thereafter supplemented and amended (the *"Senior Lien Resolution"*), shall control in all respects to the extent the Senior Lien Resolution is inconsistent with this Purchase Agreement, including, but not limited, with respect to definitions; priority of pledge, lien and security for the bonds issued under the Senior Lien Resolution and credit enhancement for such bonds; flow of, and deposit to, funds; covenants regarding the System; defaults and remedies; etc. For purposes of this Purchase Agreement, the County waives its rights to amounts held pursuant to the "System Development Fund" established by the Senior Lien Resolution.

For purposes of the test in Section 4.2, the term "Additional Obligations" shall be defined to include "Outstanding Bonds" as such term is defined in the Senior Lien Resolution. For purposes of the tests in Sections 4.4, 5.3(b) and 5.3(c), the term "Additional Obligations" in the definition of "Parity Lien Test Debt Service" shall also be defined to include Outstanding Bonds.

This Article shall be applicable only until Bonds are no longer "Outstanding" pursuant to the Senior Lien Resolution. The County shall not amend or otherwise modify the Senior Lien Resolution in any manner that adversely affects the rights of the Holders of the Series 2010 Obligations.

[Signature page follows.]

IN WITNESS WHEREOF, the County and the Seller have caused their respective corporate names to be signed to this Purchase Agreement by their respective duly authorized officers, all as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Seller

By.....
Print Name: Deborah M. Scherer
Title: Vice President

PIMA COUNTY, ARIZONA, as Purchaser

By.....
Chairman, Board of Supervisors

ATTEST:

.....
Clerk, Board of Supervisors

APPROVED AS TO FORM:

.....
Deputy County Attorney

[SIGNATURE PAGE TO SERIES 2010 PURCHASE AGREEMENT]

ACKNOWLEDGEMENT AND ACCEPTANCE

The Bank of New York Mellon Trust Company, as trustee (the *"Trustee"*) under the Series 2010 Obligation Indenture, dated as of the date of this Purchase Agreement, between the County and the Trustee, has caused its corporate name to be signed to this Purchase Agreement by its duly authorized officer, all as of the day and year first above written, for purposes of acknowledging receipt of this Purchase Agreement and accepting the assignment and pledge of the Seller contained in Section 8.3.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: .....
Print Name: Deborah M. Scherer
Title: Vice President

329286512

[SIGNATURE PAGE TO SERIES 2010 PURCHASE AGREEMENT]

EXHIBIT A

DESCRIPTION OF SERIES 2010 PROJECTS

The Series 2010 Projects include construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System, including the following:

Project ID	Project Name
312058	SS-05 Tanque Verde Interceptor - Tucson Country Club to Craycroft Road (1997 Auth Phase)
313118	SS-11 Arivaca Junction WWTF Relief Sewer (G-95-160 Pressure)
3IRR02	Ina Road WPCF - Road Replacements/Additions
3IRL04	Ina Road WPCF Lighting Improvements
3IRE07	Ina Road WPCF Enclosed Transfer Station Dewatering
3IRS09	Ina Road WPCF SCADA Process Optimization
3IRG11	Ina Road WPCF - Gravity Belt Thickeners for Biosolids
3IRC14	Ina Road WPCF Corrosion Prevention Program
3IRC15	Ina Road WPCF Concrete Floor Replacements
3IRD16	Ina Road WPCF Digester Gas Equipment Replacement
3IGT03	WW Ina Road WFR Gravity Thickener #3
3ROC01	SS6.01 Roger Road WRF Odor Control for Digesters
3GVS11	Green Valley WWTF - Screens, Washer & Compactors
3CDT20	Corona de Tucson WWTF - Sludge Storage Facility
3MSL01	Marana WRF Sludge Loading
3PPS02	Prudence Lift Station
3CON01	Region Wide Conveyance Odor Control System
3CON02	Region Wide Conveyance Vapor Treatment Unit Odor Control
3CON03	Region Wide Conveyance Odor Control
3IRS01	Ina Road WRF Rough Screens
3IWC01	Ina Road WRF Washer Compactor Replacement
3AVS01	WW Avra Valley WRF Security
3GVE01	Green Valley WRF - Electrical Rehab
3LCR01	La Canada Road: Ina Road to Calle Concordia
3IGC01	Ina Road WRF - Grit Classifiers
3SCH01	Speedway Camino Seco to Houghton Road
3GCI01	Grant Road at Craycroft Road Intersection Improvements
3MRF01	Mountain Avenue: Roger Road to Ft. Lowell
3CRP01	System-Wide Conveyance Rehabilitation Program
3SUMP1	Sewer Utility Modification Program
3BLP01	COTDOT-RTA Bike Lane Package #2, 22nd Street: Camino Seco to Harrison Road
3HTT01	COTDOT-Houghton Road: 22nd Street to Tanque Verde Road - Sewer Utility
3HIV01	COTDOT-Houghton Road: I-10 to Valencia Road - Sewer Utility

Project ID	Project Name
3CMT01	PCDOT-La Cholla: Magee Road to Tangerine Road - Sewer Utility
3MTL01	PCDOT-Magee/Cortaro Farms Road: Thornydale to La Canada
3LRI01	PCDOT-La Canada: River Road to Ina Road - Sewer Utility
3IAO01	Ina Road Aeration Optimization
3JOC0A	SS6.02 Large Line Rehabilitation & Construction JOC
3SCP04	SS6.03 Santa Cruz Interceptor, Phase III
3MAR10	SS6.10 Marana WWTP Expansion
3ATV20	SS6.11 Avra Valley BNROD Expansion to 4MGD
3CLS83	Capstan Lift Station
3RYP89	Richey Yard Field Operations Division Facility
3CPS04	Continental Ranch Regional Pump Station
3MVW01	Mission View Wash
3PIT03	Prince Road & I-10 ADOT Sewer Modifications
3W5080	Ina Scum Pumping System
3SCP06	Sabino Creek Pump Station
3PES21	System-wide Sewer Conveyance Augmentation Program
3RIR03	R07A ROMP Ina Road WPCF HPO Replacement
3RIR04	R07B ROMP Ina Road WPCF 12.5 MGD Expansion
3RIR05	R07C ROMP Ina Road WPCF BNRAS System Modification
3RIR06	R07D Ina Road WPCF Biosolids Facilities Improvements
3RIR07	R07E ROMP Ina Road WPCF Power Generation & Distribution
3RIR08	R07F Ina Road WPCF Class A Biosolids Improvements
3RIR09	SS6.04 ROMP Plan Interconnect
3RWC11	R07G ROMP 32 MGD Reclamation Campus
3RWC12	R07H Roger Road WWTP Demolition
3RWC13	R07I PCRWRD Central Laboratory Complex
3RWC14	R07J PCRWRD Central Laboratory Complex Site Civil
3RSC15	ROMP SCADA

EXHIBIT B

FORM OF BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

That The Bank of New York Mellon Trust Company, N.A., a national banking association, authorized to exercise trust powers in the State of Arizona (the *"Seller"*), for good and valuable consideration received by the Seller from Pima County, Arizona (the *"County"*), receipt of which is acknowledged, does by these presents grant, bargain, sell and convey (without recourse, representation or warranty) to the County, its successors and assigns, the components of the Series 2010 Projects comprising the Series 2010 Property as defined in Exhibit A to the Series 2010 Purchase Agreement, dated as of June 1, 2010, by and between the Seller and the County, to have and to hold the property as sold to the County and its successors and assigns forever.

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed this 17th day of June, 2010.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Seller

By.....
Print Name:.....
Title:.....

ITEM 1(B)

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

That The Bank of New York Mellon Trust Company, N.A., a national banking association, authorized to exercise trust powers in the State of Arizona (the *"Seller"*), for good and valuable consideration received by the Seller from Pima County, Arizona (the *"County"*), receipt of which is acknowledged, does by these presents grant, bargain, sell and convey (without recourse, representation or warranty) to the County, its successors and assigns, the components of the Series 2010 Projects comprising the Series 2010 Property as defined in Exhibit A to the Series 2010 Purchase Agreement, dated as of June 1, 2010, by and between the Seller and the County, to have and to hold the property as sold to the County and its successors and assigns forever.

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed this 17th day of June, 2010.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Seller

By: Deborah M. Scherer
Print Name: Deborah M. Scherer
Title: Vice President

EXECUTION COPY

SERIES 2010 OBLIGATION INDENTURE

by and between

PIMA COUNTY, ARIZONA,

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of June 1, 2010

relating to

$165,000,000
Sewer System Revenue Obligations, Series 2010,
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by
Pima County, Arizona,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of June 1, 2010

(This Table of Contents is for informational purposes only
and is not to be considered a part of this Indenture.)

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EXHIBIT A — Form of Series 2010 Obligation

EXHIBIT B — Order for Disbursement

SERIES 2010 OBLIGATION INDENTURE

THIS SERIES 2010 OBLIGATION INDENTURE, made and entered into as of the 1st day of June, 2010 (this *"Indenture"*), by and between PIMA COUNTY, ARIZONA, a political subdivision of the State of Arizona (the *"County"*) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, authorized to exercise trust powers in the State of Arizona, as trustee, and any successor to its duties under this Indenture (the *"Trustee"*),

W I T N E S S E T H:

WHEREAS, the Trustee, in its separate capacity as seller (the *"Seller"*), and the County, as purchaser, have entered into a Series 2010 Purchase Agreement, dated as of the date of this Indenture (the *"Purchase Agreement"*), concerning the County's acquisition of the Series 2010 Property (as such term is defined in the Purchase Agreement); and

WHEREAS, for the purpose of obtaining the moneys to acquire the Series 2010 Property, rights of the Seller pursuant to the Purchase Agreement have been assigned and transferred to the Trustee and in consideration of such assignment and the execution of this Indenture, the Trustee shall execute and deliver certain Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price to be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, dated as of June 1, 2010 (the*"Series 2010 Obligations"*), each evidencing a proportionate interest in certain rights pursuant to the Purchase Agreement, including the right to receive payment of the Purchase Price (as such term is defined in the Purchase Agreement);

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE FURTHER WITNESSETH: That in order to secure all of the Series 2010 Obligations executed and delivered pursuant to this Indenture, the payment of principal and interest thereon, the rights of the Holders (as such term is defined below) of the Series 2010 Obligations and the performance and observance of the covenants and conditions contained in this Indenture and in the Series 2010 Obligations and the Purchase Agreement, the Trustee shall receive as security for the Holders of the Series 2010 Obligations, and there shall be granted a security interest in and released, assigned, transferred, pledged, mortgaged, granted and conveyed unto the Trustee or any successor to its duties under this Indenture, the following described property:

A. All rights and interests of the Seller in, under and pursuant to the Purchase Agreement as assigned, mortgaged, hypothecated and pledged pursuant to the Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,

B. Amounts on deposit from time to time in the funds and accounts created pursuant to this Indenture subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture and

C. Any and all other real or personal property of any kind from time to time after execution of this Indenture by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under this Indenture for the Series 2010 Obligations, by the County or by anyone on its behalf or with its written consent, in favor of the Trustee, which is authorized by this Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this Indenture,

TO HAVE AND TO HOLD all said properties assigned, mortgaged, hypothecated and pledged and conveyed by the Seller, including all additional property that by the terms of this Indenture has or may become subject to the encumbrance of this Indenture, unto the Trustee and its successors in trust and its assigns forever, subject, however, to the rights reserved under this Indenture,

IN TRUST NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of the Series 2010 Obligations executed and delivered and Outstanding (as such term is defined below) under this Indenture, without preference, priority or distinction as to lien or otherwise of any of the Series 2010 Obligations over any other or others of the Series 2010 Obligations to the end that each Holder of the Series 2010 Obligations has the same rights, privileges and lien under and by virtue of this Indenture; and conditioned, however, that if all liabilities, obligations and sums at any time secured by this Indenture shall be well and truly paid, or caused to be paid fully and promptly when due, and all of the covenants, warranties and agreements contained in this Indenture shall promptly, faithfully and strictly be kept, performed and observed, then and in such event, this Indenture shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions set forth in this Indenture.

ARTICLE 1
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions. Unless the context otherwise requires, the following words and phrases when used in this Indenture will have the following meanings:

"Board" means the Board of Supervisors of the County.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the City of Tucson and in the city or cities in which the corporate trust office of the Trustee, the Paying Agents and the Series 2010 Insurer are required or authorized by law or executive order to remain closed, and (c) a day on which the County is required or authorized by law or executive order to remain closed.

"*Code*" means the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

"*County Representative*" means the Finance Director or any other person at any time designated, by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the County Administrator or his or her designee, to act on behalf of the County with respect to this Indenture and the Series 2010 Obligations. Such certificate may designate one or more alternates.

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

"*Debt Service Reserve Account*" means the account of the Obligation Fund of that name created pursuant to Section 5.1.

"*Defeasance Obligations*" means any of the following: (1) cash, (2) non-callable direct obligations of the United States of America (*"Treasuries"*), (3) evidences of ownership of proportionate interest in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Series 2010 Insurer as limited by Section 12.7, pre-refunded municipal obligations rated "AAA" and "Aa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Series 2010 Insurer as limited by Section 12.7, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, unless the Series 2010 Insurer otherwise approves, such approval being subject to Section 12.7.

"*Delivery Costs*" mean costs and expenses relating to the sale, credit enhancement and execution and delivery of the Series 2010 Obligations, including, but not limited to "out of pocket" expenses and charges, fees and disbursements of counsel, printing expenses and other expenses reasonably incurred by the County and the Trustee in connection with this Indenture and the Purchase Agreement.

"*Delivery Costs Fund*" means the fund of that name created pursuant to Section 5.1.

"*Depository Trustee*" means any financial institution meeting the requirements as a successor Trustee under Section 8.6 that may be designated by the County.

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

"*Finance Director*" means the chief financial officer of the County.

"*Holder*" means the registered owner of any Series 2010 Obligation, including the Series 2010 Insurer, as applicable.

"*Improvements Fund*" means the fund of that name created pursuant to Section 2.2 of the Purchase Agreement.

"*Indenture Event of Default*" means any one of those events set forth in Section 7.1.

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

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

"*Obligation Fund*" means the fund of that name created pursuant to Section 5.1.

"*Obligation Payment Date*" means each January 1 and July 1, commencing January 1, 2011, so long as any Series 2010 Obligations are Outstanding.

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

"*Outstanding*" when used with reference to the Series 2010 Obligations means, as of any date of determination, all Series 2010 Obligations previously executed and delivered except:

(i) Series 2010 Obligations previously cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Series 2010 Obligations that are deemed paid and no longer Outstanding as provided in this Indenture, including as a result of irrevocable instructions being provided by the County for redemption thereof;

(iii) Series 2010 Obligations in lieu of which other Series 2010 Obligations have been executed and delivered pursuant to the provisions of this Indenture relating to Series 2010 Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Series 2010 Obligation is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken under this Indenture or under the Purchase Agreement by the Holders of a specified percentage in principal amount of Series 2010 Obligations, Series 2010 Obligations held by or for the account of the County or any Person controlling, controlled by, or under common control with the County; except that in determining whether the Trustee shall be protected in

relying upon any such approval or consent of an Holder, only Series 2010 Obligations which the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Trustee within the corporate trust office described in Section 11.6(a)(i) or any officer to which a corporate trust matter is referred (because of such person's knowledge of and familiarity with the subject) and having direct responsibility for the administration of this Indenture, actually knows to be so held shall be disregarded unless all Series 2010 Obligations are so held, in which case such Series 2010 Obligations shall be considered Outstanding for the purpose of such determination.

"Paying Agent" means the banks or trust companies and their successors from time to time designated by the County as the paying agencies or places of payment for the Series 2010 Obligations. The Trustee is designated as the initial Paying Agent for the Series 2010 Obligations.

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

1. A. Cash;

   B. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs));

   C. Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself;

   D. Resolution Funding Corp. ("REFCORP") but only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;

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

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

      (i) *U.S. Export-Import Bank* (Eximbank)
      -Direct obligations or fully guaranteed certificates of beneficial ownership,

      (ii) *Farmers Home Administration* (FmHA),

      (iii) *Federal Financing Bank*,

(iv) *General Services Administration*
-Participation Certificates,

(v) *U.S. Maritime Administration*
-Guaranteed Title XI financing and

(vi) *U.S. Department of Housing and Urban Development* (HUD)
-Project Notes
-Local Authority Bonds
-New Communities Debentures – U.S. government guaranteed debentures
-U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds;

2. Federal Housing Administration debentures;

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

A. *Federal Home Loan Mortgage Corporation* (FHLMC or "Freddie Mac")
-Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
-Senior debt obligations

B. *Farm Credit Banks* (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
-Consolidated system-wide bonds and notes

C. *Federal Home Loan Banks* (FHL Banks)
-Consolidated debt obligations

D. *Federal National Mortgage Association* (FNMA or "Fannie Mae")
-Senior debt obligations
-Mortgage-backed securities (excluded are stripped mortgage securities that are purchased at prices exceeding the portion of their unpaid principal amounts)

E. *Financing Corporation* (FICO)
-Debt obligations

F. *Resolution Funding Corp.* (REFCORP)
-Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P or the highest rating category of Moody's or are fully insured by the Federal Deposit Insurance Corporation (FDIC).

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

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

7. Money market mutual funds rated "AAm" or "AAm-G" or higher by S&P or having a rating in the highest investment category granted thereby from Moody's.

8. "State Obligations", which means:

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

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

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

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

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

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

   C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of

independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

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

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

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

10. Repurchase or reverse repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable, subject to Section 12.7, to the Series 2010 Insurer, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

C. The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase or reverse repurchase agreements shall be met;

E. The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is

withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the County or the Trustee (who shall, subject to Section 12.7, give such direction if so directed by the Series 2010 Insurer), within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the County or Trustee.

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

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

A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Series 2010 Obligations;

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Series 2010 Insurer and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Series 2010 Insurer;

E. the investment agreement shall provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee (who shall give such direction if, subject to Section 12.7, so directed by the Series 2010 Insurer), within ten days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and

F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee (who shall give such direction if, subject to Section 12.7, so directed by the Series 2010 Insurer), be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

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

"Person" includes an individual, an unincorporated association, a corporation, a partnership, a government agency or a political subdivision.

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

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

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

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

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

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

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

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (iii) shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the Series 2010 Obligations (or any other account party under the letter of credit).

The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the Series 2010 Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service

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

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

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

(vi) Any amounts owed by the County to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Purchase Agreement for any purpose, *e.g.*, Sections 4.2 and 4.4 of the Purchase Agreement.

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

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

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the County obtains (A) the Series 2010 Insurer's written consent, and (B) a Special Counsel's Opinion to the effect that such action will not cause the interest on any Series 2010 Obligations to become includible in gross income for purposes of federal income taxes.

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

"Record Date" means (i) with respect to any Obligation Payment Date occurring on the first calendar day of any month, the 15th day of the calendar month next preceding that Obligation Payment Date (regardless of whether such 15th day is a Business Day) or (ii) such other date as may be designated pursuant to Section 2.2(c).

"Reserve Requirement" means $11,173,750.00.

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

"Securities Depository" has the meaning provided in Section 2.9.

"Series 2010 Insurer" means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), a New York stock insurance company, or any successor thereto or assignee thereof.

"Series 2010 Policy" means the insurance policy issued by the Series 2010 Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2010 Obligations when due.

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

"Special Counsel's Opinion" means an opinion signed by Special Counsel.

"State" means the State of Arizona.

Section 1.2 Interpretation.

(a) Any reference in this Indenture to the Board or any officer of the County shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

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

(c) Headings of articles and sections in this Indenture and the table of contents of this Indenture are solely for convenience of reference, do not constitute a part of this Indenture and shall not affect the meaning, construction or effect hereof. References to "Articles" and "Sections" are to those in this Indenture, unless otherwise specified.

Section 1.3 All Series 2010 Obligations Equally and Ratably Secured; Series 2010 Obligations Not General Obligations of the County. All of the Series 2010 Obligations executed and delivered under this Indenture and at any time Outstanding shall in all respects be equally and ratably secured by this Indenture, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the Series 2010 Obligations, so that all Series 2010 Obligations at any time Outstanding under this Indenture shall have the same right, lien and preference under this Indenture. The Series 2010 Obligations shall be payable solely out of the revenues and other security pledged by this Indenture and shall not constitute an indebtedness or general obligation of the County within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the County or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE 2
AUTHORIZATION AND TERMS OF SERIES 2010 OBLIGATIONS

Section 2.1 Authorization of Series 2010 Obligations. The Trustee is authorized and directed by this Indenture, upon receipt of a request in writing from the County Representative, to prepare, execute and deliver $165,000,000 aggregate original principal amount of Series 2010 Obligations to, or upon the direction of, RBC Capital Markets Corporation, as the underwriter of the Series 2010 Obligations. In no event shall the Series 2010 Obligations be deemed a debt or liability of the Trustee.

Section 2.2 Form, Date and Payment Terms of Series 2010 Obligations.

(a) The Series 2010 Obligations shall be dated the date of their initial execution and delivery, be executed and delivered in denominations of $5,000 of principal each or any integral multiple thereof, and bear interest from the most recent Obligation Payment Date to which interest has been paid or for which due provision has been made or, if no interest has been paid, from the date of their initial execution and delivery. Said interest shall represent the portion of each installment of the Purchase Price designated as interest and coming due during the six-month period preceding each Obligation Payment Date paid pursuant to Section 5.4(i); provided that the first installment shall be for interest from the date of initial execution and delivery of the Series 2010 Obligations to, but not including, January 1, 2011. The proportionate share of the portion of each installment of the Purchase Price designated as interest with respect to any Series 2010 Obligation shall be computed by multiplying the portion of each installment of the Purchase Price designated as principal with respect to such Series 2010 Obligation by the rate of interest applicable to such Series 2010 Obligation (on the basis of a 360-day year of twelve 30-day months).

The Series 2010 Obligations shall mature on July 1 in the years and amounts and bear interest at rates per annum (calculated on the basis of a 360-day year) as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2014	$ 2,000,000	4.000%	2019	$ 250,000	3.750%
2015	1,600,000	2.500	2019	15,645,000	5.000
2015	400,000	4.000	2020	1,365,000	4.000
2016	1,000,000	3.000	2020	15,320,000	5.000
2016	1,000,000	4.000	2021	17,510,000	5.000
2017	2,300,000	3.250	2022	18,385,000	5.000
2017	12,225,000	4.500	2023	19,300,000	5.000
2018	775,000	3.500	2024	20,270,000	5.000
2018	14,375,000	5.000	2025	21,280,000	5.000

(b) The Series 2010 Obligations shall be executed and delivered only in fully registered form and shall be numbered or otherwise designated in a manner specified by the Trustee so as to distinguish each Series 2010 Obligation from every other Series 2010 Obligation.

(c) Interest on each Series 2010 Obligation shall be payable when due to the Holder in whose name such Series 2010 Obligation is registered at the close of business on the Record Date with respect to each Obligation Payment Date, irrespective of any transfer or exchange of such Series 2010 Obligation subsequent to such Record Date and prior to such Obligation Payment Date, unless there is a default in the payment of interest due on such Obligation Payment Date. In the event of any such default, such defaulted interest shall be payable to the Holder in whose name such Series 2010 Obligation is registered at the close of business on a special Record Date for the payment of such defaulted interest established by notice mailed by the Trustee to the Holders of the Series 2010 Obligations not less than 15 days preceding such special Record Date. Such notice shall be mailed to the Holders in whose name the Series 2010 Obligations are registered at the close of business on the fifth day preceding the date of mailing. If the Trustee registers the transfer of any Series 2010 Obligation subsequent to the mailing of such notice and on or before the special Record Date, any such notice of payment of defaulted interest shall be binding upon the transferee and a copy of the notice of payment of defaulted interest shall be delivered by the Trustee to the transferee(s) along with the Series 2010 Obligation(s).

(d) Principal of and redemption premium, if any, and interest on each Series 2010 Obligation shall be payable when due in any coin or currency of the United States of America that is legal tender for the payment of public and private debts. Principal of and redemption premium, if any, on each Series 2010 Obligation shall be payable at the designated corporate trust office of the Trustee upon surrender of the Series 2010 Obligation on or after the maturity date. Payment of interest on the Series 2010 Obligations shall be made by check or draft mailed to the registered address of the Person entitled thereto; except that, upon the written direction of any Holder of not less than $1,000,000 in aggregate principal amount of Series 2010 Obligations (which direction shall remain effective for so long as such Holder owns not less than $1,000,000 in Series 2010 Obligations or until such Holder countermands such written direction in writing), the payment of interest on the Series 2010 Obligations owned by such Holder may be made by wire transfer of immediately available funds to an account located in a bank within the United States pursuant to wire transfer directions issued by such Holder.

(e) Any payment due on any Series 2010 Obligation that is not paid when due shall bear interest at a rate equal to the rate of interest borne on such Series 2010 Obligation, from the date such payment is due until the payment is made. Such interest shall be calculated based upon an assumption of a 360-day year of twelve 30-day months, with such interest compounded semiannually.

Section 2.3 Mutilated, Destroyed, Lost and Stolen Series 2010 Obligations. If (a) any mutilated Series 2010 Obligation is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Series 2010 Obligation, and (b) there is delivered to the Trustee such security or indemnity as the Trustee may require to hold the Trustee harmless, then, in the absence of notice to the Trustee that such Series 2010 Obligation has been acquired by a bona fide purchaser and upon the Holder paying the reasonable expenses of the Trustee and of any security or indemnity obligation required by the Trustee, the Trustee shall execute and deliver, in exchange for such mutilated Series 2010 Obligation or in lieu of such destroyed, lost or stolen Series 2010 Obligation, a new Series 2010 Obligation of like principal

amount, date and tenor. If any such mutilated, destroyed, lost or stolen Series 2010 Obligation has become, or will on or before the next Obligation Payment Date become, due and payable, the Trustee may, in its discretion, pay such Series 2010 Obligation when due instead of delivering a new Series 2010 Obligation.

Section 2.4 Execution of Series 2010 Obligations. All Series 2010 Obligations shall be executed by and in the name of the Trustee by manual signature of an individual who, as of the actual date of execution, is an authorized representative of the Trustee. If any authorized representative of the Trustee whose signature appears on any Series 2010 Obligation ceases to be an authorized representative of the Trustee before the date of initial execution and delivery of the Series 2010 Obligations, or was not an authorized representative on the nominal date of the Series 2010 Obligations, such signature shall nevertheless be effective.

Section 2.5 Registration, Transfer and Exchange of Series 2010 Obligations.

(a) All Series 2010 Obligations executed and delivered under this Indenture shall be negotiable, subject to the provisions for registration and transfer thereof contained in this Indenture or in the Series 2010 Obligations.

(b) So long as any Series 2010 Obligations are Outstanding, the Trustee shall maintain at its offices books for the registration and transfer of Series 2010 Obligations and shall provide for the registration and transfer of any Series 2010 Obligation under such reasonable regulations as the Trustee may prescribe. The Trustee shall act as registrar for purposes of exchanging and registering Series 2010 Obligations in accordance with the provisions of this Indenture.

(c) Each Series 2010 Obligation shall be transferable only upon the registration books maintained by the Trustee, by the Holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered Holder or his duly authorized attorney. Upon surrender for transfer of any Series 2010 Obligation, the Trustee shall authenticate and deliver, in the name of the transferee, one or more new Series 2010 Obligations, of the same aggregate principal amount and maturity as the surrendered Series 2010 Obligation.

(d) Any Series 2010 Obligation, upon surrender thereof to the Trustee together with written instructions satisfactory to the Trustee, duly executed by the registered Holder or his attorney duly authorized in writing, may, at the option of the registered Holder thereof, be exchanged for Series 2010 Obligations of any other authorized denominations, with an equal aggregate principal amount and the same maturity.

(e) All Series 2010 Obligations surrendered in any exchange or transfer of Series 2010 Obligations shall forthwith be cancelled by the Trustee.

(f) In connection with any such exchange or transfer of Series 2010 Obligations the Holder requesting such exchange or transfer shall as a condition precedent to the exercise of the privilege of making such exchange or transfer remit to the Trustee an amount

sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Section 2.6 Persons Deemed Owners. The Person in whose name any Series 2010 Obligation shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of and interest or any applicable premium on any Series 2010 Obligation shall be made only to or upon the written order of the registered Holder thereof (subject to provisions in this Indenture regarding the Record Date). Such payment shall be valid and effectual to satisfy and discharge the liability upon such Series 2010 Obligation to the extent of the amount so paid.

Section 2.7 Non-Presentment of Series 2010 Obligations. In the event any Series 2010 Obligation shall not be presented for payment when the principal thereof and premium, if any, becomes due, either at maturity or otherwise, if moneys sufficient to pay the principal of, premium, if any, and interest on, such Series 2010 Obligation shall have been deposited under this Indenture for such payment, all liability to the Holder thereof for the payment of such Series 2010 Obligation shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys as provided in this Indenture, including specifically Section 10.3, without liability for interest thereon, for the benefit of the Holder of such Series 2010 Obligation, who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Series 2010 Obligation.

Section 2.8 Destruction of Series 2010 Obligations. Upon payment of or surrender to the Trustee for cancellation of any Series 2010 Obligation, the Trustee shall destroy such Series 2010 Obligation.

Section 2.9 Book-Entry. The Trustee or the County may from time to time enter into, and discontinue, an agreement with a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended (the "Securities Depository"), which is the owner of the Series 2010 Obligations, to establish procedures with respect to the Series 2010 Obligations not inconsistent with the provisions of this Indenture; except that, notwithstanding any other provisions of this Indenture, any such agreement may contain provisions for notice to the Securities Depository different than those set forth in this Indenture provided that a legend to that effect appears on each Series 2010 Obligation so long as the Series 2010 Obligations are subject to such agreement. With respect to Series 2010 Obligations registered in the name of a Securities Depository (or its nominee), the Trustee shall not have any obligation to any of its members or participants or to any person on behalf of whom the Securities Depository holds an interest in the Series 2010 Obligations. The Trustee and the County acknowledge that the County has entered into an agreement with DTC and that while such agreement is in effect the procedures established in that agreement will apply to the Series 2010 Obligations notwithstanding any other provisions of this Indenture to the contrary. As long as DTC is the Securities Depository with respect to the Series 2010 Obligations, the Trustee shall be a "DTC Direct Participant."

ARTICLE 3
REDEMPTION OF SERIES 2010 OBLIGATIONS

Section 3.1 Right to Redeem. The Series 2010 Obligations shall be subject to redemption prior to maturity, in any order of maturity, as directed by the County, at such times, to the extent and in the manner provided in this Indenture.

Section 3.2 Redemption of Series 2010 Obligations. The Series 2010 Obligations maturing on or prior to July 1, 2020, are not subject to optional redemption prior to maturity. The Series 2010 Obligations maturing on and after July 1, 2021, are subject to redemption, in whole or in part on any date on or after July 1, 2020, in increments of $5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity (as provided in Section 3.3 below) by payment of the principal amount of each Series 2010 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

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

Section 3.3 Selection of Series 2010 Obligations to be Redeemed. If less than all of the Series 2010 Obligations of the same maturity are to be redeemed upon any redemption of Series 2010 Obligations under this Indenture, the Trustee shall select the Series 2010 Obligations to be redeemed, from among those of the applicable maturity, by lot or in such other manner as the Trustee shall deem fair. In making such selection, the Trustee shall treat each Series 2010 Obligation as representing that number of Series 2010 Obligations as is obtained by dividing the original principal amount of each such Series 2010 Obligation by the lowest authorized denomination of Series 2010 Obligations.

Section 3.4 Partial Redemption of Series 2010 Obligations. Upon the selection and notice of redemption and the surrender of any Series 2010 Obligation for redemption in part only, the Trustee shall execute and deliver to or upon the written order of the Holder thereof, at the expense of the County, a new Series 2010 Obligation(s) of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Series 2010 Obligation surrendered.

Section 3.5 Effect of Call for Redemption. On the date designated for redemption by notice given as provided in this Indenture, the Series 2010 Obligations called for redemption shall become and be due and payable at the redemption price of such Series 2010 Obligations on such date. If on the date fixed for redemption moneys or Defeasance Obligations sufficient for payment of the redemption price and accrued interest on such date are held by the Trustee as provided in this Indenture, interest on the Series 2010 Obligations called for redemption shall cease to accrue, such Series 2010 Obligations shall cease to be entitled to any benefit or security under this Indenture except the right to receive payment from the moneys held by the Trustee

and the amount of such Series 2010 Obligations called for redemption shall be deemed paid and no longer Outstanding.

Section 3.6 Notice of Redemption.

(a) Whenever redemption of Series 2010 Obligations is to be made, the Trustee shall give notice of the redemption of such Series 2010 Obligations, which notice shall specify the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2010 Obligations are to be redeemed, the numbers or other distinguishing marks of such Series 2010 Obligations so to be redeemed, including CUSIP numbers, and, in the case of Series 2010 Obligations to be redeemed in part only, such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2010 Obligation to be redeemed the redemption price thereof, as appropriate, of such Series 2010 Obligation or the specified portion thereof in the case of a Series 2010 Obligation to be redeemed in part only, together with interest accrued to the redemption date on such Series 2010 Obligations or portion thereof so to be redeemed. Notwithstanding the foregoing, no notice of redemption shall be sent unless (i) the Trustee has on deposit sufficient funds to effect such redemption or (ii) the redemption notice states that redemption is contingent upon receipt of such funds prior to the redemption date. Such redemption notices may state that no representation is made as to the correctness or accuracy of the CUSIP numbers printed therein or on the Series 2010 Obligations.

(b) Such notice shall be given by mailing a copy of such notice, first class United States mail postage prepaid, not less than 30 days nor more than 60 days before the redemption date, to (i) all Holders of any Series 2010 Obligations or portions of Series 2010 Obligations that are to be redeemed at their last addresses appearing upon the registry books and (ii) to the Treasurer of the County. Such notice shall be mailed a second time to any Holder of Series 2010 Obligations that have been called for redemption if such Holder has not presented such Series 2010 Obligations for payment of the redemption price within 60 days after the redemption date. Failure so to mail any such notice, or a defect in such notice, as to any Series 2010 Obligation shall not affect the validity of the proceedings for the redemption of any other Series 2010 Obligation, and failure to mail a second notice shall not affect the validity of the proceedings for the redemption of any Series 2010 Obligation.

ARTICLE 4
FORM OF SERIES 2010 OBLIGATIONS

The Series 2010 Obligations shall be substantially in the forms set forth in the Exhibit A to this Indenture with such omissions, insertions and variations as are consistent with the provisions of this Indenture.

ARTICLE 5
REVENUES AND FUNDS

Section 5.1 Creation of Funds and Accounts. The Trustee shall create (a) the Obligation Fund, which shall contain the following accounts: (i) the Interest Account, (ii) the Principal Account, and (iii) the Debt Service Reserve Account, and (b) the Delivery Costs Fund. Such funds and accounts shall be held in trust for the benefit of the Holders and the Series 2010 Insurer, as their interests may appear.

Section 5.2 Application of Series 2010 Obligation Proceeds. The Trustee shall receive $176,124,575.56, being the proceeds of the sale of the Series 2010 Obligations (including original issue premium), net of underwriter's discount and net of the premium for the Series 2010 Policy. The Trustee shall (i) deposit an amount equal to the Reserve Requirement into the Debt Service Reserve Account, (ii) deposit an amount equal to $454,200.00 to the Delivery Costs Fund, and (iii) transfer the balance to the County for deposit to the Improvements Fund.

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

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(b)(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(B) of this Indenture shall also be deposited into the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(b)(iii) of the Purchase Agreement as well as the total of any amounts received for any redemption of Series 2010 Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(B) of this Indenture shall also be deposited in the Principal Account.)

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

Section 5.4 Flow of Funds Out of the Obligation Fund. Amounts in the following accounts shall be applied in the following manner:

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

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

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

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

Section 5.5 Investment of Moneys Held by Trustee.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the County Representative; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the County, then the Trustee shall invest moneys in investments described in paragraph 2 of the definition of Defeasance Obligations.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made

and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

(c) The Trustee may make any investment permitted by this Section, through or with its own commercial banking or investment departments, as agent or principal, unless otherwise directed by the County Representative. The Trustee may conclusively rely upon such written direction from the County as to both the suitability and legality of the directed investments. The County acknowledges that regulations of the Comptroller of the Currency grant the County the right to receive brokerage confirmations of the Security transactions as they occur, at no additional cost. To the extent permitted by law, the County specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

(d) In computing the amount in any fund or account, Permitted Investments purchased as an investment of moneys therein shall be valued as follows:

(i) For securities:

(A) the closing bid price quoted by Interactive Data Projects, Inc.; or

(B) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(C) the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody's and S&P and must be market makers in the securities being valued.

(ii) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest.

(iii) As to any investment not specified above: the value thereof established by such investment agreement, Qualified Reserve Fund Instrument or repurchase or reverse repurchase agreement or by prior agreement between the County and the Trustee.

(e) The Trustee shall sell at the best price obtainable, or present for redemption, any Permitted Investment purchased by it as an investment whenever it shall be necessary in order to provide moneys to make any required payment or transfer from the fund or account for which such investment was made.

(f) (i) The Trustee shall not knowingly make any investment at a *"yield"* in excess of the maximum yield, if any, stated with respect to the source of moneys therefor in any arbitrage or other similar certificate executed and delivered pursuant to

section 148 of the Code or any successor section of the Code, issued in connection with the execution and delivery of the Series 2010 Obligations except during any "*temporary period*" stated in any arbitrage or other certificate, and the Trustee shall make and keep appropriate records of such investments, yields and temporary periods as required by section 148 of the Code or any successor section thereof. Notwithstanding the foregoing, investments may be made at a higher "*yield*" or for a different "*temporary period*" or both in accordance with written instructions of Special Counsel filed with and addressed to the Trustee.

(ii) Neither the Trustee nor the County shall knowingly use or direct or permit the use of any moneys of the County in its possession or control in any manner that would cause any Series 2010 Obligation to be an "*arbitrage bond*" within the meaning ascribed to such term in section 148 of the Code, or any successor section of the Code. The Trustee and the County shall comply with and take all actions required by any arbitrage or similar certificate and will continue to do so notwithstanding any satisfaction or discharge of this Indenture.

Section 5.6 Liability of Trustee for Investments. The Trustee shall not be liable for any loss resulting from the making of any investment made in accordance with the provisions of this Indenture, except for its own negligence, willful misconduct or breach of trust.

Section 5.7 Investment Income. Except as otherwise provided in this Indenture, interest income and gain received, or loss realized, from investments or moneys in a fund or account shall be credited, or charged, as the case may be, to such fund or account.

Section 5.8 Delivery Costs Fund. Proceeds from the sale of the Series 2010 Obligations shall be deposited in the Delivery Costs Fund as described in Section 5.2. The Trustee shall disburse moneys in the Delivery Costs Fund only upon a requisition signed by the County Representative, substantially in the form attached hereto as Exhibit B entitled "Order for Disbursement", setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the person or persons to whom such amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund. Amounts remaining in the Delivery Costs Fund after September 1, 2010, or such earlier date as the County has notified the Trustee that all Delivery Costs have been paid, shall be transferred to to the County for deposit to the Improvements Fund.

The Trustee shall be responsible for the safekeeping and investment, upon the written direction of the County Representative, of the moneys held in the Delivery Costs Fund in Permitted Investments and the payment thereof in accordance with this Section. Notwithstanding the foregoing, the Trustee shall be entitled to rely conclusively on the requisitions and written orders supplied to it by the County Representative in connection with disbursements made pursuant to this Section.

ARTICLE 6
CERTAIN COVENANTS

Section 6.1 Payment of Principal and Interest. Subject to the limited liability and sources of payment specified in this Indenture, the Series 2010 Obligations shall be promptly paid in the amounts due at the place, on the dates and in the manner provided in this Indenture and in said Series 2010 Obligations according to the terms thereof. The amounts due on the Series 2010 Obligations are payable solely from moneys held or received by the Trustee under this Indenture, all of which are by this Indenture specifically assigned and pledged to such payment in the manner and to the extent specified in this Indenture and nothing in this Indenture or in the Series 2010 Obligations shall be construed as assigning or pledging any other funds or assets of the County.

Section 6.2 Performance of Covenants. Subject to the limited liability and sources of payment described in this Indenture and except to the extent assigned to the Trustee under this Indenture, the County shall faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided in this Indenture, in each and every Series 2010 Obligation executed, authenticated and delivered under this Indenture and in all proceedings of the County pertaining thereto.

Section 6.3 Instruments of Further Assurance. The County shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental to this Indenture and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, mortgaging, conveying, pledging, assigning and confirming unto the Trustee all interests, revenues and receipts pledged by this Indenture to the payment of the principal of and premium, if any, and interest on the Series 2010 Obligations in the manner and to the extent contemplated in this Indenture.

Section 6.4 Rights under Purchase Agreement. The Trustee may enforce all rights under the Purchase Agreement for and on behalf of the Holders, whether or not the County is then in default under this Indenture.

Section 6.5 Protection of Lien. The County shall not make or create or agree to permit to be made or created any assignment or lien on a parity with or having priority or preference over the assignment and lien of this Indenture upon the interests granted by this Indenture or any part thereof except as otherwise specifically provided in the Purchase Agreement. No obligation, the payment of which is secured by property or revenues pledged under this Indenture, shall be executed and delivered by the County except in lieu of, or upon transfer of registration or exchange of, any Series 2010 Obligation except as provided in the Purchase Agreement.

ARTICLE 7
DEFAULT AND REMEDIES

Section 7.1 Events of Default. Each of the following is an "*Indenture Event of Default*":

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

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

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

(d) If the County defaults in the due and punctual performance of any other covenant, condition, agreement or provision on its part to be performed as provided in this Indenture or in the Series 2010 Obligations and such default continues for 30 days after the Trustee gives the County written notice specifying such default, unless within such 30 days the County commences and diligently pursues in good faith appropriate corrective action to the satisfaction of the Trustee and such failure does not continue for a period of more than 60 days unless otherwise consented to by the Series 2010 Insurer; the Trustee may (with the prior written consent of the Series 2010 Insurer) give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Series 2010 Obligations then Outstanding; or

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

Section 7.2 Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with Article 7 of this Indenture and Article 7 of the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the Series 2010 Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall protect and enforce its rights and the rights of the Holders under this Indenture and the Series 2010 Obligations by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to, an action for the recovery of any amounts due under this Indenture or for damages for the breach of this Indenture, and the Trustee may pursue any other remedy that the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to Article 7 of the Purchase Agreement, subject to any limitations on such remedies set forth in such Article 7.

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

of this Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Series 2010 Obligations not making such request.

Section 7.3 No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable, or payable in advance of their scheduled maturity dates, any amounts due under this Indenture other than as a result of optional redemption pursuant to Article 3 of this Indenture, and then only to the extent of the amount to be so redeemed.

Section 7.4 Application of Revenues and Other Moneys After Default.

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

First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the Series 2010 Obligations);

Second: To the payment of the unpaid Principal Installments or redemption price of any Series 2010 Obligations that have become due, whether at maturity or by call for redemption, in the order of their due dates; and

Third: To the payment of any other amounts due and owing to the Series 2010 Insurer.

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

(c) Whenever all principal of and interest on the Series 2010 Obligations that has become due has been paid under the provisions of this Section and all expenses and charges

of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the County.

Section 7.5 Remedies Not Exclusive. No remedy provided by this Indenture to the Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute on or after the date of this Indenture.

Section 7.6 Remedies Vested in Trustee. Any cause of action (including the right to file proof of claims) under this Indenture or under any of the Series 2010 Obligations may be brought by the Trustee, without the possession of any of the Series 2010 Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding may be brought without the necessity of joining as plaintiffs or defendants any Holders of the Series 2010 Obligations. Subject to the provisions of Section 7.4, any recovery or judgment shall be for the equal benefit of all the Holders of the Outstanding Series 2010 Obligations. Nothing in this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Series 2010 Obligations or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding without the approval of the Holders so affected.

Section 7.7 Individual Holder Action Restricted.

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

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

(ii) Such Holders have offered to indemnify the Trustee as provided in Section 8.2(v); and

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

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

(b) No one or more Holders of Series 2010 Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Indenture or to enforce

any right under this Indenture except in the manner provided in this Indenture and for the equal benefit of the Holders of all Series 2010 Obligations Outstanding.

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

Section 7.8 Termination of Proceedings. In case any proceeding taken on account of an Indenture Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Holders, then the County, the Trustee and the Holders shall be restored to their former positions and rights under this Indenture, and all rights and powers of the Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 7.9 Waiver of Event of Default.

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

(b) The Trustee may waive in writing any Indenture Event of Default that in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture, or before the completion of the enforcement of any other remedy under this Indenture.

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

Section 7.10 Notice of Default.

(a) Within 30 days after (i) the occurrence of an Indenture Event of Default under Section 7.1(a) or (b) of which the Trustee is deemed to have notice, or (ii) receipt by the Trustee of actual knowledge or written notice of an Indenture Event of Default under Section 7.1(c), (d) or (e), the Trustee shall, unless such Indenture Event of Default has been cured, give

written notice thereof by first class mail to each Holder of a Series 2010 Obligation then Outstanding, provided that, except in the case of a default in the payment of Principal Installments or the redemption price of or interest on any of the Series 2010 Obligations, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Holders.

(b) The Trustee shall immediately notify the County of (i) the occurrence of an Indenture Event of Default under Section 7.1(a) or (b) and (ii) when the Trustee has received actual knowledge or written notice of an Indenture Event of Default under Section 7.1(c), (d) or (e).

Section 7.11 Limitation of Liability.

(a) Except for the payment of amounts pursuant to the Purchase Agreement when due and the performance of the other covenants and agreements of the County contained in the Purchase Agreement and in this Indenture, the County shall have no pecuniary obligation or liability to any of the other parties or to the Holders with respect to this Indenture or the terms, execution, delivery or transfer of the Series 2010 Obligations, or the distribution of applicable portions of the Purchase Price to the Holders by the Trustee.

(b) The County shall not have any obligation or liability to any of the other parties or to the Holders with respect to the performance by the Trustee of any duty imposed upon it under this Indenture; nor shall the Trustee have any obligation or liability to any of the other parties or to the Holders with respect to the performance by the County of any duty imposed upon it under this Indenture.

Section 7.12 Limitations on Remedies. It is the purpose and intention of this Article to provide to the Trustee and Holders rights and remedies that lawfully may be granted, but should any right or remedy granted in this Indenture be held to be unlawful, the Trustee and the Holders shall be entitled, as above set forth, to every other right and remedy provided in this Indenture and, to the extent consistent with the provisions of this Indenture, by law.

ARTICLE 8
THE TRUSTEE

Section 8.1 Certain Duties and Responsibilities of Trustee.

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

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

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming

to the requirements of this Indenture; but in the case of any such certificates or opinions that are required by any provision of this Indenture or of the Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture or the Purchase Agreement on their face.

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

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

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

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

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of, subject to Section 12.7, the Series 2010 Insurer or the Holders of the Outstanding Series 2010 Obligations as provided in this Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under this Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the County for all reasonable costs, expenses, attorneys' and other fees and expenses, and all other reasonable disbursements, including its own fees and expenses, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

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

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

(i) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, obligation, note or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(ii) Any request or direction of the County mentioned in this Indenture shall be sufficiently evidenced by a certificate of the County Representative, and any action of the Board may be sufficiently evidenced by a copy of a resolution certified by the Clerk or Assistant Clerk of the Board to have been duly adopted by the Board and to be in full force and effect on the date of such certification and delivered to the Trustee.

(iii) Whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Indenture, the Trustee (unless other evidence is specifically prescribed in this Indenture) may, in the absence of bad faith on its part, rely upon a certificate of the County Representative.

(iv) The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it under this Indenture in good faith and in reliance thereon.

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

(vi) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, obligation, note or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(vii) The Trustee may engage agents and attorneys to assist it in executing any of the trusts or powers under this Indenture or performing any duties under this Indenture and shall not be liable for the negligence or misconduct of such agents and attorneys so long as the Trustee exercises due care in the selection thereof.

(viii) The Trustee shall not be responsible for the recording or filing of any documents relating to the Purchase Agreement.

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

(x) In acting or omitting to act pursuant to the Purchase Agreement, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Indenture, including, but not limited to, this Article 8.

Section 8.3 Employment of Experts. The Trustee is authorized to employ as its agents such attorneys at law, certified public accountants and recognized authorities in their fields (who are not employees of the Trustee), as it reasonably may deem necessary to assist it to carry out any of its obligations under this Indenture, and shall be reimbursed by the County for all reasonable expenses and charges in so doing.

Section 8.4 Enforcement of Performance by Others. Except as provided in Section 8.1 or otherwise specifically provided in this Indenture, it shall not be the duty of the Trustee to see that any duties and obligations imposed upon the County by this Indenture are performed.

Section 8.5 Right to Deal in Series 2010 Obligations and Take Other Actions. The Trustee may in good faith buy, sell or hold and deal in any Series 2010 Obligations with like effect as if it were not such Trustee and may commence or join in any action that a Holder is entitled to take with like effect as if the Trustee were not the Trustee. It is understood and agreed that the Trustee engages in a general banking business and no provision of this Indenture or of the Purchase Agreement is to be construed to limit or restrict the right of the Trustee to engage in such business with the County or any Holder. So engaging in such business shall not, in and of itself, and so long as the Trustee duly performs all of its duties as required by this Indenture and by the Purchase Agreement, constitute a breach of trust on the part of the Trustee, but neither shall engaging in such business abrogate, alter or diminish any duty or obligation of the Trustee as Trustee under this Indenture.

Section 8.6 Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by this Indenture by giving written notice of the resignation to the County, the Series 2010 Insurer and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the Series 2010 Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the County, the Series 2010 Insurer and any Paying Agents and signed by (i) the

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

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

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

(e) Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do trust business in the State and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $200,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

(f) Every successor Trustee howsoever appointed under this Indenture shall execute, acknowledge and deliver to its predecessor and also to the County an instrument in writing, accepting such appointment under this Indenture, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, power and trusts of such predecessor. The predecessor Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee shall promptly deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

(g) Each successor Trustee, not later than ten days after its assumption of the duties under this Indenture, shall mail a notice of such assumption to each Holder of a Series 2010 Obligation.

(h) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or

transfer all or substantially all of its corporate trust business shall be the successor to such Trustee without the execution or filing of any paper or any further act, provided such company shall be eligible as a successor Trustee under this Indenture.

Section 8.7 Proof of Claim. The Trustee shall have the right and power to take actions in the name and place of the County or Holders to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required. Any amount recovered as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances incurred by the Trustee or its agents in pursuing such claim, shall be for the equal benefit of all of the Holders.

Section 8.8 Trustee's Fees and Expenses.

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it under this Indenture; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and, together with the Trustee's officers, directors, agents and employees, to be indemnified by the County, for, from and against any loss, liability, claim, suit, cost, judgment, damages or expense (including without limitation legal fees and expenses) arising out of or in connection with the acceptance or administration of this trust or its duties under this Indenture, the Purchase Agreement and any other document or transaction contemplated in connection with this Indenture or the Purchase Agreement. The Trustee's right to indemnity shall not extend to claims, suits and actions successfully brought against the Trustee for, or losses, liabilities or expenses incurred as a result of the Trustee's own negligence, bad faith, willful misconduct or breach of trust. In the event any action or proceeding is instituted or pending against the Trustee by reason of or in connection with the acceptance or administration of this trust or the Trustee's duties under this Indenture, the County may, at its election, assume the defense of any such action or proceeding with counsel satisfactory to the Trustee. If any such action or proceeding includes any claims alleging the Trustee's own negligence, bad faith, willful misconduct or breach of trust, the Trustee shall reimburse the County its expenses (including reasonable attorneys' fees), if any, of assuming the defense of such action or proceeding if it is determined by a final judgment of a court of competent jurisdiction that the Trustee is not entitled to be indemnified as authorized in this Section. Any settlement of any such action or proceeding shall not, of itself, create a presumption as to the merits of any claims alleging the Trustee's own negligence, bad faith, willful misconduct or breach of trust. The Trustee's rights to compensation, reimbursement and indemnity while serving as Trustee under this Indenture shall survive resignation or removal of the Trustee or discharge of the Indenture.

(b) Any provision of this Indenture to the contrary notwithstanding, if the County fails, within 30 days of receiving an itemized invoice and back-up documentation, to make any payment properly due the Trustee for its reasonable fees, costs, expenses and fees of attorneys, certified public accountants, recognized authorities in their field and agents (not employees of the Trustee) incurred in performance of its duties, the Trustee may reimburse itself

from any moneys on hand in any fund or account created pursuant to this Indenture and shall have a lien prior to the Holders of the Series 2010 Obligations. When the Trustee incurs expenses or renders services after the occurrence of an Indenture Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 8.9 Reports; Records.

(a) The Trustee shall quarterly, or at such other intervals as the Trustee and the County shall from time to time agree upon (but in no event more frequently than monthly), prepare and submit to the County reports covering all moneys received and all payments, expenditures and investments made as the Trustee under this Indenture since the last previous such report.

(b) The Trustee's records shall be kept in compliance with standards as have been or may be issued from time to time by the Securities and Exchange Commission, the Municipal Securities Rulemaking Board of the United States, the requirements of the Code and any other securities industry standard. The Trustee shall retain such records in accordance with the applicable record keeping standard of the Internal Revenue Service. In lieu of destruction and immediately prior to the date the Trustee would destroy any Holder or payment records with respect to the Series 2010 Obligations maintained by the Trustee pursuant to this Indenture, such records shall be provided to the Treasurer of the County.

Section 8.10 Separate or Co-Trustee.

(a) At any time or times, solely for the purpose of meeting any legal requirements of any jurisdiction other than Arizona, the County and the Trustee shall have the power to appoint one or more Persons, approved by the Trustee and, unless an Indenture Event of Default has occurred and is continuing, reasonably acceptable to the County, to act as either a co-trustee or co-trustees, or as a separate trustee or separate trustees, of all or any part of the pledged property, and to vest in such Person or Persons, in such capacity, such title to the pledged property or any part thereof, and such rights, powers, duties, trusts or obligations as the County and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section. Upon the request of the Trustee or of the Holders of at least a majority in principal amount of Series 2010 Obligations then Outstanding, the County shall for such purpose join with the Trustee and both, as necessary, will execute, deliver and perform all instruments and agreements necessary or proper to affect the appointment.

(b) If the County fails to join in such appointment within 30 days after the receipt by it of a request to do so, or if an Indenture Event of Default has occurred and is continuing, the Trustee acting alone shall have power to make such appointment.

(c) The County shall execute, acknowledge and deliver all instruments reasonably required by any such co-trustee or separate trustee to more fully and certainly vest in such co-trustee or separate trustee the property, rights, powers and duties intended to be vested in such co-trustee or separate trustee.

(d) Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(i) The Series 2010 Obligations shall be authenticated and delivered, and all rights, powers, trusts, duties and obligations conferred upon the Trustee by this Indenture in respect to the custody, control and management of moneys, papers, securities and other personal property shall be exercised, solely by the Trustee.

(ii) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(iii) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action under this Indenture shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee and such co-trustee or separate trustee shall abide by such request.

(iv) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(v) The Trustee may at any time, by any instrument in writing, with the concurrence of the County, accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Indenture Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee. Upon the request of the Trustee, the County shall join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(vi) No Trustee or any Paying Agent under this Indenture shall be personally liable by reason of any act or omission of any other trustee or paying agent under this Indenture, nor will the act or omission of any trustee or paying agent under this Indenture be imputed to any other trustee or paying agent.

(vii) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(viii) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee under this Indenture shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

(e) Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested jointly with the Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) with such title to the pledged property or any part thereof, and with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing signed by the Trustee and any co-trustee or separate trustee, constitute the Trustee, its or his attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his behalf and in its or his name.

(f) In case any co-trustee or separate trustee shall dissolve, cease to exist, become incapable of acting, resign or be removed, the title to the pledged property, and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner provided in this Indenture.

Section 8.11 Recitals and Representations.

(a) The recitals, statements and representations contained in this Indenture, or in any Series 2010 Obligation (excluding the Trustee's authentication on the Series 2010 Obligations or any recitals or representations concerning the Trustee or its powers) shall not be taken or construed as made by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

(b) The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency of this Indenture, of the Series 2010 Obligations, or the validity or sufficiency of insurance to be provided or, except as required in this Indenture, the filing or recording or registering of any document. The Trustee shall be deemed not to have made representations as to the security afforded by or under this Indenture or as to the validity or sufficiency of such document. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys that are released or withdrawn in accordance with the provisions of this Indenture. Except as to defaults described in Sections 7.1(a) and (b) of which the Trustee is deemed to have notice, the Trustee shall have no duty of inquiry with respect to any default or Events of Default described in this Indenture without actual knowledge of or receipt by the Trustee of written notice of a default or an Indenture Event of Default from any Holder.

(c) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or other disclosure or sales material prepared or distributed in connection with the execution and delivery of the Series 2010 Obligations.

ARTICLE 9
SUPPLEMENTS TO INDENTURE
AND AMENDMENTS TO PURCHASE AGREEMENT

Section 9.1 Supplements Not Requiring Consent of Holders. The County acting through the County Representative and the Trustee may, without the consent of or notice to any of the Holders but with prior written notice to the Series 2010 Insurer, enter into one or more supplements to this Indenture for one or more of the following purposes:

(i) To cure any ambiguity or formal defect or omission in this Indenture or to correct or supplement any provision in this Indenture that is inconsistent with any other provision in this Indenture, or to make any other provisions with respect to matters or questions arising under this Indenture provided such action shall, in the opinion of counsel delivered to the Trustee under Section 9.3(a), not materially adversely affect the interests of the Holders;

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

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

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

(v) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of Section 8.6 and Section 8.10;

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

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

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

Section 9.2 Supplements Requiring Consent of Holders.

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

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

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

(iii) reduce the principal amount of Series 2010 Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Series 2010 Obligations then Outstanding and the Series 2010 Insurer;

(iv) increase the principal amount of Series 2010 Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(d), without the consent of the Holders of all Series 2010 Obligations then Outstanding and the Series 2010 Insurer; or

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

(b) If at any time the County requests the Trustee to enter into a Supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the County with respect to expenses with respect to such Supplement, cause notice of the proposed execution of such Supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of Series 2010 Obligations then Outstanding at their addresses as they appear on the registration books provided for in this Indenture and the Series 2010 Insurer by the means provided in Article 12. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the

nature of the proposed Supplement and shall state that copies of are on file at the office of the Trustee for inspection by all Holders.

(c) If within the period prescribed by the County, following the mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Holders of not less than the principal amount or number of Series 2010 Obligations Outstanding specified in subsection (a) for the Supplement in question, that refers to the proposed Supplement and specifically consents to and approves the execution of the Supplement and the Trustee and the County may execute such Supplement in substantially the form of the copy referred to in the notice as on file with the Trustee, without liability or responsibility to any Holder of any Series 2010 Obligation, whether or not that Holder shall consented to the Supplement.

(d) Any such consent shall be binding upon the Holder of the Series 2010 Obligation giving such consent and upon any subsequent Holder of such Series 2010 Obligation and of any Series 2010 Obligation executed and delivered in exchange therefor (whether or not the subsequent Holder has notice of the consent), unless the consent is revoked in writing by the Holder giving the consent or by a subsequent Holder by filing the revocation with the Trustee, prior to the execution by the Trustee of the Supplement. At any time after the Holders of the required principal amount or number of Series 2010 Obligations and the Series 2010 Insurer, have filed their consents to the Supplement, the Trustee shall make and file with the County a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required amount or number of the Series 2010 Obligations Outstanding and the Series 2010 Insurer have consented to and approved the execution of the Supplement as provided in this Indenture, no Holder shall have any right to object to the execution of the Supplement, or to object to any of the terms and provisions contained in the Supplement or the operation of the Supplement, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the Supplement or from taking any action pursuant to the provisions thereof.

(f) S&P, if maintaining a rating on the Series 2010 Obligations, shall be provided a copy of any proposed supplement or any amendment to the Purchase Agreement at least 15 days prior to the execution of such Supplement or amendment.

Section 9.3 Execution and Effect of Supplements.

(a) In executing any Supplement permitted by this Article, the Trustee and the County shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted by this Indenture. The Trustee may but shall not be obligated to enter into any such Supplement that affects the Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions of this Indenture shall be modified in accordance with such Supplement and such Supplement shall form a part of this Indenture for all purposes and every

Holder of a Series 2010 Obligation previously or thereafter authenticated and delivered under this Indenture shall be bound by such Supplement.

(c) Any Series 2010 Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the Trustee shall, bear a notation in a form approved by the Trustee as to any matter provided for in such Supplement. The Trustee may execute and deliver new Series 2010 Obligations modified to conform, in the opinion of the Trustee, to any such Supplement in exchange for and upon surrender of Series 2010 Obligations then Outstanding upon receipt of a Special Counsel's Opinion to the effect that such action will not cause the interest on any Series 2010 Obligations to become includible in gross income for purposes of federal income taxes.

Section 9.4 Amendments to Purchase Agreement Not Requiring Consent of Holders. Subject to Section 12.1(a), the Trustee may, without the consent of or notice to any of the Holders, consent to and join with the County in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section 9.4, does not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument so long as any payments with regard to the new Qualified Reserve Fund Instrument are paid no sooner, or in an amount greater, than amounts required to be paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement; (iv) to amend the description of the Series 2010 Projects; (v) to preserve the exclusion of the interest on the Series 2010 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the County to continue to incur bonds or other obligations (specifically not limited to the Series 2010 Obligations authorized by this Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel stating that such amendment is authorized or permitted under this Indenture and under the Purchase Agreement.

The Series 2010 Insurer shall be provided with written notice of any such amendment, change or modification by the means provided in Article 12.

Section 9.5 Amendments to Purchase Agreement Requiring Consent of Holders.

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4, and subject to the terms, provisions and limitations contained in this Article, and not otherwise, the Trustee may consent to and join with the County in the execution and delivery of any amendment, change or modification to the Purchase Agreement only with the consent of the Holders of not less than a majority in principal amount of Series 2010 Obligations then Outstanding, given as provided in this Section; provided, however, no such amendment, change or modification may affect the obligation of the County to

make payments under the Purchase Agreement or reduce the amount of or extend the time for making such payments, without the consent of the Holders of all Series 2010 Obligations then Outstanding and the consent of the Series 2010 Insurer.

(b) If at any time the County requests the consent of the Trustee to any amendment, change or modification to the Purchase Agreement, the Trustee shall, upon being satisfactorily indemnified by the County with respect to expenses, cause notice of the proposed amendment, change or modification to be given in the manner provided in Section 9.2 with respect to Supplements to this Indenture. Such notice shall briefly set forth the nature of the proposed amendment, change or modification and shall state that copies of it are on file at the office of the Trustee for inspection by any Holder.

(c) If the consent to and approval of the execution of the amendment, change or modification is given by the Holders of not less than the aggregate principal amount or number of Series 2010 Obligations specified in subsection (a) within the time and in the manner provided by Section 9.2 with respect to Supplements to this Indenture and by the Series 2010 Insurer, but not otherwise, the amendment, change or modification may be consented to, executed and delivered upon the terms and conditions and with like binding effect upon the Holders as provided in Section 9.2 and Section 9.3 with respect to Supplements to this Indenture.

ARTICLE 10
SATISFACTION AND DISCHARGE

Section 10.1 Discharge.

(a) If payment of all principal of and premium, if any, and interest on all of the Series 2010 Obligations in accordance with their terms and as provided in this Indenture and in Section 3.7 of the Purchase Agreement is made, or is provided for in accordance with this Article, and if all other sums, if any, payable under this Indenture shall be paid, then the liens, estates and security interests granted by this Indenture shall cease. Thereupon, upon the request of the County, and upon receipt by the Trustee of an Opinion of Counsel addressed to the County and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of this Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of this Indenture and the Trustee shall transfer all property held by it under this Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Series 2010 Obligations, to the County or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with this Indenture.

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

Section 10.2 Providing for Payment of Series 2010 Obligations.

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

(b) Notwithstanding the foregoing, no deposit under subsection (a) above shall be deemed a payment of such Series 2010 Obligation as aforesaid until the earlier of: (i) proper notice of redemption of such Series 2010 Obligation shall have been given in accordance with the provisions of Section 3.6 or, in the event said Series 2010 Obligation is not to be redeemed within the next succeeding 60 days, until the County shall have given the Trustee irrevocable instructions in form satisfactory to the Trustee, to notify, as soon as practicable, the Holder of such Series 2010 Obligation in accordance with Section 3.6, that the deposit required by subsection (a) has been made with the Trustee and that said Series 2010 Obligation is deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption price, if any, on said Series 2010 Obligation, plus interest thereon to the due date or redemption date thereof or (ii) the maturity of such Series 2010 Obligation.

(c) If payment of Series 2010 Obligations is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to (i) each Holder of a Series 2010 Obligation so provided for and (ii) to the Treasurer of the County.

(d) Series 2010 Obligations, the payment of which has been provided for in accordance with this Section, shall no longer be deemed Outstanding under or secured by this Indenture. The obligation in respect of such Series 2010 Obligations shall nevertheless continue but the Holders of those Series 2010 Obligations will be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or the Depository Trustee to provide for the payment of such Series 2010 Obligations.

(e) No Series 2010 Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such Series 2010 Obligation is made, the interest payable on any Series 2010 Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the County may rely upon a

Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Series 2010 Obligations.

Section 10.3 Payment of Series 2010 Obligations After Discharge. Notwithstanding the discharge of the lien of this Indenture under this Article, the Trustee shall nevertheless retain such rights, powers and duties under this Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Series 2010 Obligations and the registration, transfer, exchange and replacement of Series 2010 Obligations as provided in this Indenture. Nevertheless, any moneys held by the Trustee or any Paying Agent for the payment of the principal of or premium, if any, or interest on any Series 2010 Obligation remaining unclaimed for two years after the same shall become due and payable at maturity or by declaration as provided in this Indenture, shall then be paid to the County and the Holders of that Series 2010 Obligation shall be entitled to look only to the County for payment thereof and all liability of the Trustee or any Paying Agent with respect to such moneys shall cease at that time. The obligations of the Trustee under this Section shall be subject, however, to the requirements of any applicable law regarding the disposition of unclaimed property.

ARTICLE 11
MISCELLANEOUS

Section 11.1 Evidence of Acts of Holders.

(a) Any request, direction, consent or other instrument provided by this Indenture to be signed and executed by the Holders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Holders in person or by agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Series 2010 Obligations, if made in the following manner, shall be sufficient for any of the purposes of this Indenture and shall be conclusive in favor of the Trustee and the County, with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(i) The fact and date of the execution by any Person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the Person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Series 2010 Obligations shall be proved by the register of such Series 2010 Obligations.

(b) Nothing in this Section shall be construed as limiting the Trustee to the proof specified in subsection (a) above, it being intended that the Trustee may accept any other evidence that it may deem sufficient.

(c) Any action taken or suffered by the Trustee pursuant to any provision of this Indenture, upon the request or with the assent of any Person who at the time is the Holder of

any Series 2010 Obligation, shall be conclusive and binding upon all future Holders of the same Series 2010 Obligation.

Section 11.2 Limitation of Rights. With the exception of rights expressly conferred in this Indenture, nothing expressed or mentioned in or to be implied from this Indenture or the Series 2010 Obligations is intended or shall be construed to give to any Person other than the parties to this Indenture and the Holders of the Series 2010 Obligations any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions contained in this Indenture.

Section 11.3 Severability. If any one or more sections, clauses, sentences or parts of this Indenture shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Indenture, or the Series 2010 Obligations executed and delivered pursuant to this Indenture, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 11.4 Holidays. When the date on which principal of or interest or premium on any Series 2010 Obligation is due and payable is not a Business Day, payment may be made on Series 2010 Obligations presented at such place of payment on the next Business Day with effect as though payment were made on the due date, and, if such payment is made, no additional interest shall accrue from and after such due date. When any other action is provided in this Indenture to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next ensuing Business Day with effect as though performed on the appointed day or within the specified period.

Section 11.5 Governing Law. This Indenture and the Series 2010 Obligations are contracts made under the laws of the State and shall be governed and construed in accordance with such laws.

Section 11.6 Notices.

(a) Unless otherwise expressly specified or permitted by the terms of this Indenture, all notices, consents or other communications required or permitted under this Indenture shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to the Trustee, addressed to it at Suite 126, 1225 West Washington Street, Tempe, Arizona 85281, Attention: Corporate Trust Services;

(ii) If to the registered Holder of a Series 2010 Obligation, addressed to such Holder at the address shown on the registration books kept pursuant to this Indenture;

(iii) If to the County, addressed to it at 10th Floor, 130 West Congress, Tucson, Arizona 85701, Attention: Director of Finance;

(iv) If to S&P, addressed to it at 55 Water Street, New York, New York 10041 and

(v) If to Fitch, addressed to it at One State Street Plaza, New York, New York 10004.

(vi) If to the Series 2010 Insurer, addressed to it at 31 West 52nd Street, New York, New York 10019, Attention: Managing Director - Surveillance, Re: Policy No. 212073-N, and, if the notice or other communication refers to an Indenture Event of Default, with a copy to the attention of the General Counsel marked to indicate "URGENT MATERIAL ENCLOSED."

(b) The parties listed above may from time to time by notice in writing to the others designate a different address or addresses for notices under this Indenture.

Section 11.7 Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which together shall constitute one instrument.

Section 11.8 Waiver of Personal Liability. No director, officer, agent, financial advisor, counsel or employee of the County shall be individually or personally liable for the payment of the principal amount or redemption price of or interest on the Series 2010 Obligations; but nothing contained in this Indenture shall relieve any such director, officer, agent, financial advisor, counsel or employee from the performance of any official duty provided by law.

Section 11.9 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the parties to this Indenture and their respective successors and assigns subject to the limitations contained in this Indenture. Except as provided in this Indenture, the trust under this Indenture shall not be assigned to any other person, corporation, partnership or trustee unless the Trustee is required by law to divest, or does divest, itself of its trust department or unless the Trustee shall sell or assign substantially all of its corporate trust business in which event the trust under this Indenture shall be continued by the Trustee's successor in interest.

Section 11.10 Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that this Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated in this Indenture and which provides that the County may within three years after its execution cancel any contract (including this Indenture) without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the County is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The Trustee covenants not to employ as an employee, an agent or, with respect to the subject matter of this Indenture, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating this Indenture on behalf of the County within three years from the execution of this Purchase

Agreement. The County and the Trustee represent that, to the best of their knowledge, as of the date of this Purchase Agreement, no basis exists for the County to cancel this Purchase Agreement pursuant to Section 38-511 of the Arizona Revised Statutes, as amended.

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

(c) Pursuant to Sections 35-391.06 and 35-393.06, Arizona Revised Statutes, as amended, the Trustee certifies that it does not have a scrutinized business operation in Sudan or Iran. For the purpose of this subsection, the term "scrutinized business operations" shall have the meanings set forth in Section 35-391 or and 35-393, Arizona Revised Statutes, as amended, as applicable. If the County determines that the Trustee submitted a false certification, the County may impose remedies as provided by law including terminating the services of the Trustee.

Section 11.11 Facsimile Instructions. The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee has received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons. The incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a previous written instruction. The County agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions (provided the signatures appear to be the signatures on the incumbency certificate and the e-mail appears to have been sent from a County e-mail address or facsimile machine), and the risk of interception and misuse by third parties.

Section 11.12 Force Majeure. The Trustee shall not be considered in breach of or in default in its obligations under this Indenture or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other like occurrences beyond the control of the Trustee; it being understood that the Trustee shall use

reasonable efforts that are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

ARTICLE 12
PROVISIONS RELATING TO
SERIES 2010 POLICY AND SERIES 2010 INSURER

Section 12.1 Force, Consent, Etc. of Series 2010 Insurer.

(a) Any amendment, supplement, modification to, or waiver of, this Indenture, the Purchase Agreement or any other transaction document including any underlying security agreement (for purposes of this Article each a "*Related Document*") shall be subject to the prior written consent of the Series 2010 Insurer; provided, however, that the foregoing shall not apply to any of the foregoing in connection with the incurrence of Additional Obligations (as such term is defined in the Purchase Agreement) or an amendment to the description of the Series 2010 Projects.

(b) The rights granted to the Series 2010 Insurer under this Indenture or any Related Document to request, consent to or direct any action with respect to the Series 2010 Obligations are rights granted to the Series 2010 Insurer in consideration of its issuance of the Series 2010 Policy. Any exercise by the Series 2010 Insurer of such rights is merely an exercise of the contractual rights of the Series 2010 Insurer and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Holders, and such action does not evidence any position of the Series 2010 Insurer, affirmative or negative, as to whether the consent of such Holders or any other person is required in addition to the consent of the Series 2010 Insurer.

(c) No contract shall be entered into or any action taken by which the rights of the Series 2010 Insurer or security for or sources of payment of the Series 2010 Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Series 2010 Insurer.

(d) Any interest rate exchange agreement including a Derivative Product (for purposes of this Section, a *"Swap Agreement"*) entered into by the City shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (c) debt reasonably expected to be incurred within the next 12 months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Series 2010 Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Series 2010 Obligations and on any Additional Obligations. The County shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Series 2010 Insurer prior to the payment of any such termination amount that such payment will not cause the County to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by S&P and Moody's, respectively. If the counterparty or

guarantor's rating falls below "A-" or "A3" by either S&P or Moody', respectively, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Series 2010 Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baa1" or "BBB+" by either Moody's or S&P, respectively, a replacement counterparty or guarantor acceptable to the Series 2010 Insurer, shall be required.

(e) The County and the Trustee shall take such action (including, as applicable, filing of Uniform Commercial Code financing statements and continuations thereof) as necessary from time to time to preserve the priority of the pledge of the trust estate created by this Indenture under applicable law.

(f) The exercise of any provision of this Indenture, if any, that permits the purchase of Series 2010 Obligations in lieu of redemption shall require the prior written approval of the Series 2010 Insurer if any Series 2010 Obligation so purchased is not cancelled upon purchase.

Section 12.2 Notices and Other Information.

(a) The Series 2010 Insurer shall be provided with the following information by the County or the Trustee, as the case may be:

(i) Annual audited financial statements of the County within 210 days after the end of the fiscal year of the County (together with a certification of the County that it is not aware of any default or event of default under the Indenture or the Purchase Agreement), and the annual budget of the County within 30 days after the approval thereof together with such other information, data or reports as the Series 2010 Insurer shall reasonably request from time to time;

(ii) Notice from the Trustee of any draw upon the Debt Service Reserve Account within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Series 2010 Obligations;

(iii) Notice of any default known to the Trustee or the City within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Series 2010 Obligations, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee or any Paying Agent and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the County commenced under the United States Bankruptcy Code or any other

applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (for purposes of this Article, an "*Insolvency Proceeding*");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2010 Obligations;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to this Series 2010 Obligation Indenture or any Related Documents; and

(ix) All reports, notices and correspondence to be delivered to owners of the Series 2010 Obligations under the terms of this Series 2010 Obligation Indenture or any Related Documents.

(x) Additional information as the Series 2010 Insurer may reasonably request.

(b) To the extent not otherwise prohibited from agreeing to do so pursuant to applicable law, the County shall permit the Series 2010 Insurer to discuss the affairs, finances and accounts of the County or any information the Series 2010 Insurer may reasonably request regarding the security for the Series 2010 Obligations with appropriate officers of the County and shall use commercially reasonable efforts to enable the Series 2010 Insurer to have access to the facilities, books and records of the County on any Business Day upon reasonable prior notice.

(c) The Trustee shall notify the Series 2010 Insurer of any failure of the County to provide notices, certificates and other information under this Indenture and the Purchase Agreement.

Section 12.3 Matters Relating to Defeasance. To accomplish defeasance pursuant to Section 10.1, the County shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Series 2010 Insurer verifying the sufficiency of the escrow established to pay the Series 2010 Obligations in full on the maturity or redemption date ("*verification*"), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to the Series 2010 Insurer), (iii) a Special Counsel's Opinion to the effect that the Series 2010 Obligations are no longer "Outstanding" ("*defeasance opinion*") and (iv) a certificate of discharge of the Trustee with respect to the Series 2010 Obligations. Each verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the County, the Trustee and the Series 2010 Insurer. The Series 2010 Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Section 12.4 Effect of Payments under Series 2010 Policy

(a) Amounts paid by the Series 2010 Insurer under the Series 2010 Policy shall not be deemed paid for purposes of this Indenture, and the Series 2010 Obligations

relating to such payments shall remain Outstanding and continue to be due and owing until paid by the County in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Series 2010 Insurer have been paid in full or duly provided for.

(b) The Series 2010 Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2010 Obligations, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2010 Policy. Each obligation of the County to the Series 2010 Insurer under Related Documents shall survive discharge or termination of such Related Documents.

(c) In determining whether any amendment, consent or other action to be taken, or any failure to take action, under this Indenture would adversely affect the security for the Series 2010 Obligations or the rights of the Holders of the Series 2010 Obligations, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Series 2010 Policy.

Section 12.5 Payment Procedure Pursuant to Series 2010 Policy

(a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date with respect to the Series 2010 Obligations (for purposes of this Article, a "*Payment Date*") there is not on deposit with the Trustee, after making all transfers and deposits required under this Indenture, moneys sufficient to pay the principal of and interest on the Series 2010 Obligations due on such Payment Date, the Trustee shall give notice to the Series 2010 Insurer and to its designated agent (if any) (for purposes of this section, the "*Insurer's Fiscal Agent*") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2010 Obligations due on such Payment Date, the Trustee shall make a claim under the Series 2010 Policy and give notice to the Series 2010 Insurer and the Series 2010 Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2010 Obligations and the amount required to pay principal of the Series 2010 Obligations, confirmed in writing to the Series 2010 Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filing in the form of a "Notice of Claim and Certificate" delivered with the Series 2010 Policy.

(b) The Trustee shall designate any portion of payment of principal on Series 2010 Obligations paid by the Series 2010 Insurer on its books as a reduction in the principal amount of Series 2010 Obligations registered to the then current owner, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2010 Obligation to the Series 2010 Insurer, registered in the name of "Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)," in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2010 Obligation shall have no effect on the amount of principal or interest payable by the County on any Series 2010 Obligation or the subrogation rights of the Series 2010 Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the Series 2010 Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2010 Obligation. The Series 2010 Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the Series 2010 Policy, the Trustee shall establish a separate special purpose trust account for the benefit of the Holders (for purposes of this Article, the "*Policy Payments Account*") over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Series 2010 Policy in trust on behalf of the Holders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to the Holders in the same manner as principal and interest payments are to be made with respect to the Series 2010 Obligations under the sections hereof regarding payment of Series 2010 Obligations. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. (Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee.) Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Series 2010 Insurer.

(e) The Series 2010 Insurer shall be entitled to pay principal of or interest on the Series 2010 Obligations that shall become Due for Payment (as defined in the Series 2010 Policy) but shall be unpaid by reason of Nonpayment by the Issuer (as defined in the Series 2010 Policy), whether or not the Series 2010 Insurer has received a Notice of Nonpayment (as defined in the Series 2010 Policy) or a claim upon the Series 2010 Policy.

Section 12.6 The Series 2010 Insurer as Holder; Third-Party Beneficiary

(a) The Series 2010 Insurer shall be deemed to be the sole holder of the Series 2010 Obligations for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 2010 Obligations insured by it are entitled to take pursuant hereto pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

(b) To the extent that this Indenture confers upon or gives or grants to the Series 2010 Insurer any right, remedy or claim under or by reason of this Indenture, the Series 2010 Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 12.7 Effectiveness of These Provisions The provisions of Section 12.1 through and including 12.6 (and the other provisions hereof and of the Purchase Agreement which are made subject to this Section) shall govern, notwithstanding anything to the contrary in this Indenture, but are only effective while the Series 2010 Policy is in effect and the Series 2010 Insurer is not in default or contesting obligations under the Series 2010 Policy and is not in insolvency or similar proceedings.

[Signature page follows]

IN WITNESS WHEREOF, the County has caused these presents to be signed in the name and on its behalf by its duly authorized officer and, to evidence its acceptance of the trusts created by this Indenture, the Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By.....
Print Name: Deborah M. Scherer
Title: Vice President

PIMA COUNTY, ARIZONA

By.....
Chairman, Board of Supervisors

ATTEST:

.....
Clerk, Board of Supervisors

APPROVED AS TO FORM:

.....
Deputy County Attorney

329286781.4

[SIGNATURE PAGE TO SERIES 2010 OBLIGATION INDENTURE]

EXHIBIT A

FORM OF SERIES 2010 OBLIGATION

[Insert Legend of Securities Depository As Appropriate]

SEWER SYSTEM REVENUE OBLIGATION, SERIES 2010,
EVIDENCING A PROPORTIONATE INTEREST OF THE HOLDER HEREOF
IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID
BY PIMA COUNTY, ARIZONA, PURSUANT TO A
SERIES 2010 PURCHASE AGREEMENT,
DATED AS OF JUNE 1, 2010
AS ASSIGNED TO
....., AS TRUSTEE

No: ..... Denomination: .....

INTEREST RATE:	MATURITY DATE:	DATED:	CUSIP:
.....%	JULY 1, ...	JUNE 17, 2010	721876 ___

REGISTERED OWNER: .....

PRINCIPAL AMOUNT: ..... DOLLARS

The registered owner identified above, or registered assigns, as the registered owner of this Sewer System Revenue Obligation, Series 2010 (this "*obligation*"), is the owner of an undivided proportionate interest in the right to receive certain installments of the "Purchase Price" pursuant to that certain Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "*Purchase Agreement*"), by and between ....., a national banking association, authorized to exercise trust powers in the State of Arizona, in its separate capacity as seller (the "*Seller*"), and Pima County, Arizona, a political subdivision of the State of Arizona, as purchaser (the "*County*"), which installments and certain other rights and interests under the Purchase Agreement have been assigned to ....., in its separate capacity as trustee (together with any successor thereto, the "*Trustee*"), pursuant to that certain Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), by and between the County and the Trustee.

The registered owner of this obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the maturity date set forth above, the principal amount set forth above, representing a portion of the installments of the Purchase Price denominated as principal coming due on the Maturity Date set forth above, and to receive on January 1, 2011, and semiannually on July 1 and January 1 of each year thereafter (each an "*Obligation Payment Date*") until payment in full of said portion of principal, the registered owner's proportionate share of the installments of the Purchase Price denominated as interest coming due during the six month period (or

portion thereof) immediately preceding each of such dates; provided that the first installment shall be for interest from the date of initial execution and delivery to January 1, 2011. Said proportionate share of the portion of such installments designated as interest is the result of the multiplication of the aforesaid portion of such installments designated as principal by the rate per annum set forth above.

The proportionate share of the portion of the installments of the Purchase Price denominated as interest is payable when due to the person in whose name this obligation is registered at the close of business on the 15th day of the calendar month next preceding each Obligation Payment Date, except that interest not duly paid or provided for when due shall be payable to the person in whose name this obligation is registered at the close of business on a special record date to be fixed for the payment of defaulted interest. Such defaulted interest shall be payable to the person in whose name such obligation is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed to the holders of the obligations not less than 15 days preceding such special record date. Such notice shall be mailed to the holder in whose name this obligation is registered at the close of business on the fifth day preceding the date of mailing. If the Trustee registers the transfer on any obligation subsequent to the mailing of such notice and on or before the special record date, any such notice of payment of defaulted interest shall be binding upon the transferee and a copy of the notice of payment of defaulted interest shall be delivered by the Trustee to the transferee along with the obligation or obligations. (Any payment due on this obligation that shall not be paid when due shall bear interest at the rate of interest, compounded semiannually, set forth above from the date such payment is due until the payment is made.)

Principal of and premium, if any, and interest on this obligation are payable in lawful money of the United States of America that on the date of payment thereof is legal tender for the payment of public and private debts. Payments of interest will be made by check mailed by the Trustee as paying agent to the registered address of the person entitled thereto; *provided, however*, that the Indenture provides that upon certain circumstances the payments of interest on this obligation may, at the direction of the person in whose name this obligation is registered, be made by wire transfer of immediately available funds. The proportionate share of the portion of the installments of the Purchase Price denominated as principal and any premium payable upon redemption, if any, when due, shall be paid upon surrender of this obligation at the designated corporate trust office of the Trustee.

This obligation is one of a series, limited in aggregate original principal amount of $165,000,000 (the *"Series 2010 Obligations"*), which have been executed and delivered under the Indenture and are limited, special revenue obligations, payable solely from the sources (particularly the Purchase Agreement) and in the manner described in the Indenture, in order to acquire certain property comprising a portion of the sewer system of the County. The payments to be made by the County pursuant to the Purchase Agreement are to be in an amount sufficient to make the payments due on the Series 2010 Obligations, and payments by the County under the Purchase Agreement are to be made from, and secured by, a pledge of certain revenues, proceeds and receipts to be derived by the County from such system. Under the restrictions set out in the Purchase Agreement, additional parity obligations may be incurred by the County payable from such sewer revenues. (No additional senior obligations may be incurred by the County payable

from such revenues.) For a more complete statement of the provisions made to secure payment of the Series 2010 Obligations, the revenues from and conditions under which this obligation is payable, statements of the terms under which the Purchase Agreement may be modified and the general covenants and provisions pursuant to which this obligation is issued, reference is made to the Indenture.

This obligation shall not constitute a debt of the County, the State of Arizona or any political subdivision thereof within the meaning of any provision of the Constitution or laws of the State of Arizona and shall not constitute or give rise to a pecuniary liability of the County, the State of Arizona or any other political subdivision thereof or a charge against the general credit or taxing powers of any of them. This obligation and the interest on this obligation are enforceable exclusively from the revenues pledged thereto in the Purchase Agreement, and no holder of this obligation shall have the right to compel any exercise of the taxing power of the County to pay this obligation or the interest on this obligation.

Counterparts or copies of the Indenture and the other documents referred to in this obligation are on file at the designated office of the Trustee, and reference is made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Trustee, the County, and the registered owners of the Series 2010 Obligations under such documents, to all of which the registered owner of this obligation, by acceptance of this obligation, assents.

Optional Redemption. The Series 2010 Obligations maturing on or prior to July 1, 2020, are not subject to optional redemption prior to maturity. The Series 2010 Obligations maturing on and after July 1, 2021, are subject to redemption, in whole or in part on any date on or after July 1, 2020, in increments of $5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity (as provided in the Indenture) by payment of the principal amount of each Series 2010 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Notice of redemption shall be mailed not less than 30 days nor more than 60 days prior to the date set for redemption to each registered owner of a Series 2010 Obligation to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any Series 2010 Obligation shall not affect the validity of the proceedings for the redemption of any other Series 2010 Obligation. On the specified redemption date all Series 2010 Obligations called for redemption shall cease to bear interest and shall no longer be secured by the Indenture provided funds for redemption are on deposit at the place of payment at that time.

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

The Indenture and other documents referred to therein may be modified or amended to the extent permitted by and as provided therein. Certain amendments, modifications or changes that would affect the rights of registered owners of Series 2010 Obligations may be made only

with the consent of a majority of the registered owners of the Series 2010 Obligations then outstanding under the Indenture, as provided in the Indenture. Any such consent by the registered owner of this obligation shall be conclusive and binding upon such registered owner and all subsequent registered owners. However, as to certain other amendments that will not materially adversely affect the interests of the registered owners, no consent of any Holder shall be required.

The Series 2010 Obligations are and shall be executed and delivered only in fully registered form. Subject to the limitations provided for in the Indenture, this obligation may be exchanged for a like aggregate principal amount payable at maturity of Series 2010 Obligations of the same maturity in authorized denominations.

This obligation is transferable by the registered owner of this obligation in person or by his attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided for in the Indenture and upon surrender and cancellation of this obligation. Upon such transfer a new Series 2010 Obligation or Series 2010 Obligations of the same maturity and in authorized denominations for the same aggregate principal amount payable at maturity will be executed and delivered to the transferee in exchange.

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

The Trustee and any paying agent may treat the registered owner of this obligation as the absolute owner for the purpose of receiving payment as provided in this obligation and for all other purposes and none of them shall be affected by any notice to the contrary.

As used in this obligation, the term "owner" means the person who at the time of nonpayment of a Series 2010 Obligation is entitled under the terms of such Series 2010 Obligation to payment thereof.

It is certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the execution and delivery of this obligation have existed, have happened and have been performed in due form, time and manner as required by law.

IN TESTIMONY WHEREOF, this obligation has been executed and delivered by the Trustee, acting pursuant to the Indenture.

Date:.....

....., as Trustee

By.....
Authorized Representative

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this obligation to The Bank of New York Mellon Trust Company, N.A., Tempe, Arizona, or its successor, as paying agent for the Series 2010 Obligations (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this obligation acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

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

TEN COM -- as tenants in common	UNIF GIFT/TRANS MIN ACT -- ..... (Cust.)
TEN ENT -- as tenants by the entireties	Custodian for ..... (Minor) Under Uniform
JT TEN -- as joint tenants with right of survivorship and not as tenants in common	Gifts/Transfers to Minors Act of ..... (State)

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

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto .....
(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee) the within obligation and all rights thereunder, and irrevocably constitutes and appoints ..... attorney to transfer the within obligation on the books kept for registration thereof, with full power of substitution in the premises.

Dated: .....

Signature Guaranteed:

.....	.....
(Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee).	Notice: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within obligation in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

ORDER FOR DISBURSEMENT

Pursuant to Section 5.8 of the Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), between Pima County, Arizona (the "*County*"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), the undersigned County Representative (as defined in the Indenture) hereby requests and authorizes the Trustee pursuant to the Indenture, as custodian of the Delivery Costs Fund created by the Indenture, to pay to the County or to the person(s) listed as payee out of the monies deposited in the Delivery Costs Fund the aggregate sum of $..... to pay such person(s) or to reimburse the County in full for the advances, payments and expenditures made by it.

In connection with the foregoing request and authorization, the undersigned hereby certifies that:

(a) Each item for which disbursement is requested hereunder is properly payable out of the Delivery Costs Fund and none of these items has formed the basis for any disbursement heretofore made from said Delivery Costs Fund.

(b) Each such item is or was a necessary Delivery Cost as defined in the Indenture.

(c) This statement and all exhibits hereto shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.

(d) This statement constitutes approval by the County of the disbursement hereby requested and authorized.

Explanation of this Payment:	Name and Address of Payee:
Account #	Claim to be paid on:
.....	.....
Dated	County Representative

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

SEWER SYSTEM REVENUE OBLIGATION, SERIES 2010,
EVIDENCING A PROPORTIONATE INTEREST OF THE HOLDER HEREOF
IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID
BY PIMA COUNTY, ARIZONA, PURSUANT TO A
SERIES 2010 PURCHASE AGREEMENT,
DATED AS OF JUNE 1, 2010
AS ASSIGNED TO
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE

SPECIMEN

No: R-1 Denomination: $2,000,000

INTEREST RATE:	MATURITY DATE:	DATED:	CUSIP:
4.00%	JULY 1, 2014	JUNE 17, 2010	721876 PQ 7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO MILLION DOLLARS

The registered owner identified above, or registered assigns, as the registered owner of this Sewer System Revenue Obligation, Series 2010 (this "*obligation*"), is the owner of an undivided proportionate interest in the right to receive certain installments of the "Purchase Price" pursuant to that certain Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "*Purchase Agreement*"), by and between The Bank of New York Mellon Trust Company, N.A., a national banking association, authorized to exercise trust powers in the State of Arizona, in its separate capacity as seller (the "*Seller*"), and Pima County, Arizona, a political subdivision of the State of Arizona, as purchaser (the "*County*"), which installments and certain other rights and interests under the Purchase Agreement have been assigned to The Bank of New York Mellon Trust Company, N.A., in its separate capacity as trustee (together with any successor thereto, the "*Trustee*"), pursuant to that certain Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), by and between the County and the Trustee.

The registered owner of this obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the maturity date set forth above, the principal amount set forth above, representing a portion of the installments of the Purchase Price denominated as principal coming due on the Maturity Date set forth above, and to receive on January 1, 2011, and semiannually on July 1 and January 1 of each year thereafter (each an *"Obligation Payment Date"*) until payment in full of said portion of principal, the registered owner's proportionate share of the installments of the Purchase Price denominated as interest coming due during the six month period (or portion thereof) immediately preceding each of such dates; provided that the first installment shall be for interest from the date of initial execution and delivery to January 1, 2011. Said proportionate share of the portion of such installments designated as interest is the result of the multiplication of the aforesaid portion of such installments designated as principal by the rate per annum set forth above.

The proportionate share of the portion of the installments of the Purchase Price denominated as interest is payable when due to the person in whose name this obligation is registered at the close of business on the 15th day of the calendar month next preceding each Obligation Payment Date, except that interest not duly paid or provided for when due shall be payable to the person in whose name this obligation is registered at the close of business on a special record date to be fixed for the payment of defaulted interest. Such defaulted interest shall be payable to the person in whose name such obligation is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed to the holders of the obligations not less than 15 days preceding such special record date. Such notice shall be mailed to the holder in whose name this obligation is registered at the close of business on the fifth day preceding the date of mailing. If the Trustee registers the transfer on any obligation subsequent to the mailing of such notice and on or before the special record date, any such notice of payment of defaulted interest shall be binding upon the transferee and a copy of the notice of payment of defaulted interest shall be delivered by the Trustee to the transferee along with the obligation or obligations. (Any payment due on this obligation that shall not be paid when due shall bear interest at the rate of interest, compounded semiannually, set forth above from the date such payment is due until the payment is made.)

Principal of and premium, if any, and interest on this obligation are payable in lawful money of the United States of America that on the date of payment thereof is legal tender for the payment of public and private debts. Payments of interest will be made by check mailed by the Trustee as paying agent to the registered address of the person entitled thereto; *provided, however*, that the Indenture provides that upon certain circumstances the payments of interest on this obligation may, at the direction of the person in whose name this obligation is registered, be made by wire transfer of immediately available funds. The proportionate share of the portion of the installments of the Purchase Price denominated as principal and any premium payable upon redemption, if any, when due, shall be paid upon surrender of this obligation at the designated corporate trust office of the Trustee.

This obligation is one of a series, limited in aggregate original principal amount of $165,000,000 (the *"Series 2010 Obligations"*), which have been executed and delivered under the Indenture and are limited, special revenue obligations, payable solely from the sources (particularly the Purchase Agreement) and in the manner described in the Indenture, in order to

acquire certain property comprising a portion of the sewer system of the County. The payments to be made by the County pursuant to the Purchase Agreement are to be in an amount sufficient to make the payments due on the Series 2010 Obligations, and payments by the County under the Purchase Agreement are to be made from, and secured by, a pledge of certain revenues, proceeds and receipts to be derived by the County from such system. Under the restrictions set out in the Purchase Agreement, additional parity obligations may be incurred by the County payable from such sewer revenues. (No additional senior obligations may be incurred by the County payable from such revenues.) For a more complete statement of the provisions made to secure payment of the Series 2010 Obligations, the revenues from and conditions under which this obligation is payable, statements of the terms under which the Purchase Agreement may be modified and the general covenants and provisions pursuant to which this obligation is issued, reference is made to the Indenture.

This obligation shall not constitute a debt of the County, the State of Arizona or any political subdivision thereof within the meaning of any provision of the Constitution or laws of the State of Arizona and shall not constitute or give rise to a pecuniary liability of the County, the State of Arizona or any other political subdivision thereof or a charge against the general credit or taxing powers of any of them. This obligation and the interest on this obligation are enforceable exclusively from the revenues pledged thereto in the Purchase Agreement, and no holder of this obligation shall have the right to compel any exercise of the taxing power of the County to pay this obligation or the interest on this obligation.

Counterparts or copies of the Indenture and the other documents referred to in this obligation are on file at the designated office of the Trustee, and reference is made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Trustee, the County, and the registered owners of the Series 2010 Obligations under such documents, to all of which the registered owner of this obligation, by acceptance of this obligation, assents.

Optional Redemption. The Series 2010 Obligations maturing on or prior to July 1, 2020, are not subject to optional redemption prior to maturity. The Series 2010 Obligations maturing on and after July 1, 2021, are subject to redemption, in whole or in part on any date on or after July 1, 2020, in increments of $5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity (as provided in the Indenture) by payment of the principal amount of each Series 2010 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Notice of redemption shall be mailed not less than 30 days nor more than 60 days prior to the date set for redemption to each registered owner of a Series 2010 Obligation to be so redeemed at the address shown on the books of the Trustee, but failure so to mail any such notice or any defect in such notice as to any Series 2010 Obligation shall not affect the validity of the proceedings for the redemption of any other Series 2010 Obligation. On the specified redemption date all Series 2010 Obligations called for redemption shall cease to bear interest and shall no longer be secured by the Indenture provided funds for redemption are on deposit at the place of payment at that time.

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

The Indenture and other documents referred to therein may be modified or amended to the extent permitted by and as provided therein. Certain amendments, modifications or changes that would affect the rights of registered owners of Series 2010 Obligations may be made only with the consent of a majority of the registered owners of the Series 2010 Obligations then outstanding under the Indenture, as provided in the Indenture. Any such consent by the registered owner of this obligation shall be conclusive and binding upon such registered owner and all subsequent registered owners. However, as to certain other amendments that will not materially adversely affect the interests of the registered owners, no consent of any Holder shall be required.

The Series 2010 Obligations are and shall be executed and delivered only in fully registered form. Subject to the limitations provided for in the Indenture, this obligation may be exchanged for a like aggregate principal amount payable at maturity of Series 2010 Obligations of the same maturity in authorized denominations.

This obligation is transferable by the registered owner of this obligation in person or by his attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided for in the Indenture and upon surrender and cancellation of this obligation. Upon such transfer a new Series 2010 Obligation or Series 2010 Obligations of the same maturity and in authorized denominations for the same aggregate principal amount payable at maturity will be executed and delivered to the transferee in exchange.

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

The Trustee and any paying agent may treat the registered owner of this obligation as the absolute owner for the purpose of receiving payment as provided in this obligation and for all other purposes and none of them shall be affected by any notice to the contrary.

As used in this obligation, the term "owner" means the person who at the time of nonpayment of a Series 2010 Obligation is entitled under the terms of such Series 2010 Obligation to payment thereof.

It is certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the execution and delivery of this obligation have existed, have happened and have been performed in due form, time and manner as required by law.

IN TESTIMONY WHEREOF, this obligation has been executed and delivered by the Trustee, acting pursuant to the Indenture.

Date: June 17, 2010

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: .....
Authorized Representative

SPECIMEN

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this obligation to The Bank of New York Mellon Trust Company, N.A., Tempe, Arizona, or its successor, as paying agent for the Series 2010 Obligations (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this obligation acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

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

TEN COM -- as tenants in common	UNIF GIFT/TRANS MIN ACT -- ..... (Cust.)
TEN ENT -- as tenants by the entireties	Custodian for ..... Under Uniform (Minor)
JT TEN -- as joint tenants with right of survivorship and not as tenants in common	Gifts/Transfers to Minors Act of ..... (State)

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

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto .....
(Please Print or Typewrite Name, Address and Social Security Number or other Federal Tax Identification Number of Transferee) the within obligation and all rights thereunder, and irrevocably constitutes and appoints ..... attorney to transfer the within obligation on the books kept for registration thereof, with full power of substitution in the premises.

Dated: .....

Signature Guaranteed:

.....	.....
(Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee).	Notice: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within obligation in every particular without alteration or enlargement or any change whatsoever.

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

PIMA COUNTY, ARIZONA
[Name of Issuer]

JUNE 11, 1998
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

PIMA COUNTY, ARIZONA
(Issuer)

By: C. Huckelberry
(Authorized Officer's Signature)

C. H. HUCKELBERRY, COUNTY ADMINISTRATOR
(Typewrite Name & Title)

130 W. Congress, 10th floor
(Street Address)

Tucson, AZ 85701
(City) (State) (Zip)

(520) 740-8661
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: Toby Bondor

SCHEDULE A

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

[6. Redemption notices shall be sent to Cede & Co. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

EXECUTION COPY

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

PURCHASE CONTRACT

June 2, 2010

Board of Supervisors
Pima County, Arizona
130 West Congress Street, 10th Floor
Tucson, Arizona 85701

Ladies and Gentlemen:

On the basis of the representations, warranties and covenants contained in this Purchase Contract and upon the terms and conditions contained herein, the undersigned, on behalf of RBC Capital Markets Corporation, acting not as agent of Pima County, Arizona (the "County"), but as principal on behalf of itself (the "Underwriter"), hereby offers to enter into the following agreement with the County. Upon the County's written acceptance of this offer, this Purchase Contract will be binding upon the County and upon the Underwriter. This offer is made subject to the County's written acceptance hereof on or before 11:59 p.m., MST time, on June 2, 2010, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the County at any time prior to the acceptance hereof by the County. Terms not otherwise defined in this Purchase Contract shall have the same meanings set forth in the Indenture (as defined herein) or in the Official Statement (as defined herein).

The captioned obligations (the "Obligations") shall be executed and delivered pursuant to the Series 2010 Obligation Indenture, to be dated as of June 1, 2010 (the "Indenture"), between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the "Trustee"), and Resolution No. 2010-50, passed, adopted and approved by the Board of Supervisors of the County on March 9, 2010 (the "Authorizing Resolution"). The Obligations will evidence proportionate interests of the holders thereof in installment payments of the purchase price to be paid by the County pursuant to a Series 2010 Purchase Agreement, to be dated as of June 1, 2010 (the "Purchase Agreement"), between The Bank of New York Mellon Trust Company, N.A., in its capacity as seller, and the County, as purchaser. The County's obligation to make installment payments under the Purchase Agreement shall be payable solely from and secured by a pledge of, a first lien on, and a security interest in, the Pledged Revenues which are derived from the operation of the sewer system of the County (the "Sewer System"), subject to the pledge thereof and lien thereon for the Prior Obligations and on

a parity to the pledge thereof and lien thereon for the Additional Obligations hereafter issued on a parity therewith.

The Obligations are being executed and delivered for the purpose of (i) providing funds to finance improvements and extensions to the Sewer System, (ii) funding a deposit into the Debt Service Reserve Account as required by the Indenture, and (iii) paying costs incurred in connection with the execution and delivery of the Obligations.

The Obligations will be offered by means of the Preliminary Official Statement of the County, dated May 21, 2010, relating to the Obligations (including the cover page and all appendices, the "Preliminary Official Statement") and the final Official Statement of the County, dated the date of this Purchase Contract, relating to the Obligations (including the cover page and all appendices, the "Official Statement"). The County will enter into and deliver a written undertaking (the "Continuing Disclosure Undertaking") to provide, or cause to be provided, ongoing disclosure for the benefit of the owners of the Obligations as described in the Continuing Disclosure Undertaking for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Disclosure Rule"). The County will also execute and deliver the Tax Agreement (as such term is hereinafter defined).

This Purchase Contract, the Indenture, the Purchase Agreement and the Continuing Disclosure Undertaking are referred to as the "County Documents."

1. **Purchase and Sale of the Obligations**.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the County, and the County hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Obligations. Inasmuch as this purchase and sale represents a negotiated transaction, the County understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the County, but rather is acting solely in its capacity as the Underwriter for its own account. Any financial advisory relationship between the Underwriter and the County (if such relationship has existed or now exists) with respect to the Obligations is hereby terminated, and the County hereby expressly consents to the acquisition or participation in the purchase of the Obligations on a negotiated basis by the Underwriter. If a financial advisory relationship exists, there may be a conflict of interest in changing from the capacity of financial advisor to Underwriter, and the County hereby expressly acknowledges such circumstances.

The principal amount of the Obligations to be executed and delivered, the dated date of the Obligations, the maturities and optional redemption provisions and interest rates per annum and resulting prices or yields are set forth in Schedule I hereto.

(b) The aggregate purchase price of the Obligations shall be $176,890,653.70 (the "Purchase Price") which represents an aggregate principal amount of the Obligations of $165,000,000, plus an original issue premium of $13,210,653.70, minus the Underwriter's discount of $1,320,000.00. The purchase price will reflect the wire transfer by the Underwriter to Assured Guaranty Municipal Corp. (the "Insurer") on behalf of the County of the insurance premium of $766,078.14 related to the issuance of the insurance policy (the "Policy").

2. **Public Offering**. The Underwriter intends to make a bona fide public offering of the Obligations at the offering prices or yields set forth in Schedule I, and based upon those initial offering prices or yields, the Underwriter would receive compensation of $1,320,000.00; however, the Underwriter may offer a portion of the Obligations for sale to selected dealers who are members of the Financial Industry Regulatory Authority and who agree to resell the Obligations to the public on terms consistent with this Purchase Contract and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Obligations and to offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth in Schedule I. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Obligations at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amount, maturity dates, interest rates, redemption or other provisions of the Obligations or the amount to be paid by the Underwriter to the County for the Obligations.

3. **The Official Statement**.

(a) The Preliminary Official Statement has been prepared for use in connection with the public offering, sale and distribution of the Obligations by the Underwriter. The County hereby deems the Preliminary Official Statement final by the County as of its date, except for the omission of such information which is dependent upon the final pricing of the Obligations for completion, all as permitted to be excluded by Section (b)(1) of the Disclosure Rule.

(b) The County hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Obligations. The County consents to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Obligations. The County shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the County's acceptance of this Purchase Contract (but, in any event, not later than within seven business days after the County's acceptance of this Purchase Contract and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Disclosure Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The County hereby confirms that it does not object to the distribution of the Official Statement in electronic form.

(c) If, after the date of this Purchase Contract to and including the date the Underwriter is no longer required to provide the Official Statement to potential customers who request the same pursuant to the Disclosure Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in Disclosure Rule) for the Obligations and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Obligations), the County becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or

amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the County will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the County or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the County will forthwith prepare and furnish, at the County's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the County shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(d) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the County can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing described in Section 5(a) hereof.

4. **Representations, Warranties and Covenants of the County**. The undersigned, on behalf of the County (but not individually), hereby represents and warrants to and covenants with the Underwriter that:

(a) The County is a political subdivision of the State of Arizona (the "State") duly created, organized and existing under the laws of the State and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority (i) to enter into, execute and deliver, as applicable, the County Documents and the Tax Agreement, (ii) to cause the Trustee to sell, execute and deliver the Obligations to the Underwriter as provided herein, and (iii) to carry out and consummate the transactions contemplated by the County Documents and the Official Statement; and the County has complied, and will at the Closing be in compliance in all respects, with the terms of the County Documents and the Tax Agreement as they pertain to such transactions;

(b) By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly authorized all necessary action to be taken by it for (i) the execution of the County Documents and the Tax Agreement and the sale, execution and delivery of the Obligations, (ii) the approval, execution and delivery of, and the performance by the County of the obligations on its part, contained in the Obligations and the County Documents and (iii) the consummation by it of all other transactions contemplated by the Preliminary Official Statement, the County Documents, and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the County in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Preliminary Official Statement;

(c) The County Documents constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and in the case of the Continuing Disclosure Undertaking, subject to annual appropriations, and in the case of the Purchase Agreement, subject to the indemnification provisions thereof being subject to limitation under applicable securities laws; the Purchase Agreement, when executed and delivered and paid for, in accordance with the Indenture and this Purchase Contract, will constitute legal, valid and binding obligations of the County entitled to the benefits of the Indenture and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the execution and delivery of the Obligations as aforesaid, the Indenture will provide, for the benefit of the owners, from time to time, of the Obligations, the legally valid and binding pledge of and lien it purports to create as set forth in the Indenture;

(d) The County is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is or any of its property or assets are otherwise subject; and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default by the County under any of the foregoing; and the execution and delivery of the Obligations and the County Documents and compliance with the provisions on the County's part contained therein, will not conflict materially with or constitute a material breach of or default under any material constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the County to be pledged to secure the Purchase Agreement and the Obligations or under the terms of any such law, regulation or instrument, except as provided by the Purchase Agreement and the Indenture;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the County of its obligations under the County Documents and the Obligations have been duly obtained, except for such approvals, consents and orders as may be required under the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Obligations;

(f) Other than conforming date changes, the Obligations conform to the descriptions thereof contained in the Preliminary Official Statement under the caption "THE 2010 OBLIGATIONS," and the proceeds of the sale of the Obligations will be applied generally as described in the Preliminary Official Statement under the caption "SOURCES AND USES OF FUNDS."

(g) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or overtly threatened, against the County, affecting the existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution and delivery of the Obligations or the collection of the Pledged Revenue promised for the payment of principal of and interest on the Obligations pursuant to the Indenture or in any way contesting or affecting the validity or enforceability of the Obligations, the County Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the County or any authority for the execution and delivery of the Obligations, the execution and delivery of the Indenture or the execution and delivery of the County Documents, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the County Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) At the time of the County's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (c) of Section 3 of this Purchase Contract) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (c) of Section 3 of this Purchase Contract, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The County will apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the Indenture and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Obligations;

(l) The County will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (1) qualify the Obligations for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the

Underwriter may designate and (2) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the County will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the County of any notification with respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The financial statements of the County, and other financial information regarding the County in the Official Statement fairly present the financial position and results of the County as of the dates and for the periods therein set forth; prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the County, and the County is not a party to any litigation or other proceeding pending or threatened which, if decided adversely to the County, would have a materially adverse effect on the financial condition of the County;

(n) The statements and information contained in Appendices A, B and C of the Official Statement fairly and accurately summarize the matters purported to be summarized therein;

(o) Prior to the Closing, and to the extent not otherwise prohibited from agreeing to do so pursuant to applicable law the County will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Obligations without the prior approval of the Underwriter;

(p) Any certificate, signed by any official of the County authorized to do so in connection with the transactions contemplated by this Purchase Contract, shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein;

(q) The County is currently in compliance with continuing disclosure undertakings which the County has entered into pursuant to paragraph (b)(5) of the Disclosure Rule; and

(r) The County has submitted to the Arizona Department of Revenue the information required with respect to previous issuances of bonds and securities pursuant to Arizona Revised Statutes, § 35-501.B.

5. **Closing**.

(a) At 8:00 a.m. MST time, on June 17, 2010, or at such other time and date as shall have been mutually agreed upon by the County and the Underwriter (the "Closing"), the County will, subject to the terms and conditions hereof, cause the Trustee to deliver the Obligations to the Underwriter in the aggregate principal amount of each maturity duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Obligations as set forth in Section 1 of this Purchase Contract by a certified or bank

cashier's check or checks or wire transfer payable in immediately available funds to the order of the County. Payment for the Obligations as aforesaid shall be made at the offices of Special Counsel, or such other place as shall have been mutually agreed upon by the County and the Underwriter.

(b) Delivery of the Obligations shall be made at DTC or, in the case of a "Fast Automated Securities Transfer," with the Trustee or at such other place to be mutually agreed upon by the County and the Underwriter. The Obligations shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one Obligation for each maturity of the Obligations, all as provided in the Indenture, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection; provided, however, that the lack of CUSIP shall not, by itself, constitute cause for the Underwriter to fail to purchase the Obligations.

6. **Closing Conditions.** The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the County contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the County of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the County of its obligations to be performed hereunder and under such documents and instruments, at or prior to the Closing, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the County contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The County shall have performed and complied with all agreements and conditions required by this Purchase Contract to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the County Documents and the Obligations shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the County required to be taken by the County shall be performed in order for Special Counsel and Counsel for the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the County relating to the Obligations and the County Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the County Documents and the Tax Agreement shall have been duly executed and delivered by the County, and the Trustee shall have duly authenticated the Obligations;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the County from that set forth in the Official Statement that in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Obligations on the terms and in the manner contemplated in the Official Statement;

(g) The County shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Purchase Contract shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, and each supplement amendment thereto, if any, executed on behalf of the County by the Chairman of the Board of Supervisors, or such other officials as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) The County Documents and the Tax Agreement with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The approving opinion of Special Counsel with respect to the Obligations, in substantially the form attached to the Official Statement, and a reliance letter addressed to the Underwriter;

(4) A supplemental opinion of Special Counsel addressed to the Underwriter, substantially to the effect that:

(i) the Obligations are exempted securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act or to qualify the Indenture under the Trust Indenture Act; and

(ii) the statements and information contained in the Official Statement under the captions "THE 2010 OBLIGATIONS," "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS," "TAX MATTERS," "CONTINUING SECONDARY MARKET DISCLOSURE" (other than information relating to the County's compliance with prior undertakings, as to which no opinion need be expressed) and Appendices D, G, H and I fairly and accurately summarized the matters purported to be summarized therein;

(5) An opinion, dated the date of the Closing and addressed to the Underwriter, of Counsel for the Underwriter; to the effect that:

(i) the Obligations are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act and the Indenture need not be qualified under the Trust Indenture Act; and

(ii) based upon their participation in the preparation of the Official Statement, as Counsel for the Underwriter, and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement, in each case as to which no view need be expressed);

(6) An opinion of Counsel to the County or supplemental opinion of Special Counsel or both, addressed to the Underwriter, to the effect that:

(i) The County is a political subdivision, duly created, organized and existing under the laws of the State, and has full legal right, power and authority (A) to enter into, execute and deliver the County Documents and the Tax Agreement, (B) to sell and cause the Trustee to execute and deliver the Obligations to the Underwriter as provided herein, and (C) to carry out and consummate the transactions contemplated by the County Documents and the Official Statement, and the County has complied, and will at the Closing be in compliance in all material respects, with the terms of the County Documents as they pertain to such transactions;

(ii) By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly authorized all necessary action to be taken by it for (A) the adoption of the Authorizing Resolution and the execution and delivery of the County Documents and the Tax Agreement and the sale, execution and delivery of the Obligations, (B) the approval, execution and delivery of, and the performance by the County of the obligations on its part, contained in the Obligations and the County Documents, and (C) the consummation by it of all other transactions contemplated by the Official Statement and the County Documents;

(iii) The County Documents have been duly authorized, executed and delivered by the County and constitute legal, valid and binding obligations of the County enforceable against the County in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights and in the case of the Continuing Disclosure Undertaking, subject to annual appropriations and in the case of the Purchase Agreement, subject to the indemnification provisions thereof being subject to limitation under applicable securities laws;

(iv) The distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the County;

(v) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the County of its obligations under the County Documents and the Obligations have been obtained;

(vi) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or overtly threatened affecting the corporate existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale or execution and delivery of the Obligations or the collection and pledge of the Pledged Revenues securing the payment of principal of and interest on the Obligations pursuant to the Indenture or in any way contesting or affecting the validity or enforceability of the Obligations, the County Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes, as applicable, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the County or any authority for the execution and delivery of the Obligations, the adoption of the Authorizing Resolution or the execution and delivery of the County Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the County Documents; and

(vii) The adoption of the Authorizing Resolution and the execution and delivery of the County Documents and compliance by the County with the provisions hereof and thereof, under the circumstances contemplated herein and therein, will not conflict with or constitute on the part of the County a material breach of or a default under any agreement or instrument to which the County is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the County is subject;

(7) A certificate, dated the date of Closing, of the appropriate officers of the County to the effect that to the best of their knowledge (i) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) no litigation or proceeding or tax challenge against it is pending or overtly threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the directors or officers of the County to hold and exercise their respective positions, (b) contest the due organization and valid existence of the County, (c) contest the validity, due authorization and execution of the Obligations or the County Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the County from functioning and collecting, pledging or paying Pledged Revenues to make installment payments under the Purchase Agreement, (iii) the Authorizing Resolution authorizing the execution, delivery and/or performance of the Official Statement, the Obligations, the County Documents and the Tax Agreement has been duly adopted by the County, is in full force and effect and has not been modified, amended or repealed, and (iv) no event affecting the County has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of

the circumstances under which made, not misleading in any material respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(8) A certificate of the County in form and substance satisfactory to Special Counsel and Counsel for the Underwriter (the "Tax Agreement") setting forth the reasonable expectations of the individual executing such certificate on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(9) A certificate of the Trustee to the effect that (i) the Obligations have been duly executed and delivered by an authorized officer of the Trustee; (ii) the Indenture and the Purchase Agreement has been duly executed and delivered by an authorized officer of the Trustee; and (iii) the resolutions of the Trustee authorizing the execution and delivery and/or performance of the Indenture by the Trustee have been duly adopted by the Trustee are in full force and effect and have not been modified, amended or repealed;

(10) The filing copy of Report of Bond and Security Issuance Pursuant to A.R.S. Section 35-501B of the Arizona Department of Revenue;

(11) A copy of the filing copy of the Information Return Form 8038-G for the Obligations required by Section 149(e) of the Code;

(12) Any other certificates and opinions required by the Authorizing Resolution and the Indenture for the execution and delivery thereunder of the Obligations;

(13) Evidence satisfactory to the Underwriter that the Obligations have received ratings of "AAA" (with negative outlook) by Standard & Poor's Rating Service ("S&P"), as a result of the delivery of the Policy by the Insurer, and underlying ratings of "A" and "AA-" by S&P and Fitch Ratings, respectively, and that such ratings are in effect as of the date of the Closing;

(14) A copy of the Policy issued by the Insurer, together with an opinion of counsel to the Insurer or a certificate of the Insurer with respect to the accuracy of statements contained in the Official Statement regarding the Insurer and the Policy in form and substance satisfactory to the Underwriter; and

(15) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or Counsel for the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the County's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the County on or

prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the County.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the County shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the County shall be under any further obligation hereunder.

7. **Termination**. The Underwriter shall have the right to cancel its obligation to purchase the Obligations if, between the date of this Purchase Contract and the Closing, the market price or marketability of the Obligations shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the Arizona Legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to (i) impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Obligations as described in the Official Statement, or (ii) other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Indenture are not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Obligations, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restriction (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Obligations or as to obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the County, its property, income securities (or interest thereon), or the validity or enforceability of the pledge of the Pledged Revenues to pay principal of and interest on the Obligations;

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Purchase Contract any materially adverse change in the affairs or financial condition of the County;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the County's obligations or any rating of the Insurer; or

(l) the purchase of and payment for the Obligations by the Underwriter, or the resale of the Obligations by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. **Expenses**.

(a) The Underwriter shall be under no obligation to pay, and the County shall pay, but solely from the proceeds of the sale of the Obligations, any expenses incident to the performance of the County's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Obligations, the Preliminary Official Statement and the Official Statement, (ii) the fees and disbursements of Special Counsel, Counsel to the County, Counsel for the Underwriter and the Trustee; (iii) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the County; and (iv) the fees associated with obtaining or receiving the ratings and any and all credit enhancement fees or premiums.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Obligations and (ii) all other expenses incurred by it in connection with the public offering of the Obligations.

(c) If this Purchase Contract shall be terminated by the Underwriter because of any failure or refusal on the part of the County to comply with the terms of this Purchase Contract, the County will reimburse the Underwriter for all out-of-pocket expenses (including the fees and disbursements of Counsel for the Underwriter) reasonably incurred by the Underwriter in connection with this Purchase Contract or the offering contemplated hereunder from funds legally available to it for such purpose.

9. **Notices**. Any notice or other communication to be given to the County under this Purchase Contract may be given by delivering the same in writing to:

Pima County, Arizona
130 West Congress Street, 10th Floor
Tucson, Arizona 85701
Attention: Director of Finance and Risk Management

and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

RBC Capital Markets Corporation
2398 East Camelback Road, Suite 700
Phoenix, Arizona 85016
Attention: Kurt Freund

10. **Parties in Interest**. This Purchase Contract as heretofore specified shall constitute the entire agreement between the County and the Underwriter and is made solely for the benefit of the County and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof this Purchase Contract may not be assigned by the County. All of the County's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Obligations pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

11. **Effectiveness**. This Purchase Contract shall become effective upon the acceptance hereof by the County and shall be valid and enforceable at the time of such acceptance.

12. **Choice of Law**. This Purchase Contract shall be governed by and construed in accordance with the law of the State.

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

14. **Business Day**. For purposes of this Purchase Contract, "business day" means any day on which the New York Stock Exchange is open for trading.

15. **Section Headings**. Section headings have been inserted in this Purchase Contract as a matter of convenience of reference only and it is agreed that such section headings are not a part of this Purchase Contract and will not be used in the interpretation of any provisions of this Purchase Contract.

16. **Counterparts**. This Purchase Contract may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

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

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

[Signature pages to follow]

If you agree with the foregoing, please sign the enclosed counterpart of this Purchase Contract and return it to the Underwriter. This Purchase Contract shall become a binding agreement between you and the Underwriter when at least the counterpart of this Purchase Contract shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS CORPORATION
Underwriter

By: _____
Name: Kurt Freund
Title: Managing Director

ACCEPTED at _____ o'clock __.m. MST this ____ day of June, 2010.

PIMA COUNTY, ARIZONA

By: _____
Its: Chairman, Board of Supervisors

ATTEST:

By: _____
Clerk, Board of Supervisors

[Signature page to Purchase Contract]

If you agree with the foregoing, please sign the enclosed counterpart of this Purchase Contract and return it to the Underwriter. This Purchase Contract shall become a binding agreement between you and the Underwriter when at least the counterpart of this Purchase Contract shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS CORPORATION
Underwriter

By: _____
Name: Kurt Freund
Title: Managing Director

ACCEPTED at 3:52 o'clock p.m. MST this 2nd day of June, 2010.

PIMA COUNTY, ARIZONA

By: Ramon Valadez
Its: Chairman, Board of Supervisors

ATTEST:

By: Lori Godoshian
Clerk, Board of Supervisors

[Signature page to Purchase Contract]

517177

SCHEDULE I

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

MATURITY SCHEDULE

Dated: Date of Initial Delivery

The Obligations mature on July 1 in the years and amounts and bear interest at the rates per annum rates and be sold to produce the yields shown below:

Year	Principal Amount	Interest Rate	Yield
2014	$2,000,000	4.000%	1.950%
2015	1,600,000	2.500%	2.300%
2015	400,000	4.000%	2.300%
2016	1,000,000	3.000%	2.770%
2016	1,000,000	4.000%	2.770%
2017	2,300,000	3.250%	3.100%
2017	12,225,000	4.500%	3.100%
2018	775,000	3.500%	3.350%
2018	14,375,000	5.000%	3.350%
2019	250,000	3.750%	3.570%
2019	15,645,000	5.000%	3.570%
2020	1,365,000	4.000%	3.750%
2020	15,320,000	5.000%	3.750%
2021	17,510,000	5.000%	3.930%*
2022	18,385,000	5.000%	4.040%*
2023	19,300,000	5.000%	4.140%*
2024	20,270,000	5.000%	4.230%*
2025	21,280,000	5.000%	4.290%*

* Yield to July 1, 2020, optional redemption date.

Prior Redemption of Obligations:

Optional Redemption. The Obligations maturing on or prior to July 1, 2020 are not subject to optional redemption prior to maturity. The Obligations maturing on and after July 1, 2021, are subject to redemption, as directed by the County, in whole at any time or in part on any interest payment date, in increments of $5,000 of principal amount due on a specific maturity date, in any order of maturity, as directed by the County, and by lot within a maturity, on July 1,

2020, and thereafter by payment of the principal amount of each Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

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

CERTIFICATE ON BEHALF OF THE COUNTY

The undersigned, Chairman (the "*Chairman*") and Clerk (the "*Clerk*") of the Board of Supervisors of Pima County, Arizona (the "*County*"), acting for and on behalf of the County, do hereby certify as follows with respect to the $165,000,000 aggregate principal amount of Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the Holders Thereof In Installment Payments of the Purchase Price To Be Paid By Pima County, Arizona, Pursuant To a Series 2010 Purchase Agreement, Dated as of June 1, 2010 (the "*Series 2010 Obligations*"), sold and executed and delivered pursuant to Resolution 2010-50, passed, adopted and approved by the Board of Supervisors of the County on March 9, 2010 (the "*Authorizing Resolution*"), authorizing and providing for the sale and execution and delivery of the Series 2010 Obligations, any defined term identified herein by an initial capital letter but not otherwise defined herein having the meaning ascribed to it in the Authorizing Resolution:

1. They are the duly elected or appointed, qualified and Chairman and Clerk, respectively, of the County and, as such, are familiar with the matters set forth below and the books, records and proceedings of the County.

2. A regular meeting of the Board of Supervisors of the County was duly called, noticed and held on March 9, 2010, in accordance with the laws of the State of Arizona. A copy of the notice and agenda for such meeting are attached hereto as the Exhibit. The Authorizing Resolution included in the transcript of which this Certificate is a part, as executed by the Chairman and attested by the Clerk, is in the same form and text as the copy of the Authorizing Resolution that was before and adopted by the Board of Supervisors of the County at the meeting of March 9, 2010.

3. The persons named below were on March 9, 2010, and are on the date hereof, the duly elected, qualified and acting members and incumbents of the office of the County set opposite their respective names:

Name	Title
Ramón Valadez	Chairman and Supervisor
Sharon Bronson	Supervisor
Ray Carroll	Supervisor
Ann Day	Supervisor
Richard Elías	Supervisor

To the best of our knowledge, there is no litigation pending or threatened affecting or questioning in any manner whatsoever the rights of the Chairman or the Supervisors of the County to their respective offices or affecting the organization, existence or powers of the County.

4. The County is a political subdivision of the State of Arizona duly created and validly existing pursuant to the Constitution and laws of the State of Arizona and had, and has, full legal right, power and authority to (i) adopt, execute and deliver, or cause the adoption, execution and delivery of, as appropriate, the Authorizing Resolution, the Series 2010 Obligations, the Series 2010 Obligation Indenture, the Series 2010 Purchase Agreement, the Purchase Contract and the Undertaking (with the Authorizing Resolution, the Series 2010 Obligation Indenture, the Series 2010 Purchase Agreement and the Purchase Contract, collectively, the "*Documents*"), from the County, and all the other documents, instruments and certificates contemplated therein and (ii) carry out the transactions contemplated by the Documents.

5. The execution and delivery of the Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default pursuant to any law, governmental rule or regulation, judgment, order, writ, injunction, consent decree, agreement, Resolution, resolution or other instrument to which the County is a party or to which it or any of its property is subject, and does not require any consent or approval by any governmental authority, agency or body not already obtained.

6. All representations and warranties of the County contained in the Documents are true, correct and complete in all material respects as of the date hereof, and the County has satisfied and performed all of the conditions and agreements required in the Documents to be satisfied or performed by the County at or prior to this date in connection with the sale and execution and delivery of the Series 2010 Obligations in the manner and with the effect contemplated in the Documents, and, as of the date hereof, to the best of our knowledge, no default or event of default has occurred, nor has any event occurred which, with the giving of notice or the passage of time, or both, will constitute a default or an event of default with respect to the Documents.

7. No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public Board or body, is pending or, to the best of our knowledge, threatened against the County, (i) affecting the existence of the County or the title of its officers to their respective offices, (ii) affecting or seeking to prohibit, restrain or enjoin the sale or execution and delivery of the Series 2010 Obligations, the application of the proceeds thereof or the right to set rates and collect the Revenues or the pledge of and lien on the

Pledged Revenues (as defined in the Series 2010 Purchase Agreement), funds and accounts pursuant to the Authorizing Resolution, (iii) in any way contesting or affecting, as to the County, the validity or enforceability of the Series 2010 Obligations or the Documents, (iv) contesting the tax-exempt status of interest with respect to the Series 2010 Obligations, (v) contesting the completeness or accuracy of the Official Statement, dated June 2, 2010 (the "*Official Statement*"), prepared and delivered in connection with the offering and sale of the Series 2010 Obligations or (vi) contesting the powers of the County or any authority for the sale or execution and delivery of the Series 2010 Obligations, the adoption of the Authorizing Resolution or the execution and delivery by the County of the Documents (other than the Authorizing Resolution), nor to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation wherein an unfavorable decision, ruling or finding would materially adversely affect the authorization, execution, delivery or performance by the County of the Series 2010 Obligations or the Documents, or have a material adverse effect upon the financial condition of the County or its operations.

8. The County is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default would materially and adversely affect the existence or operation of the County or its properties or the sale, execution, delivery, receipt and performance, as applicable, of the Series 2010 Obligations, the Documents or the other agreements contemplated thereby.

9. To the best of our knowledge, no public officer or employee of the County has been compensated or will be compensated for acting as such in connection with the sale and execution and delivery of the Series 2010 Obligations, except that they may be reimbursed for their actual expenses incurred in the performance of their duties as such officers or employees of the County, and no officer or employee of the County, or relative of such officer, or employee, has any "substantial interest" (as defined in Section 38-502 of the Arizona Revised Statutes) in any of the transactions contemplated by the Documents.

10. The County is now in compliance in all material respects with all existing continuing disclosure undertakings, and has never failed to comply in all material respects with any such continuing disclosure undertaking executed with regard to Rule 15c2-12 promulgated by the Securities Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, to provide annual reports or notices of material events required thereby.

Dated: June 17, 2010

Ramón O. Valadez
Chairman, Board of Supervisors

Lori Godoshian
Clerk, Board of Supervisors

ATTACHMENT: Exhibit – Notice and Agenda for March 9, 2010, Meeting

EXHIBIT

Notice and Agenda for March 9, 2010, Meeting

NOTES/ACTION

ADDENDUM

Pima County Board of Supervisors' Meeting
130 W. Congress St., Hearing Room, 1st Fl.
March 9, 2010 9:00 a.m.

... **EXECUTIVE SESSION**

Call to the Public (for Executive Session items only)

Public discussion and action may occur on the executive session items listed below during the regularly scheduled meeting.

Pursuant to A.R.S. § 38-431.03(A) (3) and (4), for legal advice and direction regarding approval of tax appeal settlement recommendations for the following:

A. Weaver v. Pima County
Tax Parcel No. 205-75-3770
Arizona Tax Court Case No. ST2009-000666

B. Lehman v. Pima County
Tax Parcel No. 114-35-1020
Arizona Tax Court Case No. ST2009-000535

C. Jess v. Pima County
Tax Parcel No. 122-12-327A
Arizona Tax Court Case No. ST2009-000781

D. Thomas v. Pima County
Tax Parcel No. 140-37-6050
Arizona Tax Court Case No. ST2009-001803

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

1. **CONTRACTS**

A. **Community Services, Employment and Training**

Arizona Department of Economic Security, Amendment No. 16, to provide assistance/eviction prevention services, Arizona Department of Economic Security Grant Fund, $354,140.00 revenue (01-69-A-136291-0705)

B. **Finance and Risk Management**

Greenberg Traurig L.L.P., to provide special counsel services for sewer system obligations for the term 3/1/10 to 2/28/11, Regional Wastewater Reclamation Department Enterprise Fund, contract amount not to exceed $300,000.00 (07-09-G-142811-0310)

2. **FINANCE AND RISK MANAGEMENT**

RESOLUTION NO. 2010 - **50**, authorizing the Chairman of the Board of Supervisors, the County Administrator and the Finance Director to cause the sale and execution and delivery pursuant to a Series 2010 Obligation Indenture of Sewer System Revenue Obligations, Series 2010, in an aggregate principal amount not in excess of $165,000,000.00, evidencing proportionate interests of the holders thereof in installment payments of the purchase price to be paid by Pima County, Arizona, pursuant to a Series 2010 Purchase Agreement; authorizing the completion, execution and delivery with respect thereto of all agreements necessary or appropriate as part of purchasing property to be part of the sewer system of the County and payment of related financing costs including the delegation to the Chairman of the Board of Supervisors, the County Administrator and the Finance Director of certain authority with respect thereto; authorizing the preparation and delivery of an official statement with respect to such Series 2010 Obligations and ordering the sale of such Series 2010 Obligations; authorizing the execution and delivery of a continuing disclosure undertaking with respect to such Series 2010 Obligations and authorizing the Finance Director to expend all necessary funds therefore.

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.

DATE POSTED: 3/5/10

TIME POSTED: 11:00 A.M.

PIMA COUNTY BOARD OF SUPERVISORS' MEETING AGENDA

March 9, 2010

BOARD MEMBERS

Ramón Valadez
Chairman
District 2

Sharon Bronson
Vice Chair
District 3

Raymond Carroll
District 4

Ann Day
District 1

Richard Elías
District 5

HEARING ROOM COURTESY

Please turn off cell phones/pagers or place in silent mode.

MEETING LOCATION

Pima County Administration Building
130 W. Congress St., 1st Floor
Board of Supervisors' Hearing Room
Tucson, AZ 85701

AGENDA/ADDENDUM INFORMATION

- Within 24 hours of each scheduled meeting, Agendas/Addendums are available in the Clerk of the Board's Office, 130 W. Congress St., 5th Fl., Tucson, AZ 85701, Mon-Fri, 8 to 5.
- Website: **www.pima.gov**
  For online meeting schedules, agendas, addendums and associated reference material.

LIVE BROADCAST

- *Cablecast Channel* Comcast..... 96; Cox.....12
- *Webcast:* **www.pima.gov**

PUBLIC PARTICIPATION **SPEAKERS ARE LIMITED TO 3 MINUTES**

To address the Board of Supervisors, please complete a Speaker's Card available in the Hearing Room. Clearly print your name/address and indicate the relevant agenda item and/or description.

Place Speaker Card in labeled basket located on the dais. When the Chairman announces your name, step forward to the podium, speak into the microphone and state your name and affiliation (if applicable).

The Chairman reserves the right to ensure all testimony is pertinent or non-repetitive so the matter will be handled fairly and expeditiously. Any questions pertaining to the meeting can be directed to Lori Godoshian, Clerk of the Board.

The Board Hearing Room is wheelchair and handicapped accessible. Any person who is in need of special services (*e.g.*, assistive listening device, Braille or large print agenda material, signer for hearing impaired, accessible parking, etc.) due to any disability will be accommodated. Please contact the Clerk of the Board at (520) 740-8449 or the TDD line at (520) 740-3579 for these services at least three (3) business days prior to the Board Meeting.

NOTES/ACTION

AGENDA

Pima County Board of Supervisors' Meeting
130 W. Congress St., Hearing Room, 1st Fl.
March 9, 2010 9:00 a.m.

1. **ROLL CALL**

2. **INVOCATION**

   To be offered by Pastor Linda Nanninga, Desert Dove Christian Church.

3. **PLEDGE OF ALLEGIANCE**

4. **PAUSE 4 PAWS**

... **EXECUTIVE SESSION**

Call to the Public (for Executive Session items only)

Public discussion and action may occur on the executive session item listed below during the regularly scheduled meeting.

(**Clerk's Note**: See Zoning Enforcement Board of Appeals.)

BOARD OF SUPERVISORS SITTING AS OTHER BOARDS

... **ZONING ENFORCEMENT BOARD OF APPEALS**

UNFINISHED BUSINESS (RM 10/13/09 and RM 1/19/10)

A. **Executive Session**

Pursuant to A.R.S. §38-431.03(A) (3) and (4), for legal advice and direction regarding the appeal of the decision of the Hearing Officer in Case Nos. P08ZV00529, 1 and 3, James Hessler. The Board may also during the course of the hearing and upon motion, enter into executive session.

B. **Appeal of Hearing Officer's Decision**

P08ZV00529-1 and 3, James Hessler
In accordance with the Pima County Zoning Code Section 18.95.030C, James Hessler, appeals the decision of the Hearing Officer in Case No. P08ZV00529–1, for a violation of the Zoning Code, Sections 18.07.030C and 18.09.020Q, open storage of used materials, debris and inoperable vehicles; and Case No. P08ZV00529-3, for a violation of the Zoning Code, Sections 18.21.010 and 18.21.020, contractor's yard not a permitted or conditional use in CR-1, on property located at 340 N. Hilton Road, Vail, AZ. (District 4)

BOARD OF SUPERVISORS SITTING IN REGULAR SESSION

5. **CONSENT CALENDAR:** For consideration and approval

A. **CALL TO THE PUBLIC (for Consent Calendar items only)**

B. **APPROVAL OF CONSENT CALENDAR**

6. **BOARD OF SUPERVISORS**

Appointment to District 30, Arizona House of Representatives, to fill the unexpired term of Frank R. Antenori, Republican.

TRANSPORTATION

7. **Acceptance of Projects/Roadways for Maintenance**

A. P1201-035, Canoa Ranch Public Offsite Improvements Phase I, Canoa Ranch Drive, Station 10+00 to 22+40. Developer: Monterey Homes Construction. (District 4)

B. P1201-035, Canoa Ranch Public Offsite Improvements Phase II, Canoa Ranch Drive, Station 22+40 to 38+50. Developer: Meritage Homes. (District 4)

REGIONAL WASTEWATER RECLAMATION

8. **Pretreatment Settlement Agreements**

Staff recommends approval of the following proposed Pretreatment Settlement Agreements, RWRD Enterprise Fund.

A. Ventana Grill, Inc., d.b.a. Risky Business Grill, Case No. 2009-25. Proposed settlement amount is in accordance with the Industrial Wastewater Enforcement Plan.

B. Pizza Hut of Arizona, Inc., d.b.a. Pizza Hut Wingstreet, Case No. 2009-19. Proposed settlement is $800.78.

*** HEARINGS ***

FRANCHISES/LICENSES/PERMITS

Agent Change/Acquisition of Control/Restructure

*(**Clerk's Note**: See Sheriff's Report)

*9. 10-04-9016, Jonathan Frederick Bradford, Southwestern International Raceway, 12000 S. Houghton Road, Tucson, Agent Change/Acquisition of Control.

Liquor Licenses

10. 10-02-9014, Milton Elsworth Craig, Charron Vineyards, 18585 S. Sonoita Hwy., Vail, Series 13, Domestic Farm Winery, New License.

11. 10-02-9015, Eduardo Antonio Leon, The Retreat at Santa Rita Springs, 661 W. Calle Torres Blancas, Green Valley, Series 7, Beer and Wine Bar, Location Transfer.

Fireworks Permit

12. Lonnie Lister, Skyline Country Club, 5200 E. Saint Andrews Drive, Tucson, April 25, 2010 at 8:30 p.m.

Extension of Premises/Patio Permits

13. Heidi Marietta Rogers, Firelite Lounge and Cafe, 2413 W. Wetmore Road, Tucson, Temporary Extension of Premises for March 13, 2010.

14. Ricardo Quintela, Mad Cow Bar, 2660 W. Ruthrauff Road, Tucson, Temporary Extension of Premises for March 27, 2010.

DEVELOPMENT SERVICES

15. **Street Name Changes**

	Present	Proposed
A.	Unnamed Easement/Road Co14-09-011 (District 4)	Rex Molly Road

B. Portion of Camino Loma Alta — Camino Loma Vieja
Co14-09-012
(District 4)

C. Portion of Camino Loma Alta — San Esteban Drive
Co14-09-010
(District 4)

REGIONAL WASTEWATER RECLAMATION

16. **2009/2010 Financial Plan**

A. Discussion/action/direction regarding the recommendations of the 2009/2010 Regional Wastewater Reclamation Department Financial Plan.

B. **Pima County Code Text Amendment**

ORDINANCE NO. 2010 - **11**, of the Pima County Board of Supervisors, relating to Wastewater; amending Pima County Code, Title 13, Chapter 24, Sanitary Sewer User Fees and Title 13, Chapter 20, Sanitary Sewer Construction, Connections and Fees.

C. Staff recommends the following:

1. Limit annual increases in the Regional Wastewater Reclamation Department operating expenditures to 3.4% of the previous year's actual expenditures.

2. Direct the Finance and Risk Management Department to use available unrestricted cash generated from the rate increases to pay down the principal of existing debt.

3. Direct the Finance and Risk Management Department to report by March 31 each year to the Board of Supervisors on the annual review and analysis of the rates and financial status of the Regional Wastewater Enterprise Fund with recommendations for maintaining or altering adopted rates.

TRANSPORTATION

17. **Traffic Ordinances**

A. ORDINANCE NO. 2010 - **12**, of the Board of Supervisors, establishing prima facie speed limits on Massingale Road in Pima County, Arizona. Staff recommends **APPROVAL**. (District 1)

NOTES/ACTION

B. ORDINANCE NO. 2010 - **13**, of the Board of Supervisors, establishing prima facie speed limits on Melpomene Way in Pima County, Arizona. Staff recommends **APPROVAL**. (District 4)

C. ORDINANCE NO. 2010 - **14**, of the Board of Supervisors, designating Spiney Lizard Lane as a through street in Pima County, Arizona. Staff recommends **APPROVAL**. (District 3)

D. ORDINANCE NO. 2010 - **15**, of the Board of Supervisors, establishing prima facie reasonable speed limits on Painted Hills Road in Pima County, Arizona. Staff recommends **APPROVAL**. (District 5)

18. **CALL TO THE PUBLIC**

19. **ADJOURNMENT**

POSTED: Levels A & B, 1st & 5th Floors, Pima County Administration Bldg.

DATE POSTED: 3/3/10

TIME POSTED: 5:00 P.M.

NOTES/ACTION

CONSENT CALENDAR, MARCH 9, 2010

1. **CONTRACTS AND AWARDS**

A. **Community Development and Neighborhood Conservation**

1. RESOLUTION NO. 2010 - **47**, approving an Intergovernmental Agreement with the Arizona Department of Housing, to provide for the Pima County Homeless Management Information System, Arizona Department of Housing Fund, contract amount $25,000.00 revenue (01-70-A-142764-0310)

2. Non-Profit Industries, Inc., to provide for the development and administration of a web based portal access service for potential clients under the HUD ARRA Homeless Prevention Program for the term 10/1/09 to 9/30/12, HUD Fund, contract amount $37,000.00 (02-70-N-142769-1009)

B. **Community Services, Employment and Training**

3. RESOLUTION NO. 2010 - **48**, approving an Intergovernmental Agreement with the Arizona Department of Economic Security, to provide for integrated employment and training services, DES Fund, no cost (01-69-A-142771-0310)

C. **County Administrator**

4. U.S. Fish and Wildlife Services, Amendment No. 7, to provide biological analysis for the Sonoran Desert Conservation Plan for the term 1/1/10 to 4/1/11, no cost (01-30-U-127164-1099)

D. **Health Department**

5. Arizona Early Childhood Development and Health Board, Amendment No. 1, to provide for childcare health consultation services, Arizona Early Childhood Development and Health Board (First Things First) Fund, $20,000.00 revenue (02-01-A-142244-0709)

E. **Pima Health System**

6. Kindred Nursing Centers West, L.L.C., d.b.a. Desert Life Rehabilitation and Care Center, Amendment No. 10, to provide nursing facility services and amend contractual language, PHCS Enterprise Fund, no cost (18-15-K-137036-1005)

7. Apria Healthcare, Inc., Amendment No. 2, to provide durable medical equipment and amend contractual language for the term 1/1/10 to 12/31/10, PHCS Enterprise Fund, contract amount $350,000.00 (07-15-A-141138-0808)

8. Apria Healthcare, Inc., Amendment No. 3, to provide durable medical equipment and amend contractual language, PHCS Enterprise Fund, no cost (07-15-A-141138-0808)

9. Tucson Medical Center, to provide hospital services for the term 5/1/09 to 12/31/10, PHCS Enterprise Fund, contract amount $15,000,000.00 (18-15-T-142766-0509)

F. **Procurement**

Awards

10. Cooperative Procurement: Award of Contract, Requisition No. 1000671 in the amount of $9,579,689.00 to CRM of America, Inc., (Headquarters: Queen Creek, AZ) for loading, hauling and disposing/recycling of passenger, semi-truck and off-road tires. The initial term of this agreement is for an eight year period with the option to renew. Funding Source: Solid Waste Management. Administering Department: Department of Environmental Quality/Solid Waste Management Division.

11. Amendment of Award: American Traffic Solutions, Inc., B506226, Revision No. 3, to provide Photo Traffic Enforcement Program services, extend contract term to 1/5/11, increase rates, increase award in the amount of $500,000.00. Funding Source: General Fund. Administering Department: Sheriff.

12. Low Bid: Award of Contract, Requisition No. 1000742, in the amount of $416,146.00 to the lowest responsive bidder, Granite Construction Company, Inc., (Headquarters: Watsonville, CA), for pavement preservation on a segment of Flowing Wells Road. The contract term is six months with the ability to extend the term for contract completion. Construction is to be complete within 45 working days from the Notice to Proceed. Funding Source: American Recovery and Reinvestment Act of 2009 (ARRA). Administering Department: Transportation.

G. **Public Works**

13. RESOLUTION NO. 2010 - **49**, approving an Intergovernmental Agreement with the Arizona Board of Regents, University of Arizona, for the conveyance of property for the development of the Julian Wash Linear Park Project, 2004 Bond Fund, contract amount $38,800.00 (01-76-A-142772-0310)

H. **Sheriff**

14. Arizona Department of Homeland Security, Amendment No. 1, to provide for the Pima County Wireless Integrated Network Project for the term 4/1/10 to 8/31/10, Federal Fund, no cost (01-11-A-141066-1007)

15. Arizona Department of Homeland Security, Amendment No. 2, to provide for the Pima County Wireless Integrated Network Project for the term 9/1/10 to 6/30/11, Federal Fund, no cost (01-11-A-141066-1007)

16. Town of Marana, Amendment No. 1, to provide for the incarceration of municipal prisoners and amend contractual language for the term 7/1/09 to 6/30/10, General Fund, no cost (01-11-M-142092-0709)

2. **DIVISION OF ELECTIONS**

Pursuant to A.R.S. §16-821B, approval of Precinct Committeemen resignations and appointments:

RESIGNATIONS	PRECINCT	PARTY
Upchurch, Jan M.	125	REP
French, Kasi	157	REP
Haney, Delmer D.	175	REP
Bennet-Alder, Evalyn	291	DEM
Atha, David	394	REP
Atha, Helene	394	REP

APPOINTMENTS	PRECINCT	PARTY
Bales, Jeffrey D.	009	REP
Bennet-Alder, Evalyn	030	DEM
Masseth, Derek A.	127	REP
Peate, Wayne F.	179	REP
Gibbons, Nancy	264	REP
Woodrow, Thomas A.	298	REP
Erceg, Joseph M.	330	REP

3. **BOARD, COMMISSION AND/OR COMMITTEE**

Metropolitan Education Commission

A. Appointments: Javier Herrera, Minority Group (AZ Hispanic Community Forum) to replace Richard Fimbres; and Dr. Daisy Rodriguez Pitel, Minority Group (Pan Asian American Community) to replace Maria Hooker. Term expirations: 2/16/13. (Commission recommendations)

B. Reappointment: William E. Ardern, Metropolitan Chamber of Commerce. Term expiration: 2/16/13. (Commission recommendation)

FINANCE AND RISK MANAGEMENT

4. **Duplicate Warrant – For Ratification**

Physician Sales and Service $76.78

5. **SPECIAL EVENT LIQUOR LICENSE APPROVED PURSUANT TO RESOLUTION NO. 2002-273**

Lacey Thompson De Leon, Boys and Girls Clubs of Tucson, 2905 E. Skyline Drive, Tucson, April 18, 2010.

6. **RATIFY AND/OR APPROVE**

Minutes: January 12, 2010

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona
County of Pima ss

I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.

I further certify that the attached resolution entitled

RESOLUTION NO. 1991- 138

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 18th *day of* June, 1991, *at which a quorum was present, and that the original resolution is officially of record in my possession.*

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this* 16th *day of* June, 2010.

Lori Godoshian
Clerk

rev00005TC FHR:gmh 061791.5

RESOLUTION NO. 1991-138

AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $60,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1991

Passed and adopted by the Pima County Board of Supervisors on June 18, 1991

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rev000C5TC FHR:sw 061791.7

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RESOLUTION NO. 1991-138

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $60,000,000 PRINCIPAL AMOUNT OF PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1991; PRESCRIBING THE FORM AND OTHER DETAILS OF SAID BONDS; PROVIDING FOR THE COLLECTION AND DISPOSITION OF THE REVENUES TO BE DERIVED FROM THE COUNTY'S SEWER SYSTEM; MAKING OTHER PROVISIONS WITH RESPECT TO THE OPERATION OF SAID SEWER SYSTEM; PROVIDING FOR THE SECURITY AND PAYMENT OF SAID BONDS; AUTHORIZING THE EXECUTION OF A DEPOSITORY TRUST AGREEMENT FOR THE SAFEKEEPING AND HANDLING OF THE SECURITIES PURCHASED WITH THE PROCEEDS OF THE BONDS; AUTHORIZING THE EXECUTION OF A REGISTRAR, TRANSFER AND PAYING AGENT AGREEMENT; AUTHORIZING THE PURCHASE OF BOND AND RESERVE FUND INSURANCE OR GUARANTIES; APPROVING THE DISTRIBUTION OF A FINAL OFFICIAL STATEMENT; AND RATIFYING THE ACTIONS OF ALL OFFICERS AND AGENTS OF THE COUNTY WITH RESPECT TO THE BONDS AND THE PRELIMINARY OFFICIAL STATEMENT.

WHEREAS, pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended, Pima County, Arizona (the "County") will refund the following respective maturities and amounts of the County's revenue bonds issued for sewer purposes:

Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980

Maturity Date (February 1)	Principal Amount	Interest Rate
1992	$ 445,000	8.00%
1993	480,000	8.00%
1994	515,000	8.00%
1995	555,000	7.00%
2010	16,345,000	7.70%

Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	250,000	11.50%
1993	250,000	11.50%
1994	250,000	11.50%
1995	300,000	11.50%
1996	300,000	11.50%
1997	325,000	10.10%
1998	325,000	9.50%
1999	1,300,000	9.50%
2000	1,425,000	9.60%
2001	1,575,000	9.60%
2002	1,750,000	9.70%

Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	470,000	7.00%
1993	510,000	7.25%
1994	570,000	7.50%
1995	605,000	7.70%
1996	660,000	7.80%
1997	715,000	7.90%
1998	815,000	8.00%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	340,000	8.40%
1993	370,000	8.40%
1994	405,000	8.00%
1995	435,000	6.40%
1996	475,000	6.50%
1997	515,000	6.65%
1998	560,000	6.75%
1999	610,000	6.90%
2000	665,000	7.00%
2001	720,000	7.10%
2002	785,000	7.10%
2003	850,000	7.20%
2004	925,000	7.20%
2005	1,005,000	6.40%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986), dated October 1, 1986

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	350,000	8.25%
1993	375,000	8.25%
1994	400,000	8.25%
1995	425,000	8.25%
1996	450,000	6.70%
1997	475,000	6.40%
1998	525,000	6.60%
1999	550,000	6.70%
2000	600,000	6.80%
2001	650,000	6.90%
2002	700,000	6.90%

2003	750,000	7.00%
2004	800,000	7.00%
2005	875,000	6.25%
2006	925,000	6.25%

Pima County, Arizona, Sewer Revenue Bonds, Series of 1988, dated March 1, 1988

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	290,000	8.75%
1993	310,000	8.75%
1994	330,000	8.75%
1995	355,000	8.75%
1996	380,000	8.75%
1997	405,000	7.70%
1998	435,000	6.75%
1999	470,000	6.80%
2000	505,000	7.00%
2001	540,000	7.10%
2002	585,000	7.20%
2003	630,000	7.25%
2004	680,000	7.30%
2005	735,000	7.00%
2006	795,000	7.00%
2007	860,000	7.00%
2008	930,000	7.00%

The foregoing revenue bonds are hereinafter referred to as the "Bonds Being Refunded"; and

WHEREAS, the Bonds will be sold to a syndicate managed by Rauscher Pierce Refsnes,Inc. (collectively, the "Purchaser"); and

WHEREAS, by this resolution, this Board of Supervisors (the "Board") will authorize and provide for the issuance and sale of not to exceed $60,000,000 principal amount of Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991 to advance refund the Bonds Being Refunded, set the maximum interest rate thereon, maximum term of the Series 1991 Bonds, maximum principal amount of Bonds to be issued and authorize the Chairman to accept an offer of the Purchasers (the "Offer") to purchase the Bonds and to execute the Bond Purchase Contract binding the County to issue and deliver the Bonds if the Offer is within the maximum amounts, terms and rates prescribed herein and the Chairman determines it to be in the County's best interest to accept the Offer; and

WHEREAS, all acts, conditions and things required by the Constitution and the laws of the State of Arizona (the "State") to happen, exist and be performed precedent to and in

the adoption of this resolution have happened, exist and have been performed as required to make this resolution a valid and binding instrument for the security of the Bonds authorized herein; and

WHEREAS, this Board is now empowered to proceed with the issuance and sale of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. Authority. The Bonds authorized herein are issued pursuant to Section 11-264.01, Arizona Revised Statutes, as amended, and other applicable provisions of law. This resolution will stay in full force and effect until all Bonds authorized hereunder are fully paid or provided for and all Policy Costs shall have been paid in full.

Section 2. Definitions; Interpretation.

A. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

"Accreted Value" shall mean, with respect to Capital Appreciation Bonds, as of the date of calculation, the initial principal amount thereof plus interest accrued thereon to such calculation date, compounded from the date of initial delivery at the interest rate thereof on stated dates, as set forth in the resolution authorizing the issuance of such Capital Appreciation Bonds.

"Agreement" shall mean any agreement between a Reserve Fund Guarantor and the County, pertaining to a Reserve Fund Guarantor's reimbursement in the event of a Drawdown, as such Agreement may be amended, modified or supplemented from time to time.

"Assumed Interest Rate" shall mean an interest rate for Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate which Bonds of such series may bear under the terms of their issuance or (ii) the rate of interest then established for long-term bonds by the 30-year revenue bond index most recently published by The Bond Buyer of New York, New York prior to the date of computation (or in the absence of such published index, some other index selected in good faith by the Finance Director of the County after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

"Average Annual Debt Service" shall mean, at the time of computation, the average of each Bond Year's aggregate scheduled Bond principal and interest requirements; when

computing Average Annual Debt Service, Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate and Bonds subject to mandatory redemption shall be treated as maturing on their respective mandatory redemption dates and not at their stated maturity date and interest shall be deemed to cease on Bonds subject to mandatory redemption at the scheduled mandatory redemption dates.

"Beneficial Owner" shall mean the owner of any beneficial interest in any Book-Entry Bond as shown on the records of any Direct or Indirect Participant.

"Board" shall mean the Board of Supervisors of the County.

"Bond Fund" shall mean the Bond Fund created pursuant to Section 10 hereof.

"Bond Insurer" shall mean an issuer of a Municipal Bond Insurance Policy pertaining to the Bonds or any part thereof.

"Bond Register" shall mean the registration books pertaining to the ownership and transfer of the Bonds maintained by the Bond Registrar on behalf of the County.

"Bond Registrar" shall mean The Valley National Bank of Arizona, or its successor as bond registrar.

"Bonds" shall mean the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, authorized to be issued herein and all Parity Bonds.

"Bond Year" shall mean initially the period from the date of the Series 1991 Bonds to July 1, 1992, and thereafter the one-year period commencing each July 2 and ending on the next forthcoming July 1. A Bond Year shall correspond to the Fiscal Year beginning on July 1 of the same year and ending on June 30 of the next year.

"Book-Entry Bonds" shall mean, initially, all Series 1991 Bonds and such other series or portion of a series of Parity Bonds which are hereafter designated by the County as Book-Entry Bonds.

"Capital Appreciation Bonds" shall mean Parity Bonds whose interest component is compounded semiannually on stated dates until maturity or to a date on which such Capital Appreciation Bonds are converted to Bonds paying interest semiannually, if so permitted or required.

"Capitalized Reserve Account" shall mean the Capitalized Reserve Account created pursuant to Section 10 hereof.

"Chairman" means the Chairman of the Board.

"Clerk" shall mean the Clerk of the Board.

"Construction Fund" shall mean the Construction Fund created pursuant to Section 10 hereof.

"Contributed Reserve Account" shall mean the Contributed Reserve Account created pursuant to Section 10 hereof.

"County" shall mean Pima County, Arizona.

"Deficiency" shall mean the difference between (i) the total amount due on a principal or interest payment date for the Bonds and (ii) the amount that has been deposited in the Bond Fund for payment to the Owners (which amount shall not include payments made pursuant to a Municipal Bond Insurance Policy or a Reserve Fund Guaranty but shall include all moneys transferred from the Reserve Fund to the Bond Fund or available in the Reserve Fund for such transfer).

"Depository Trust Agreement" shall mean the agreement between the County and The Valley National Bank of Arizona, as Trustee, regarding the holding in trust of the securities purchased to secure payment of the Bonds Being Refunded and other matters.

"Direct Participant" or "DTC Participant" shall mean any broker-dealer, bank or other financial institution for which the DTC holds Book-Entry Bonds from time to time as a securities depository.

"Drawdown" shall mean any amount drawn by the Paying Agent under any Reserve Fund Guaranty.

"Drawdown Date" shall mean the date on which the Paying Agent makes a Drawdown.

"DTC" shall mean the Depository Trust Company, the depository for the Book-Entry Bonds.

"Finance Director" shall mean the Pima County Finance Director.

"Fiscal Year" shall mean the twelve month period beginning each July 1 and ending on June 30th of the next succeeding year.

"Government Obligations" shall mean (i) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, (ii) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury; and (iii) pre-refunded municipal obligations meeting the following criteria:

(a) the municipal obligations may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by cash or securities described in subparagraphs (i) and (ii) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and

(e) the Defeasance Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

"Indirect Participant" shall mean any financial institution for whom any Direct Participant holds an interest in a Book-Entry Bond.

"Maximum Annual Debt Service" shall mean, at the time of computation, the greatest scheduled Bond principal and interest requirements occurring in the then-current, or any subsequent, Bond Year on all Bonds Outstanding; when computing Maximum Annual Debt Service, Variable Rate Obligations shall be deemed to bear interest at the Assumed Interest Rate and Bonds subject to mandatory redemption shall be treated as maturing on their respective mandatory redemption dates and not at their stated maturity date and interest shall be deemed to cease on Bonds subject to mandatory redemption at the scheduled mandatory redemption dates.

"Municipal Bond Insurance Policy" shall mean any Municipal Bond Insurance Policy insuring the payment of the principal of and interest on all or any part of the Bonds according to their terms.

"Net Revenues" shall mean Revenues remaining after deducting Operating Expenses.

"Operating Expenses" shall mean the reasonable and necessary costs of System operation, maintenance, and repair, including salaries, wages, cost of materials and supplies, and insurance, but shall exclude depreciation, payments into the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund.

"Outstanding" or "Outstanding Bonds" when used with reference to the Bonds, shall mean, as of any determination date, all Bonds theretofore authenticated and delivered except:

(a) Bonds theretofore cancelled or delivered for cancellation;

(b) Bonds that are deemed paid and no longer Outstanding as provided herein; and

(c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen, lost or mutilated, unless evidence satisfactory to the County Treasurer has been received that any such Bond is owned by a bona fide purchaser.

"Owner", except as provided in Section 17(B), shall mean any person who shall be the registered owner of any Bond or Bonds Outstanding (including, with respect to a Book-Entry Bond, DTC or a successor depository).

"Parity Bonds" shall mean any additional Bonds issued in accordance with Section 13 hereof.

"Paying Agent" shall mean The Valley National Bank of Arizona, or its successor as paying agent.

"Permitted Investments" shall mean, to the extent permitted by law:

1. Direct and general obligations of the United States of America, or obligations unconditionally guaranteed as to principal and interest by the same.

Also permitted are evidences of ownership of proportionate interests in future interest and principal payments of the above United States obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a Bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

2. Obligations issued or guaranteed by the following instrumentalities or agencies of the United States of America:

(a) Federal Home Loan Bank System;
(b) Export-Import Bank of the United States;
(c) Federal Financing Bank;
(d) Government National Mortgage Association;
(e) Farmers Home Administration;
(f) Federal Home Loan Mortgage Company;
(g) Federal Housing Administration;
(h) Private Export Funding Corporation;
(i) Federal National Mortgage Association; and
(j) obligations issued by either the Resolution Trust Corporation or the Resolution Funding Corporation, the payment of which is ultimately backed by the United States Treasury.

3. Pre-refunded municipal obligations meeting the following conditions:

(a) the bonds are not to be callable prior to maturity or the trustee has been given irrevocable instructions concerning their calling and redemption;

(b) the bonds are secured by cash or Permitted Investments described in No. 1 (the "United States Obligations") which may be applied only to interest, principal and premium payments of such bonds;

(c) the principal of and interest on the United States Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the bonds;

(d) the United States Obligations serving as security for the bonds are held by an escrow agent or trustee; and

(e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

4. Direct and general long-term obligations of any state on which the full faith and credit of the state is pledged and which are rated in either of the two highest rating categories by either Moody's Investors Service (hereinafter referred to as Moody's) or Standard and Poor's Corporation (hereinafter referred to as S&P) or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

5. Direct and general short term obligations of any state described in No. 4 above which are rated in the highest rating category by either Moody's or S&P or, in the event each of such rating agencies rate such obligations, by each of them; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in the highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

6. Interest bearing demand or time deposits issued by state banks, savings and loan associations or trust companies or any national banking associations which are members of the Federal Deposit Insurance Corporation (FDIC). These deposits must be (a) continuously and fully insured by FDIC, (b) with banks that are rated at least P-1 by Moody's or at least A-1 by S&P, or (c) fully secured by direct and general obligations of the United States, or those which are unconditionally guaranteed as to principal and interest by the same. Such United States' securities must have a market value at all times at least equal to the principal amount of the deposits. The United States' securities must be held by the County or the Bond Registrar and Paying Agent (who shall not be the provider of the collateral), or any Federal Reserve Bank or Depositary, as custodian for the institution issuing the deposits. The County or the Bond Registrar and Paying Agent should have a perfected first lien in the United States Obligations serving as collateral, and that collateral is to be free from all third party liens.

7. Long-term or medium-term corporate debt guaranteed by any corporation rated by Moody's and S&P in their two highest rating categories.

8. Repurchase agreements, the maturity of which are less than thirty (30) days, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation or with a dealer or parent holding company rated investment grade by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits. The repurchase agreement should be secured by direct and general obligations of the United States of America or those unconditionally guaranteed as to principal and interest by the same. The United States obligations must have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreement. The County or the Paying Agent (who shall not be the provider of the collateral) must have a perfected first lien in, and retain possession of, the collateral. The obligations serving as collateral must be free from all third party claims.

9. Prime commercial paper of a United States corporation, finance company or banking institution rated at least "P-1" by Moody's or at least "A-1" by S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating categories for comparable obligations by one of the two most widely recognized rating agencies then rating such credits.

10. Interests in money market portfolios issued by state banks, trust companies, savings and loan associations, or national banking associations which are members of the FDIC. Such interest should be (a) fully insured by FDIC; or (b) secured by direct and general obligations of the United States or those guaranteed as to principal and interest by the same. The collateral obligations must have a market value, exclusive of accrued interest, at least equal to the principal amount of the interests in the money markets and should be held by a custodian.

11. Public housing bonds issued by public agencies. Such bonds must be fully secured by a pledge of annual contributions under a contract with the United States government; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States; or state or public agency or municipality obligations rated in the highest rating category by a nationally recognized bond rating agency.

12. Shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which has been rated in the highest rating categories by Moody's or S&P; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in one of the two highest rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such credits, or money market accounts of the Trustee or any state or federal bank which is rated at least P-1 by Moody's or at least A-1 by S&P or whose one bank holding company parent is rated at least A-1 by S&P or at least P-1 by Moody's; provided, however, that if, at the time of purchase, neither Moody's nor S&P then rate comparable obligations, the obligations must be rated in a comparable rating category for comparable obligations by one of the two most widely recognized rating agencies then rating such entities, all to the extent not fully insured by FDIC having a combined capital and surplus of not less than $50,000,000 at the time of any such deposit.

Any other provision of this definition of Permitted Investments to the contrary notwithstanding, from and after the execution of the initial Agreement, this definition shall be deemed amended to conform to the definition set forth in such Agreement.

"Policy Costs" shall mean the amount necessary to reimburse a Reserve Fund Guarantor for any Drawdown(s) pursuant to the terms of an Agreement including, without limitation, the amount of any Drawdown, such Reserve Fund Guarantor's expenses (including any legal expenses) and interest thereon at the Reimbursement Rate until paid.

"Purchasers" shall mean, with respect to the Series 1991 Bonds, Rauscher Pierce Refsnes, Inc., Dean Witter Reynolds, Inc., First Southwest Company, Peacock, Hislop, Staley & Given, Inc. and Piper Jaffray & Hopwood, Inc.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 10 hereof.

"Record Date" shall mean the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day).

"Reimbursement Fund" shall mean the Reimbursement Fund created pursuant to Section 10 hereof.

"Reimbursement Period" shall mean, with respect to any Drawdown, the period commencing on the Drawdown Date and ending on the first anniversary of a Drawdown Date.

"Reimbursement Rate" shall mean the respective rate of interest to be paid by the County to reimburse a Reserve Fund Guarantor after a Drawdown as set forth in the respective Agreement.

"Representation Letter" shall mean letters to, or agreements with, a depository for Book-Entry Bonds to effectuate a book entry system with respect to certain Bonds registered in the Bond Register under the nominee name of the depository.

"Reserve Fund" shall mean the Reserve Fund created pursuant to Section 10 hereof.

"Reserve Fund Guarantor" shall mean, with respect to any series of Bonds, the issuer of a surety bond, letter of credit or line of credit or insurance policy executed and delivered to the Paying Agent as a Reserve Fund Guaranty, to be issued by an entity experienced in insuring municipal bonds or extending lines of credit with respect to municipal bonds whose insurance policies, surety bonds, letters or lines of credit will not adversely affect the Bonds' then-current rating if then rated by Moody's Investors Service or by Standard & Poor's Corporation.

"Reserve Fund Guaranty" shall mean any surety bond, letter of credit or line of credit or insurance policy executed and delivered by a Reserve Fund Guarantor to the County or the Paying Agent for the County as a reserve fund guaranty for purposes of this resolution.

"Reserve Fund Value" shall mean the value of moneys and investments credited to the Reserve Fund determined in accordance with Section 18 hereof plus the aggregate penal sums of all Reserve Fund Guaranties.

"Reserve Requirement" shall mean, initially, an amount equal to Average Annual Debt Service on the Series 1991 Bonds, which amount shall be adjusted upon the issuance of Parity Bonds to equal Average Annual Debt Service immediately after such issuance or the maximum amount the Reserve Fund is then permitted to increase under Section 148 of the Internal Revenue Code of 1986, as amended, or any comparable statutory provision limiting the amount of a reasonably required reserve and replacement fund.

"Revenue Fund" shall mean the Revenue Fund created pursuant to Section 10 hereof.

"Revenues" shall mean and include all income, moneys and receipts derived by the County from the ownership, use and operation including, without limitation, interest received on, and profits realized from the sale of, investments made with System moneys (excluding from such determination interest and profits retained in either the Construction Fund or the System Development Fund pursuant to Section 10B(8)) however, the term Revenues shall not include Bond proceeds or the interest received on any Bond proceeds placed irrevocably in trust to pay, or provide for the payment of, any Bond or Bonds Being Refunded or any amounts received which the County is contractually required to pay out as reimbursement for acquisition, construction or installation of System facilities.

"Series 1991 Bonds" shall mean the series of Bonds authorized to be issued pursuant to Section 3 hereof.

"State" shall mean the State of Arizona.

"System" shall mean the County's entire sewer system, all sewer properties of every nature hereafter owned by the County and all acquisitions, improvements and extensions added thereto by the County while any Bonds remain Outstanding, including all real and personal property of every nature comprising part of, or used or useful in connection with, the County's sewer system, and including all appurtenances, contracts, leases, franchises, and other intangibles.

"System Development Fund" shall mean the system development fund created pursuant to Section 10 hereof.

"Variable Rate Obligations" shall mean any Parity Bonds which may, in the future, bear interest at rates which cannot be determined with specificity on their original issue date.

B. Interpretation.

1. Any reference herein to the County, its Board or any officer thereof shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

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

3. Section headings and the table of contents hereof are solely for convenience and do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

4. The words "hereof" or "herein" shall refer to this resolution.

5. All accounting reports or statements required by this resolution shall be presented in accordance with generally accepted governmental accounting principles at the date of the report or statement.

Section 3. Authorization of Bonds.

A. To advance refund the Bonds Being Refunded, there are hereby authorized to be issued not to exceed $60,000,000 principal amount of Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991. The Bonds shall never be construed to be general obligations of the County within the meaning of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended, or to create a debt of the County within the Constitution and laws of the State.

B. The Bonds are special obligations of the County payable solely from and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and the provisions hereof. Subject to Section 10(B) hereof, Net Revenues are pledged as security for the payment of the principal and redemption price of, and interest on the Bonds in accordance with their terms and the provisions hereof. All Net Revenues shall be immediately subject to the pledge of this resolution without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this section shall be construed as limiting any authority granted elsewhere herein to issue Parity Bonds nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged hereunder.

Section 4. Terms of Bonds. The Series 1991 Bonds shall be dated either the first or the 15th day of the month in which the Series 1991 Bond Purchase Agreement is executed, at the option of the Chairman, shall be numbered from 1 consecutively upwards, shall be fully registered Bonds without coupons, shall be in the denomination of $5,000 or any integral multiple thereof, shall bear interest at a rate or rates not exceeding eight and one-half percent (8-1/2%) per

annum from the most recent January 1 or July 1 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date, which interest shall be payable on January 1, 1992, and semiannually thereafter on July 1 and January 1 of each year during the term of each Bond. The principal of the Bonds shall be payable at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, as Paying Agent. Interest on the Bonds shall be payable by check mailed to the Owner thereof, as shown on the Bond Register at the address appearing therein at the close of business on the Record Date. Additionally, payment may also be made by wire transfer to DTC or upon two (2) days prior written request delivered to the Paying Agent specifying a wire transfer address in the continental United States by any Owner of Bonds (other than DTC) owning an aggregate principal amount of at least $1,000,000. No document of any nature whatsoever need be surrendered as a condition to payment of principal of and interest on Book-Entry Bonds.

All Series 1991 Bonds will be registered so as to participate in a book-entry system with DTC (the "DTC Program"). Either the Chairman or the Finance Director is authorized to execute a Representation Letter or such other documents as may be necessary for the County to participate in the DTC Program. Upon initial issuance, the ownership of the Bonds held by DTC shall be registered in the Bond Register in the name of Cede & Co., or any successor thereto, as nominee for DTC. The County shall have no responsibility or obligation to Direct or Indirect Participants or Beneficial Owners for which DTC holds Bonds from time to time as a depository. Without limiting the immediately preceding sentence, the County shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Direct or Indirect Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Direct or Indirect Participant or any person, other than a registered Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, or (c) the payment to any Direct or Indirect Participant or any other person, other than a registered Owner as shown in the Bond Register, of any amount with respect to the Bonds. No person other than an Owner as shown in the Bond Register shall receive a certificate evidencing a Bond or confirming ownership of a Book-Entry Bond.

The Series 1991 Bonds shall mature on July 1 of each year. The Series 1991 Bonds shall mature in such amounts in any of the years 1992 to 2015 as shall be acceptable to the Purchasers and accepted by the Chairman. No Series 1991 Bonds may mature later than July 1, 2015. The Series 1991 Bonds may be sold at a price which is below par, but the difference between the price for which the Series 1991 Bonds are sold and

their par value (exclusive of accrued interest) shall not be greater than 2½ % of such par value.

The terms of Bonds included in any series of Parity Bonds shall be set forth in the resolution authorizing such Parity Bonds.

The Valley National Bank of Arizona is hereby appointed as the Bond Registrar and the Paying Agent. The Bond Registrar shall maintain the Bond Register for registration of ownership of each Bond. A Bond may be transferred on the Bond Register upon its delivery to the Bond Registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by such Bond's Owner or the Owner's attorney-in-fact or legal representative, containing written instructions as to the details of its transfer. Transfers shall not be effective until entered on the Bond Register.

In all cases upon the transfer of a Bond, the Bond Registrar will enter the transfer of ownership on the Bond Register and will authenticate and deliver in the transferee or transferee's name a new fully registered Bond or Bonds in denominations of $5,000 or any integral multiple thereof (no Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the Owner is entitled to receive. The County or the Bond Registrar will charge the Owner for every such transfer an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or governmental charge be paid before any such new Bond or Bonds shall be delivered.

The Bond Registrar shall keep the Bond Register showing the Bonds' Owners and all ownership transfers. Bonds presented to the Bond Registrar for transfer after the close of business on the Record Date and before the close of business on the next subsequent interest payment date will be registered in the transferee's name but the related interest payment will be made to the Owners shown on the Bond Register at the close of business on the Record Date.

The Bond Registrar may but need not register the transfer of a Bond which has been selected for redemption and need not register the transfer of any Bond for a period of fifteen (15) days before the selection of Bonds to be redeemed; if the transfer of any Bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the Bond or Bonds.

Section 5. Redemption Prior to Maturity. On behalf of the County, the Chairman is authorized to agree to such provisions for redemption of the Series 1991 Bonds prior to maturity as he deems in the best interests of the County, and is authorized to include such prior redemption terms in the form of Series 1991 Bonds and to cause the Series 1991 Bonds to include such terms. The prior redemption features may include both optional and mandatory redemptions.

The Series 1991 Bonds shall be redeemed only in integral multiples of $5,000. If less than all Outstanding Series 1991 Bonds of a single maturity are to be redeemed, the Bonds in that maturity to be redeemed shall be selected by lot in such manner as the Bond Registrar may determine.

Not more than sixty (60) nor less than thirty (30) days before any prior redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to each Reserve Fund Guarantor and to the Owner of each Bond to be redeemed at the address shown on the Bond Register. Failure to mail notice to any Owner shall not affect the validity of the proceeding for the redemption with respect to other Owners.

On the date designated for redemption by notice given as herein provided, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date, and, if moneys for payment of the redemption price and accrued interest are held in separate accounts by the Paying Agent, interest on such Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit or security hereunder and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and accrued interest and such Bonds shall be deemed paid and no longer Outstanding.

The County may redeem an amount which is included in a Bond in the denomination in excess of, but divisible by, $5,000. In that event, the Owner shall submit the Bond for partial redemption and the Paying Agent shall make such partial payment and the Bond Registrar shall cause to be issued a new Bond in a principal amount which reflects the redemption so made to be authenticated and delivered to the Owner thereof.

Whenever Bonds which are subject to mandatory redemption are purchased, redeemed (other than pursuant to mandatory redemption) or are delivered by the County to the Paying Agent for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited against any

mandatory redemption requirements for the respective series of Bonds so purchased, redeemed or cancelled of the same maturity for such years as the County may direct.

The prior redemption terms for any Parity Bond series shall be as set forth in the resolution authorizing the issuance of such series of Bonds.

Section 6. Bond Execution. The Bonds shall be executed for the County by the Chairman and shall be attested by the Clerk by their manual or facsimile signatures and by imprinting thereon the corporate seal of the County, and such officials are authorized and directed to execute the Bonds as aforesaid.

Section 7. Source of Payment and Pledge of Revenues. The Bonds shall be payable solely from the Net Revenues. The Bonds shall be equally and ratably secured by a pledge thereof and lien thereon without priority one over the other.

Section 8. Bond Forms.

A. The Bonds shall be in substantially the form attached hereto as Exhibit A allowing those executing the Bonds to make insertions and deletions necessary to conform the Bonds to this resolution and the Offer.

B. The form of Bonds pertaining to Parity Bonds shall be determined by the County. The County shall cause the Bond forms applicable to any series of Parity Bonds to conform as nearly as practicable to the Bond form set forth in Exhibit A. Parity Bonds may be in the form of fixed interest rate obligations, Capital Appreciation Bonds or Variable Rate Obligations or any combination thereof.

Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates).

Section 10. Creation of Funds; Application of Revenues.

A. Upon the Series 1991 Bonds' issuance, the County Treasurer shall create the following special funds and accounts to be held in trust for the Owners, Reserve Fund Guarantors or the County, as the case may be, and expended as herein provided:

1. The Pima County Sewer Revenue Bond Revenue Fund (the "Revenue Fund").

2. The Pima County Sewer Revenue Bond Operation and Maintenance Fund (the "Operation and Maintenance Fund").

3. The Pima County Sewer Revenue Bond Principal and Interest Fund (the "Bond Fund").

4. The Pima County Sewer Revenue Bond Reserve Fund Guarantor Reimbursement Fund (the "Reimbursement Fund").

5. The Pima County Sewer Revenue Bond Reserve Fund (the "Reserve Fund"), which fund also shall contain separate accounts to be known as the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Pima County Sewer Revenue Bond Rebate Fund (the "Rebate Fund").

7. The Pima County Sewer Revenue Bonds System Development Fund (the "System Development Fund").

8. The Pima County Revenue Bond Sewer Construction Fund (the "Construction Fund").

B. While any Bonds are Outstanding and unpaid either as to principal or interest, the entire Revenues shall be held in the County Treasurer's custody in the Revenue Fund. The Revenue Fund shall be disbursed only for the purposes herein authorized and only in the following order of priority:

1. Operation and Maintenance Fund. First, to the Operation and Maintenance Fund, on or before the tenth (10th) day of each month, an amount which, together with any money already on deposit in said Fund, will be sufficient to pay Operating Expenses for said month. Money in the Operation and Maintenance Fund shall be used only to pay Operating Expenses. The County may accumulate in the Operation and Maintenance Fund equitable allowances for accruals and accumulations to cover periodic Operating Expenses, including such items as insurance premiums and expenditures for

renewals, replacements and repairs normally classified as Operating Expenses. Where items such as insurance, gasoline and electrical energy are purchased by the County at large, it may allocate to the System only its share of such expenditure, which allocation shall not be contestable except for fraud or willful misconduct by the County.

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August 10, 1991, through December 10, 1991, one-fifth (1/5), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August 10, 1991, through June 10, 1992, one-eleventh (1/11), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

3. Reimbursement Fund. Third, if a Drawdown shall have occurred, there shall be deposited to the Reimbursement Fund to pay Policy Costs commencing the tenth (10th) day of the first month following a Drawdown and each month thereafter for the next succeeding eleven (11) months, or until the Reimbursement Fund contains amounts sufficient to reimburse all Policy Costs or all Policy Costs with respect to such Drawdown have been paid, an amount equal to at least one-twelfth (1/12) of the aggregate Policy Costs related to the Drawdown. Moneys in the Reimbursement Fund shall be used only to pay Reserve Fund Guarantors for Policy Costs.

Policy Costs owing to a Reserve Fund Guarantor shall be paid from the Reimbursement Fund in twelve (12) equal monthly installments commencing the tenth day of the first month following a Drawdown; provided, however, that if moneys are available in the System Development Fund the Finance

Director may elect to transfer moneys to the Reimbursement Fund and then direct that any such Policy Costs be paid at an earlier date or dates. Policy Costs with respect to any Drawdown which occurs against more than one Reserve Fund Guaranty shall be reimbursed on a pro rata basis (calculated by reference to the maximum amounts available for such reimbursement).

If the County fails to repay any Policy Costs, the Reserve Fund Guarantor or Guarantors shall be entitled to exercise all remedies available to the Owners at law or under this resolution or to any Reserve Fund Guarantor under any Agreement other than (i) acceleration of the maturity of the Bonds or (ii) any other remedies which would adversely affect the Owners' rights.

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

4. Reserve Fund. Fourth, on or before the tenth (10th) day of each month to the Reserve Fund any amounts required to be deposited to the Reserve Fund in accordance with Section 13(A)(4)(ii) if applicable, or one-twelfth (1/12) of the amount required to restore the Reserve Fund to the Reserve Requirement after a Reserve Fund withdrawal.

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

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

(b) If the Deficiency is not cured after any transfers pursuant to subparagraph (a) above, then the Paying Agent shall deliver a Drawdown request to each Reserve Fund Guarantor. All Drawdowns and Reserve Fund proceeds shall be applied solely to pay the interest on, and principal of, the Bonds then due.

All money so taken from the Reserve Fund to pay such principal and interest shall be replaced therein from the first moneys in the Revenue Fund thereafter received which are not required for current transfers into the Operation and Maintenance, Bond or Reimbursement Funds pursuant to subparagraphs (1), (2) and (3) of this Subsection.

The Reserve Fund shall contain two accounts, the Contributed Reserve Account and the Capitalized Reserve Account. The two accounts are created to segregate Reserve Fund moneys and investments to provide a means of tracking such deposits and investment income thereon for arbitrage rebate purposes. All Reserve Fund deposits made from Net Revenues or other available moneys of the County shall be deposited to the Contributed Reserve Account. All Bond proceeds deposited to the Reserve Fund shall be deposited in the Capitalized Reserve Account. Any proceedings hereinafter taken with respect to Parity Bonds may specify the amount to be deposited to either Account, so long as the minimum amount required by this resolution to be deposited to the Reserve Fund shall be so deposited. All Reserve Fund Guaranties shall be deemed deposited to, and a part of, the Capitalized Reserve Account.

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

5. Rebate Fund. Fifth, to the Rebate Fund the balance remaining in the Revenue Fund until the amount in the Rebate Fund equals the amount to be deposited in the Rebate Fund for arbitrage rebate purposes during such Bond Year as determined by the Finance Director.

6. System Development Fund. Sixth, any moneys in the Revenue Fund exceeding the amounts necessary to be placed in the Operation and Maintenance Fund, the Bond Fund, the Reimbursement Fund, the Reserve Fund and the Rebate Fund shall be deposited in the System Development Fund. After all payments have been made in any month, moneys in the System Development Fund may be used (without priority): (1) for System extensions and betterments; (2) for unbudgeted maintenance and operation expenses; (3) for the redemption of Bonds then subject to optional redemption prior to maturity or to purchase from time to time in the open market any Outstanding Bonds as the Finance Director deems proper; (4) to pay general obligation bonds issued by the County for acquisition of the System or for construction of additions or improvements to the System; (5) to make loans to the County to be used for any lawful County purpose under equitable terms prescribed by the Board; or (6) used for any lawful System purpose.

7. The money in the Revenue Fund shall be allotted and paid into the various Funds hereinbefore established in the order in which said Funds are listed and if in any month the money in the Revenue Fund is insufficient to

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

8. Money on deposit in the Revenue Fund, the Operation and Maintenance Fund, the Bond Fund, the Reserve Fund, the Reimbursement Fund and the Rebate Fund may be invested and reinvested by the County in Permitted Investments. All income derived from such investments shall be regarded as System Revenues and shall be deposited in the Revenue Fund. Such investments shall be liquidated as needed and the proceeds applied to the purpose for which the respective fund or account was created. Moneys in the Construction and System Development Funds may be invested in any investment which the County is permitted by law from time to time to make. At the option of the Finance Director, income derived from investments of moneys in either the Construction or System Development Funds shall be deposited to either the Revenue Fund or retained in the respective Fund.

Section 11. Covenants Regarding the System. The County covenants and agrees with each Owner that it will:

A. Permit no free sewer services to be furnished to any consumer or user;

B. Maintain the System in good condition and operate the same in an efficient manner and at reasonable cost;

C. Maintain insurance on all System properties (which may be in the form of or include an adequately-funded program of self-insurance) of the type and with the coverage normally carried by municipalities or private companies engaged in a similar business. System self-insurance may be maintained either separately or in connection with any County-wide self-insurance program; provided, that (i) any such program is in writing and has been adopted by the Board and (ii) an independent insurance or actuarial consultant appointed by the County annually reviews and certifies to the County in writing that any such program is adequate and actuarially sound. The proceeds of any such insurance, except public liability insurance, received by the County shall be pledged as security for the Bonds until used to replace the System parts damaged or destroyed, or if not so used, shall be placed in the Revenue Fund in addition to all other moneys required to be deposited therein;

D. Cause to be kept proper books and accounts adapted to the System, and cause the books and accounts to be audited after each Fiscal Year by a recognized independent

certified public accountant firm in accordance with generally accepted governmental accounting practices;

The County will furnish copies of such audits to any Reserve Fund Guarantor and to any Owner at their request, no later than one hundred eighty (180) days after the end of each Fiscal Year;

E. Faithfully and punctually perform all its duties concerning the System required by the Constitution and laws of the State of Arizona;

F. Not sell, lease, mortgage or in any manner dispose of the System or any part thereof, including any extensions and additions that may be added thereto, until all Bonds and any County obligations under any Agreement have been paid or provided for in full. This covenant shall not be construed to prevent the disposition of property which the County determines to be inexpedient for use in connection with the System. All proceeds from such disposition shall be deposited in the Revenue Fund;

G. Prior to each Fiscal Year, prepare and adopt a budget showing the estimated Revenues and Operating Expenses for System operation and maintenance for the ensuing Fiscal Year, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any Owner upon request;

H. To the extent allowed by law, discontinue the service to any premises for which the owner or occupant shall be delinquent in the payment of System charges for a period beyond the period allowed by County policy from time to time, not resume the service until all delinquent charges, with interest and penalties, shall have been paid, and do all things and exercise all remedies legally available to assure the prompt payment of System charges;

I. Duly pay and discharge, from time to time, or cause to be paid and discharged, all taxes, assessments or other governmental charges, if any, lawfully imposed upon the System, or upon any Revenues when the same shall become due, as well as any lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon the System, or upon any Revenues, or which might impair the security of the Bonds and subject to the provisions hereof, will duly observe and conform to all valid governmental requirements pertaining to the System and to all covenants, terms and conditions hereof;

J. Deposit the net proceeds realized by the County from any eminent domain proceeding concerning the System in the Revenue Fund;

K. To the extent allowed by law, refuse to grant any franchise or permits for any competing sewer system operation in the County. This covenant shall not prohibit the County from entering into "privatization" contracts, agreements or other similar arrangements with private parties.

L. Not cause or permit the moneys in the Bond Fund, the Reimbursement Fund, the Reserve Fund or the Construction Fund to be invested in any investments except Permitted Investments.

M. Not violate the terms of any Agreement and will give all notices and perform all acts and abide by all promises contained in such Agreement or Agreements.

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

Section 13. Equality of Lien; Parity Bonds. The Bonds shall each enjoy complete parity of lien on the Net Revenues despite the fact that any Bond may have been delivered before any other Bonds. The County will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the Net Revenues having priority over or parity with the Bonds herein authorized; provided, however, that additional Parity Bonds may be issued on a parity with the Bonds herein authorized under the following conditions, but not otherwise:

A. Parity Bonds may be issued on a parity with the Bonds herein authorized only if all the following conditions are met:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt

Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

2. The payments required to be made into the various Funds provided in Section 10 hereof must be current at the time of issuance of the Parity Bonds;

3. The additional Parity Bond proceeds must be used solely to make extensions, renewals, improvements, or replacements to the System or to refund any Bonds; and

4. The Reserve Fund Value shall be increased with respect to such Parity Bonds, at the Board's option, by: (i) the immediate deposit of Parity Bond proceeds or available moneys of the County to the Reserve Fund or the immediate delivery of a Reserve Fund Guaranty to the Paying Agent, or any combination thereof in order for the Reserve Fund Value to equal or exceed the Reserve Requirement immediately after issuance of such Parity Bonds; or (ii) deposits of Net Revenues to the Reserve Fund in approximately equal monthly installments on the 10th

day of each month such that the Reserve Fund Value will equal or exceed the increased Reserve Requirement not later than the expiration of five years following the initial delivery of such Parity Bonds; or (iii) any combination of the methods described in clauses (i) and (ii) above in an aggregate amount equal to the increase in the Reserve Requirement resulting from the issuance of such Bonds.

B. Any provision of this Section 13 to the contrary notwithstanding, one series of Parity Bonds having an aggregate principal amount of not to exceed $7,000,000 may be issued prior to January 1, 1992, subject only to the conditions set forth in subparagraphs 2 through 4 of subsection A of this Section 13 but without regard to any requirements set forth in subparagraph 1 of subsection A.

Section 14. Bond Proceeds.

A. From the Series 1991 Bond proceeds, all accrued interest shall be deposited in the Bond Fund. All Series 1991 Bond proceeds not retained in the Bond Fund shall be delivered to the Trustee and shall be invested or expended by the Trustee as directed in the Depository Trust Agreement. The proceeds so invested or cash held by the Trustee, shall be held in trust by The Valley National Bank of Arizona, as the trustee (the "Trustee"), under the Depository Trust Agreement. After all the Bonds Being Refunded shall have become due and payable through maturity or redemption prior to maturity, any moneys or investments remaining under the Depository Trust Agreement over and above the amount necessary to be retained to pay any Bonds Being Refunded not yet presented shall be returned to the County and deposited in the Bond Fund.

B. Upon delivery of the Series 1991 Bonds, the Treasurer is ordered and directed to transfer from the reserve funds pertaining to the Bonds Being Refunded to the Construction Fund herein created all moneys and investments in such reserve funds, except amounts required by the Depository Trust Agreement to be transferred to the Trustee. All moneys so deposited to the Construction Fund shall be expended for the purposes for which the Bonds Being Refunded were originally issued.

C. All moneys deposited to the Construction Fund from the proceeds of Parity Bonds shall be held and expended solely for the purposes for which such Parity Bonds were issued.

Section 15. Resolution Incorporated Into the Bonds. The provisions of this resolution are deemed incorporated into the Bonds themselves and no change, variation or alteration of any kind in the provisions hereof shall be made in any manner, except as provided in the following Section and Section 17 hereof, until all Outstanding Bonds and interest due thereon have been paid in full or fully provided for.

Section 16. Resolution Modification.

A. Without the consent of or notice to any of the Owners, the County may modify this resolution for one or more of the following purposes:

(1) To cure any ambiguity or formal defect or omissions herein or to correct or supplement any provision herein which may be inconsistent with any other provision herein.

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

(3) To secure additional Revenues for the System or provide additional security or reserves for the payment of the Bonds;

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

(5) To permit, preserve or continue (in the event of a change in federal income tax laws (the "Code") which requires a Supplement hereto in order to continue such exclusion) the exclusion of the interest income borne on the Bonds from gross income as defined by the Code or the exemption from State income taxes and to preserve the power of the County to continue to issue bonds or other obligations (specifically not limited to the Bonds authorized hereby) the interest income on which is likewise excluded from gross income as defined by the Code for federal income tax purposes and exempt from State income taxes;

(6) To conform the definition of Permitted Investments to the definition set forth in the initial Agreement;

(7) To vest in any Reserve Fund Guarantor the rights same rights afforded herein to any Owner or to any other Reserve Fund Guarantor;

(8) To provide such remedies and assurances as may be necessary to induce Reserve Fund Guarantors to issue Reserve Fund Guaranties or to induce Bond Insurers to issue Municipal Bond Insurance Policies with respect to the Bonds, and to conform this Resolution to the Initial Agreement.

B. Except as provided in Subsection A of this Section 16, the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding (not including in any case any Bonds that may then be held or owned by or for the County) shall have the right from time to time to consent to and approve the adoption by the Board of a resolution or resolutions modifying or amending any terms or provisions contained herein; provided, however, that this resolution may not be so modified or amended in any manner which:

1. Changes the maturity of any Outstanding Bond.

2. Changes the interest rate on any Outstanding Bond.

3. Reduces the principal or redemption premium payable on any Bond.

4. Modifies the principal, interest or redemption premium payment terms on any Bond or imposes any adverse conditions on such payments.

5. Adversely affects the rights of the Owners of less than all Bonds then Outstanding.

Whenever the County shall propose to amend or modify this resolution, it shall cause notice of the proposed amendment to be mailed by first class mail, postage prepaid to each Owner. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file with the Clerk for public inspection.

If, within one (1) year from said mailing, there shall be filed with the Clerk an instrument or instruments executed by the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds then Outstanding referring to the proposed amendatory resolution described in said notice and specifically consenting to and approving its adoption, the Board may adopt such amendatory resolution and such resolution shall become effective.

If the Owners of at least fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding at the time of the adoption of such amendment, or the predecessors in title of such Owners, shall have consented to the adoption thereof as herein provided, no Owner shall have any right or interest to object to such amendment's adoption or to object to any terms or provisions therein contained or to the operation thereof or to enjoin or restrain the County or the Board from taking any action pursuant thereto.

Any consent given by the Owner shall be irrevocable for six (6) months from the mailing date above provided for and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such consent may be revoked after such six (6) months' period by the Owners who gave such consent or by a successor in title by filing a notice of revocation with the Clerk but such revocation shall not be effective if the Owners of fifty-one percent (51%) in aggregate principal amount (treating the Accreted Value of a Capital Appreciation Bond at the time of calculation as its principal amount) of the Bonds Outstanding have, prior to the attempted revocation, consented to and approved such amendment.

The fact and date of any consent or revocation's execution may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to acknowledge deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Bonds held by any person executing such instrument and the date of such person's holding the same may be proved by a certificate executed by the Bond Registrar showing that on the date therein mentioned such person was shown as the Owner of the Bonds on the Bond Register.

Section 17. Rights of Reserve Fund Guarantors; Rights of Bond Insurers.

A. If any Bond's principal or interest shall be paid by a Reserve Fund Guarantor, (i) the pledge of the Net Revenues and all of the County's covenants, agreements and other obligations to the Owner hereunder shall continue to exist and such Reserve Fund Guarantor shall be fully subrogated to all of such Owner's rights in accordance with the respective Agreement.

B. For all purposes hereunder, the County may treat the consent of any Bond Insurer as the consent of the Owners of any Bonds then insured by such Insurer, if such Bond Insurer's insurance is then in effect and if the credit of said Insurer is then such that Bonds insured by it are rated, because of such insurance, in one of the two highest grades of municipal securities by one of the two most widely recognized rating agencies then rating municipal bond credits.

Section 18. Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value. With respect to all Funds and Accounts, valuation shall occur annually and immediately upon a withdrawal from the Reserve Fund.

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

Name of Series	Prior Redemption Date
Series 1984	July 1, 1994
Refunding Series 1985	July 1, 1993
Project of 1985	July 1, 1995
Project of 1986	July 1, 1995
Series of 1988	July 1, 1997

Bonds of any of the above-mentioned series maturing on or before the prior redemption date will be paid in the normal manner.

Section 20. Defeasance. Payment of all or any part of the Bonds may be provided for by the irrevocable deposit with a trustee of moneys or Government Obligations, or both. The moneys and the maturing principal and interest income on such Government Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent certified public accountant, a firm of such accountants or an actuary, or firm of actuaries, or other experts in the field who shall calculate the sufficiency of the subject moneys and Government Obligations to pay when due the principal or redemption price of and interest on such Bonds. The moneys and Government Obligations shall be held by a trustee irrevocably in trust for the Owners of such Bonds solely for the purpose of paying the principal or redemption price of and interest on such Bonds as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the trustee as to the dates upon which any such Bonds are to be redeemed prior to their respective maturities, if applicable.

If payment of Bonds is so provided for, the Trustee shall mail a notice so stating to each Owner of a Bond so provided for.

Bonds the payment of which has been provided for in accordance with this Section shall no longer be deemed Outstanding hereunder or secured hereby. The obligation of the County in respect of such Bonds shall nevertheless continue but the Owners thereof shall thereafter be entitled to payment only from the moneys or Government Obligations deposited with the trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with the provision for payment of such Bond, the interest payable on any Bond is thereby made subject to federal income taxes. The trustee and the County may rely upon an opinion of a nationally recognized bond counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that the provisions of this Section will not be breached by so providing for the payment of any Bonds.

Section 21. Bond Purchase Agreement Form; Authorization to Execute. A Bond Purchase Agreement substantially in the form attached hereto and marked Exhibit E is approved and the Chairman is authorized to execute such Bond Purchase Agreement, and Clerk to attest, and to cause such Bond Purchase Agreement to be delivered to the Purchasers upon receiving and approving the Offer. The Bond Purchase Agreement, when so executed and delivered, shall evidence the County's agreement to sell the Series 1991 Bonds to the Purchasers in accordance therewith.

The County Treasurer is authorized and directed to cause the Series 1991 Bonds to be authenticated by the Bond Registrar and to be delivered to or upon the Purchaser's order upon payment therefor and satisfaction of all conditions for delivery thereof in accordance with the terms hereof and of the Bond Purchase Agreement.

Section 22. Authorization of Certain Agreements.

A. For and on behalf of the County, the Chairman, the Treasurer and the Clerk (as applicable) are authorized and directed to execute, attest and deliver the following agreements:

1. The Depository Trust Agreement (see Exhibit B hereto) and
2. The Bond Registrar and Paying Agent Agreement (see Exhibit C hereto),

each in substantially the form attached hereto with such changes as may be approved by such officials whose signatures thereon shall be conclusive evidence of such approval.

B. The Chairman is authorized to execute and deliver an Agreement pertaining to the Series 1991 Bonds between the County and the initial Reserve Fund Guarantor.

Section 23. Approval of Official Statement. The use and distribution of the Preliminary Official Statement pertaining to the original issuance of the Series 1991 Bonds in the form now on file with the Clerk is approved and is "deemed final" (except for permitted omissions) by the County as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1). Either the Chairman or the Finance Director is authorized on behalf of the County and in such person's official capacity, to complete the Official Statement relating to the Series 1991 Bonds with such modifications, changes and supplements as may be necessary to conform the Official Statement to the terms set forth in the Series 1991 Bond Purchase Agreement. Such officers shall approve or authorize and certify, or otherwise represent, that such official statement is the final official statement for the Series 1991 Bonds for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(3) and (4).

The Chairman is further authorized to use and distribute, or authorize the use and distribution of, the final official statement and supplements thereto in connection with the original issuance and sale of the Series 1991 Bonds as may in the Chairman's judgment be necessary or appropriate.

The Chairman and the Clerk are also authorized to sign and deliver, on behalf of the County, and in their official capacities, such certificates in connection with the accuracy of the final official statement and any amendment thereto as may, in their judgment, be necessary or appropriate.

Section 24. Federal Tax Law Covenants. In consideration of the purchase and acceptance of the Bonds by the Owners and, as authorized by Arizona Revised Statutes, Title 35, Chapter 3, Article 7, and in consideration of retaining the exclusion of interest income on the Bonds from gross income for federal income tax purposes, the County covenants with the Owners neither to take nor fail to take any action which action or failure to act is within its power and authority and which would result in the interest income on the Bonds becoming includable in gross income for federal income tax purposes under either laws existing on the date of issuance of the Bonds or such laws as they may be modified or amended.

The County agrees that it will comply with such requirement(s) and will take any such action(s) as in the opinion of a nationally recognized bond counsel ("Bond Counsel") are necessary to prevent interest income on the Bonds becoming includable in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained herein; to pay to the United States of America any required amounts representing rebates of investment income relating to the Bonds; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with proceeds of the Bonds; and limiting the use of Bond proceeds.

To determine which Series 1991 Bonds are issued for advance refunding purposes and which are issued for prior redemption of the Series 1980 Bonds, the Finance Director is authorized and directed to allocate the various maturities of the Series 1991 Bonds to the Bonds Being Refunded. Such allocation shall be deemed binding upon the County and this Board. Such allocation shall be set forth in the County's no arbitrage statement executed and delivered with respect to the Series 1991 Bonds.

Section 25. Ratification of Actions. All actions of the officers and agents of the County that 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, shall be

and are ratified, confirmed and approved. The proper officers and agents of the County are authorized and directed to do all such acts and things and to execute and deliver all such documents for the County as may be necessary to carry out the terms and intent hereof.

Section 26. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Adopted and approved this 18th day of June, 1991.

Reg Morrison
Chairman, Board of Supervisors

ATTEST:

Jane S Williams
Clerk, Board of Supervisors

APPROVED AS TO FORM:

Frank Rumbaugh
Bond Counsel

CERTIFICATION

I hereby certify that the foregoing Resolution No. 1991-138 was duly passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on June 18, 1991, and the vote was 4 aye's and 1 nay's and that the Supervisors were present thereat.

Jane S Williams
Clerk, Board of Supervisors of
Pima County, Arizona

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EXHIBIT A TO BOND RESOLUTION

(Face of Bond)

PIMA COUNTY, ARIZONA
SEWER REVENUE REFUNDING BOND
SERIES 1991

Number: Denomination:

Interest Rate: Maturity Date: Original Issue Date: CUSIP:

Registered Owner:

Principal Amount:

PIMA COUNTY, ARIZONA, for value received, hereby promises to pay to the registered owner identified above, or registered assigns as provided herein, on the maturity date set forth above, the principal amount set forth above, and to pay interest on the unpaid principal amount at the interest rate shown above.

Certain bonds of the series of which this bond is one are subject to call for redemption prior to maturity in accordance with the terms set forth on the reverse of this bond.

Interest is payable on January 1 and July 1 of each year commencing January 1, 1992 and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original issue date set forth above. Interest will be computed on the basis of a year comprised of 360 days consisting of twelve (12) months having thirty (30) days each.

Principal, interest and any premium are payable in lawful money of the United States of America. Interest will be paid by check payable in such money payable to the order of and mailed to the registered owner at the address shown on the registration books maintained by the registrar at the close of business on the record date as explained on the reverse hereof. Additionally, payment may also be made by wire transfer to DTC or to any Owner of Bonds (other than DTC) in an aggregate principal amount of at least $1,000,000 upon two (2) days' prior written request delivered to the Paying Agent by such Owner specifying a wire transfer address in the continental United States. The principal and any premium will be paid when due to the registered owner upon surrender of

this bond for payment at the designated office of the paying agent, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona; provided, however, that no such surrender shall be required if this bond is participating in the book-entry system pursuant to the resolution mentioned in the reverse hereof.

See the reverse side of this bond for additional provisions.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this bond exist, have occurred and have been performed.

The County has caused this bond to be executed by the Chairman of its Board of Supervisors and attested by its Clerk, which signatures may be facsimile signatures. This bond is not valid or binding upon the County without the manually affixed signature of an authorized representative of the registrar.

PIMA COUNTY, ARIZONA

(Facsimile)
Chairman

ATTEST:

(Facsimile)
Clerk

(SEAL)

DATE OF AUTHENTICATION AND REGISTRATION: _____

AUTHENTICATION CERTIFICATE

This bond is one of the Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991, described in Resolution No. 1991-___ mentioned on the reverse hereof.

THE VALLEY NATIONAL BANK OF ARIZONA,
as Registrar

By_____
Authorized Representative

(Form of Reverse Side of Bond)

This bond is one of a series of bonds in the aggregate principal amount of $_____ of like date, tenor and effect except as to amount, rate of interest, number and maturity date, issued pursuant to the Constitution and laws of the State of Arizona and Resolution No. 1991-____ adopted by the Board of Supervisors of Pima County on _____, 1991 (the "Bond Resolution"), for the purpose of providing funds with which to advance refund all of the County's outstanding sewer revenue bonds and to pay all legal, financial consultant, engineering and other necessary costs in connection therewith.

This bond and the series of which it is a part are payable as to both principal and interest from and secured by a prior and paramount lien and pledge of the revenues, proceeds and receipts to be derived by the County from the operation of the County's sewer system (the "System"), subject only to the payment of the reasonable and necessary cost of operating and maintaining the System and any payments with respect to prior lien bonds. For purposes of this bond the term "prior lien bond" shall refer to: (i) Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980, (ii) Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984, (iii) Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985, (iv) Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986, (v) Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986), dated October 1, 1986, and (vi) Pima County, Arizona, Sewer Revenue Bonds, Series of 1988, dated March 1, 1988; which were refunded by the series of which this bond is a part. Reference is made to the Bond Resolution for a more complete statement of the provisions made to secure payment hereof, the revenues from which and conditions under which this bond is payable, statements of the terms under which the Bond Resolution may be modified, and the general covenants and provisions pursuant to which this bond is issued. Said income and revenues are required by the Bond Resolution to be fully sufficient to pay the cost of operating and maintaining the System and to pay the principal of and interest on this Bond promptly as each becomes due and payable. The County has covenanted and does hereby covenant that it will fix and impose such rates and charges for the System's services and will collect and account for sufficient revenues to pay promptly the principal of and interest on this bond and all bonds on a parity with this bond. This bond and the interest hereon are enforceable exclusively from the revenues pledged thereto in the Bond Resolution and no holder hereof shall have the right to compel any exercise of the taxing power of the County to pay this bond or the interest hereon. This bond does not constitute an indebtedness or pledge of the County's general credit within

the meaning of any constitutional, charter or statutory provisions relating to the incurring of indebtedness.

Bonds maturing on or before July 1, 19__, are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 19__, are subject to call for redemption prior to maturity, in whole at any time or in part, on July 1, 19__, or on any interest payment date thereafter, at the option of the County, by the payment of a redemption price equal to the principal amount of each bond called for redemption plus accrued interest to the date fixed for redemption plus a premium payable from any source lawfully available therefor, the premium (calculated as a percentage of the principal amount of the bonds to be redeemed) to be computed as follows:

Redemption Dates	Premium
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__	
July 1, 19__ through and including January 1, 19__	
and thereafter without premium.	

The bonds may be redeemed in any order of maturity designated by the County and only in integral multiples of $5,000. If less than all of the bonds outstanding of a single maturity are to be redeemed, the bonds in that maturity to be redeemed shall be selected by lot in such manner as the registrar may determine.

Bonds of the series of which this bond is one maturing on July 1, ____ are subject to mandatory redemption, by lot to be selected by the Paying Agent at a redemption price of par and accrued interest to the date fixed for redemption, without premium on July 1 of the years and in the amounts as follows:

Year	Amount to be Redeemed

Notice of redemption of any bond will be mailed to the registered owner of the bond or bonds being redeemed at the address shown on the bond register maintained by the bond registrar, such mailing to be not more than sixty (60) nor less than thirty (30) days prior to the redemption date. Failure to properly give notice of redemption shall not affect the redemption of any bond for which notice was properly given.

The registrar or paying agent may be changed by the County without notice.

This bond is transferable by the registered owner in person or by attorney duly authorized in writing at the designated office of the registrar, which on the original issue date is the principal corporate trust office of The Valley National Bank of Arizona, Phoenix, Arizona, upon surrender and cancellation of this bond, but only in the manner and subject to the limitation and upon payment of the charges provided in the Bond Resolution. Upon such transfer a new bond or bonds of the same aggregate principal amount, maturity and interest rate will be issued to the transferee in exchange. The registrar may require an owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes required by law. The County has chosen the fifteenth day of the month preceding an interest payment date (or if such day is a Saturday, Sunday or holiday, on the next preceding business day) as the record date for this series of bonds. Should this bond be submitted to the registrar for transfer during the period commencing after the close of business on the record date and continuing to and including the next subsequent interest payment date, ownership will be transferred in the normal manner but the interest payment will be made payable to and mailed to the registered owner as shown on the registrar's books at the close of business on the record date.

The registrar may but need not register the transfer of a bond which has been selected for redemption and need not register the transfer of any bond for a period of fifteen (15) days before a selection of bonds to be redeemed; if the transfer of any bond which has been called or selected for call for redemption in whole or in part is registered, any notice of redemption which has been given to the transferor will be binding upon the transferee and a copy of the notice of redemption will be delivered to the transferee along with the bond or bonds.

Bonds of this issue are issuable only in fully registered form in the denomination of $5,000 each or integral multiples of $5,000.

The County, the registrar and the paying agent may treat the registered owner of this bond as the absolute owner for the purpose of receiving principal, interest and any premium and for all other purposes and none of them shall be affected by any notice to the contrary.

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as

though they were written out in full according to applicable laws or regulations:

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

UNIF GIFT/TRANS MIN ACT-
_____ Custodian _____
(Cust) (Minor)
under Uniform Gifts/Transfers to Minors Act _____
(State)

Additional abbreviations may also be used though not in list above

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

_____
(Name and Address of Transferee)

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

Dated _____

_____

_____

Note: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within registered bond in every particular without alteration or enlargement or any change whatsoever

Signature Guaranteed:

_____
Commercial bank, trust company or member of a national securities exchange

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EXHIBIT B TO BOND RESOLUTION

DEPOSITORY TRUST AGREEMENT

This Depository Trust Agreement, dated as of June 15, 1991 (the "Trust Agreement"), by and between Pima County, Arizona (the "County"), and The Valley National Bank of Arizona, a national banking association authorized to do trust business in the State of Arizona, as trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, the following Pima County Sewer Revenue Bonds have been issued and are outstanding:

Pima County, Arizona, Sewer Revenue Bonds, Series 1980, dated February 1, 1980

Maturity Date (February 1)	Principal Amount	Interest Rate
1992	$ 445,000	8.00%
1993	480,000	8.00%
1994	515,000	8.00%
1995	555,000	7.00%
2010	16,345,000	7.70%

Pima County, Arizona, Sewer Revenue Bonds, Series 1984, dated April 1, 1984

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	250,000	11.50%
1993	250,000	11.50%
1994	250,000	11.50%
1995	300,000	11.50%
1996	300,000	11.50%
1997	325,000	10.10%
1998	325,000	9.50%
1999	1,300,000	9.50%
2000	1,425,000	9.60%
2001	1,575,000	9.60%
2002	1,750,000	9.70%

Pima County, Arizona, Sewer Revenue Refunding Bonds, Series 1985, dated December 1, 1985

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	470,000	7.00%
1993	510,000	7.25%
1994	570,000	7.50%
1995	605,000	7.70%
1996	660,000	7.80%
1997	715,000	7.90%
1998	815,000	8.00%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1985, dated April 1, 1986

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	340,000	8.40%
1993	370,000	8.40%
1994	405,000	8.00%
1995	435,000	6.40%
1996	475,000	6.50%
1997	515,000	6.65%
1998	560,000	6.75%
1999	610,000	6.90%
2000	665,000	7.00%
2001	720,000	7.10%
2002	785,000	7.10%
2003	850,000	7.20%
2004	925,000	7.20%
2005	1,005,000	6.40%

Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, dated October 1, 1986

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	350,000	8.25%
1993	375,000	8.25%
1994	400,000	8.25%
1995	425,000	8.25%
1996	450,000	6.70%
1997	475,000	6.40%
1998	525,000	6.60%
1999	550,000	6.70%
2000	600,000	6.80%
2001	650,000	6.90%
2002	700,000	6.90%
2003	750,000	7.00%

2004	800,000	7.00%
2005	875,000	6.25%
2006	925,000	6.25%

Pima County, Arizona, Sewer Revenue Bonds, Series of 1988, dated March 1, 1988

Maturity Date (July 1)	Principal Amount	Interest Rate
1992	290,000	8.75%
1993	310,000	8.75%
1994	330,000	8.75%
1995	355,000	8.75%
1996	380,000	8.75%
1997	405,000	7.70%
1998	435,000	6.75%
1999	470,000	6.80%
2000	505,000	7.00%
2001	540,000	7.10%
2002	585,000	7.20%
2003	630,000	7.25%
2004	680,000	7.30%
2005	735,000	7.00%
2006	795,000	7.00%
2007	860,000	7.00%
2008	930,000	7.00%

Such Bonds are hereinafter referred to as the "Bonds Being Refunded"; and

WHEREAS, certain of the Bonds Being Refunded will be redeemed prior to their maturity as hereinafter set forth; and

WHEREAS, the Board of Supervisors of the County, on June 18, 1991, adopted Resolution No. 1991-138 (the "Bond Resolution"), authorizing the issuance of not to exceed $60,000,000 aggregate original principal amount Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1991 (the "Refunding Bonds"), to provide funds to refund the Bonds Being Refunded; and

WHEREAS, the County will deposit a portion of the Refunding Bond proceeds with the Trustee to purchase certain obligations of the United States of America which, together with the initial cash deposit, will be used to pay the principal, interest and redemption premiums on the Bonds Being Refunded; and

WHEREAS, the Bond Resolution authorizes and directs the County to execute and deliver an irrevocable depository trust agreement for the safekeeping and handling of the moneys

and securities held in trust for the payment of the Bonds Being Refunded; and

WHEREAS, the Trustee agrees to accept and administer the trust created hereby;

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements hereinafter set forth it is hereby agreed as follows:

Section 1. The County herewith deposits with the Trustee for the account of the County from Refunding Bond proceeds and other moneys of the County the amount of $_____. From such deposit the Trustee shall pay the costs of issuance as shown on Exhibit D hereto.

Section 2. The Trustee shall hold the remaining moneys so deposited, all investments made with such moneys and all earnings from investment and reinvestment of such moneys and all other moneys received by the Trustee from the County hereunder as a special fund and separate trust account separate from all other funds and investments deposited with the Trustee (the "Trust Account").

Section 3. The Trust Account shall be immediately invested in obligations issued by or guaranteed by the United States of America ("Government Obligations") as follows: $_____ of the amount deposited with the Trustee from the Refunding Bond proceeds shall be applied to create a portfolio of Government Obligations as described in Exhibit A hereto (the unrestricted obligations); and $_____ shall be invested in the Government Obligations to create a portfolio of Governmental Obligations described in Exhibit B hereto;

Additionally, the sum of $_____ shall be held in trust by the Trustee as an initial cash balance.

The investment income from the Government Obligations shall be collected and received by the Trustee and credited to the Trust Account. The Trustee shall keep adequate records of such moneys, Government Obligations and investment earnings so as to permit the portfolio to be accounted for separately.

Section 4. The parties recognize that amounts credited to the Trust Account in the portfolio set forth in Exhibit B and the initial cash balance are, at the time of execution and delivery of this Agreement, subject to yield restrictions under the Internal Revenue Code of 1986, as amended (the "Code"), in order for the interest on the Refunding Bonds and the Bonds Being Refunded to be, and remain, excluded from gross income for purposes of federal income taxes. To comply with such currently applicable

restrictions, and subject to Section 5 hereof, the following provisions shall apply to reinvestment of amounts credited to the Trust Account:

(a) Amounts received as maturing principal of or interest on the Government Obligations credited to the portfolio prior to the date such amounts are to be used to pay principal of or interest or redemption premiums on the Bonds Being Refunded are to be reinvested only if specifically directed herein.

(b) Yields are to be calculated by means of an actuarial method of yield calculation whereby "yield" means that yield which when used in computing the present worth of all payments of principal and interest to be paid on the obligation produces an amount equal to the purchase price. The yield on investments must be computed by the use of semiannual interest compounding.

(c) The purchase price of an obligation used in determining its yield must be the market price of the obligation on an established market. This means that a premium may not be paid to adjust the yield and that a lower than market interest rate may not be accepted. At the time of execution and delivery of this Agreement, if an obligation cannot be purchased on an established market or a bona fide bid price cannot be established at a yield that does not exceed the yield restriction applicable to the moneys to be invested, investments are limited to United States Treasury Certificates of Indebtedness, Notes and Bonds--State and Local Government Series which yield no more than the restricted yield (which yield is _____%).

(d) Notwithstanding the foregoing, any amounts held in the Trust Account may be invested in investments having any yield if the parties hereto receive an opinion in form and substance satisfactory to them of bond counsel experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds to the effect that such investment will not cause any of the Refunding Bonds or Bonds Being Refunded to become arbitrage bonds within the meaning of Section 148 of the Code, and will not otherwise cause the interest on the Refunding Bonds or Bonds Being Refunded to become included as gross income for purposes of calculating federal income taxes.

(e) Amounts received from reinvestment of maturing principal of and interest on Government Obligations prior to the date such amounts are to be used to make payments on the Bonds Being Refunded pursuant to this Section 4, to the extent not needed to provide for payments on the Bonds Being Refunded, may be withdrawn from the Trust Account and returned

to the County and applied for the benefit of the County in accordance with applicable law.

Section 5. The Trustee may sell or redeem investments held in the Trust Account in advance of their maturity dates and invest the proceeds of such sale or redemption or other moneys credited to the Trust Account in connection with such sale or redemption in Government Obligations only upon receipt of written instructions from the County Finance Director to do so, and receipt by the parties hereto of:

(a) An opinion in form and substance satisfactory to them of bond counsel experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds to the effect that such action will not cause the interest on the Bonds Being Refunded or the Refunding Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code, and will not adversely affect the right of the County to issue obligations the interest on which is excluded from gross income for federal income tax purposes; and

(b) A report from a nationally recognized accountant or firm of accountants verifying the accuracy of the arithmetic computations of the adequacy of the proceeds from the liquidation together with any other moneys and the maturing principal of and interest on any Government Obligations to be credited to the Trust Account in accordance with the County Finance Director's instructions, to pay, when due, the principal of and interest and any redemption premiums on the Bonds Being Refunded as the same become due at maturity or upon prior redemption.

Upon any such sale or redemption of investments and reinvestment any amounts not needed in the Trust Account to provide for payment of the Bonds Being Refunded, as shown by the accountant's report, may be withdrawn from the Trust Account and returned to the County Finance Director and applied for the benefit of the County in accordance with applicable law.

Section 6. Any moneys credited to the Trust Account which are not invested in Government Obligations as provided herein shall be held as a demand deposit and shall be secured as deposits of public moneys.

Section 7. The Trustee shall make timely payments from the Trust Account to the paying agent or agents for the Bonds Being Refunded in the amounts and on the dates sufficient to permit the payment when due of the principal of and interest and any redemption premiums on the Bonds Being Refunded as the same becomes due and payable.

Section 8. The Trustee shall cause notices of advance refunding of the Bonds Being Refunded in substantially the form of Exhibit C1 hereto to be mailed to the services listed on said notice. In addition, the Trustee shall cause notices in substantially the form set forth in Exhibits C2 through C7 to be published or mailed, as applicable, during the time periods set forth on each respective exhibit to the respective registered owners of the Bonds Being Refunded to be so redeemed.

Section 9. If at any time or times there are insufficient funds on hand in the Trust Account for the payment of the principal of and interest and redemption premiums on the Bonds Being Refunded as the same becomes due, or for the payment of the fees and expenses of the Trustee, the Trustee shall promptly notify the County of such deficiency and the County shall immediately pay such amount to the Trustee from the Net Revenues as defined in the Bond Resolution.

Section 10. On or before each August 15 and February 15 during the term hereof, the Trustee shall submit to the County a report covering all moneys it has received and all payments it has made pursuant hereto during the six-month period ending on the preceding July 1 and January 1 (except for the first report which will cover the period from the date on which the Refunding Bonds were issued to July 1, 1992). Each such report shall also list all investments and moneys on deposit with the Trustee hereunder at the end of the reporting period.

Section 11. For services hereunder the Trustee shall be entitled to the fees payable at the dates and in the amounts set forth in Exhibit E.

Section 12. When all amounts payable on the Bonds Being Refunded have become due and the Trustee has on deposit all moneys necessary for the payment of such amounts, and in any event on the business day preceding the date the last of the Bonds Being Refunded matures or is to be redeemed, the Trustee shall transfer all moneys and investments credited to the Trust Account and not needed to make payments on the Bonds Being Refunded to the County.

Section 13. The parties recognize that the owners of the Bonds Being Refunded have a beneficial vested interest in the moneys and investments held in trust hereunder and that the Refunding Bonds will be delivered to and accepted by the owners thereof in reliance upon the irrevocable character of the trust created hereby. It is therefore expressly recited, understood and agreed by the parties hereto that this agreement shall not be revoked, and shall not be amended in

any manner which may adversely affect the rights herein sought to be protected, until the provisions of this agreement have been fully carried out.

Section 14. The Trustee shall be under no obligation to inquire into or be otherwise responsible for the performance or nonperformance by the County of any of its obligations or to protect any of the rights of the County under any of the proceedings with respect to the Bonds Being Refunded or the Refunding Bonds. The Trustee shall not be liable for any act done, step taken or omitted by it, for any mistake of fact or law, or for anything which it may do or refrain from doing except for its negligence or its default in the performance of any obligation imposed upon it hereunder. The Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this agreement in compliance with the provisions hereof.

Section 15. The County and the Auditor General of the State of Arizona shall have the right to audit the books, records and accounts of the Trustee insofar as they pertain to the trust created hereunder.

Section 16. The Trustee is hereby authorized and directed to pay, solely from moneys deposited with the Trustee from proceeds of the Refunding Bonds or other moneys lawfully available, the costs and expenses of the issuance of the Refunding Bonds and of creating and implementing the trust created hereby as set forth in Exhibit D hereto. Amounts deposited with the Trustee for such purpose shall be held in a separate account and shall not constitute a part of the Trust Account created with respect to the Bonds Being Refunded.

Section 17. Neither this Agreement nor the Trust created hereunder may be assigned by the Trustee without the prior written consent of the County unless the Trustee is required by law to divest itself of its interest in its trust department or unless the Trustee sells or otherwise assigns all or substantially all of its trust business in which event the trust shall be continued by the Trustee's successor in interest.

Section 18. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have executed this Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains an

ambiguity which may be construed as either valid or invalid, the valid construction shall be adopted.

Section 19. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This Agreement expresses the entire understanding and all agreements of the parties hereto with each other with respect to the subject matter hereof and no party hereto has made or shall be bound by any agreement or any representation to any other party which is not expressly set forth in this Agreement.

Section 20. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute but one instrument.

Section 21. The County hereby gives notice to the Trustee that Section 38-511, Arizona Revised Statutes, as amended, provides that the County may within three years after execution hereof cancel this Agreement without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the County or any of its departments or agencies is at any time while this Agreement or any extension of this Agreement is in effect an employee or agent of the Trustee in any capacity or a consultant to the Trustee with respect to the subject matter hereof.

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

PIMA COUNTY, ARIZONA

By_____
Reg Morrison, Chairman, Board of Supervisors

By_____
James Lee Kirk, County Treasurer

ATTEST:

_____
Clerk, Board of Supervisors

THE VALLEY NATIONAL BANK OF
ARIZONA, as Trustee

By:_____
Title_____

EXHIBIT A TO DEPOSITORY TRUST AGREEMENT

UNRESTRICTED ACQUIRED OBLIGATIONS

Unrestricted Government Obligations to be acquired for $_____

Purchase Date	Security Type	Principal	Coupon Rate	Price	Accrued Interest	Total Price

(1) U.S. Treasury Notes

Beginning Cash Balance $_____

EXHIBIT B TO DEPOSITORY TRUST AGRFEMENT

RESTRICTED ACQUIRED OBLIGATIONS

Government Obligations to be acquired for $_____

Maturity Date	Security Type	Principal	Coupon Rate	Price	Interest	Accrued Total Price

(1) - U.S. Treasury Notes
(2) - STRIP Bonds

State and Local Government Series

NOTE: REINVESTMENT INSTRUCTIONS HERE, IF APPLICABLE

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EXHIBIT C1 TO DEPOSITORY TRUST AGREEMENT

NOTICE OF ADVANCE REFUNDING
of the following obligations:

PIMA COUNTY, ARIZONA, SEWER REVENUE BONDS, SERIES 1980

PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, SERIES 1984

PIMA COUNTY, ARIZONA SEWER REVENUE REFUNDING BONDS, SERIES 1985

PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, PROJECT OF 1985

PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, PROJECT OF 1986, SERIES A (1986)

PIMA COUNTY, ARIZONA SEWER REVENUE BONDS, SERIES OF 1988

Such bonds are hereinafter referred to as the "Bonds Being Refunded".

Notice is hereby given that the Bonds Being Refunded have been refunded and that an irrevocable trust has been established to pay such bonds. Obligations issued by or guaranteed by the United States of America have been placed in such trust to secure payment of such bonds.

The following Bonds Being Refunded will be called for redemption prior to maturity at the following dates:

Pima County, Arizona Sewer Revenue Bonds, Series 1980

Maturity Date (Feb. 1)	Prior Redemption Date	Principal Called	Premium (If any)	Total
1992	Sep 1, 1991	$ 445,000	2.5%	$ 456,125
1993	Sep 1, 1991	480,000	2.5%	492,000
1994	Sep 1, 1991	515,000	2.5%	527,875
1995	Sep 1, 1991	555,000	2.5%	568,875
2010	Sep 1, 1991	16,345,000	2.5%	$16,753,625

Pima County, Arizona Sewer Revenue Bonds, Series 1984

Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium (If any)	Total
1995	July 1, 1994	$ 300,000	3%	$ 309,000
1996	July 1, 1994	300,000	3%	309,000
1997	July 1, 1994	325,000	3%	334,750
1998	July 1, 1994	325,000	3%	334,750
1999	July 1, 1994	1,300,000	3%	1,339,000
2000	July 1, 1994	1,425,000	3%	1,467,750
2001	July 1, 1994	1,575,000	3%	1,622,250
2002	July 1, 1994	1,750,000	3%	1,802,500

Pima County, Arizona Sewer Revenue Refunding Bonds, Series 1985

Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium (If any)	Total
1994	July 1, 1993	$ 570,000	2%	$581,400
1995	July 1, 1993	605,000	2%	617,100
1996	July 1, 1993	660,000	2%	673,200
1997	July 1, 1993	715,000	2%	729,300
1998	July 1, 1993	815,000	2%	831,300

Pima County, Arizona Sewer Revenue Bonds, Project of 1985

Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium (If any)	Total
1996	July 1, 1995	$ 475,000	0	$ 475,000
1997	July 1, 1995	515,000	0	515,000
1998	July 1, 1995	560,000	0	560,000
1999	July 1, 1995	610,000	0	610,000
2000	July 1, 1995	665,000	0	665,000
2001	July 1, 1995	720,000	0	720,000
2002	July 1, 1995	785,000	0	785,000
2003	July 1, 1995	850,000	0	850,000
2004	July 1, 1995	925,000	0	925,000
2005	July 1, 1995	1,005,000	0	1,005,000

Pima County, Arizona, Sewer Revenue Bonds, Project of 1986, Series A (1986)

Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium (If any)	Total
1996	July 1, 1995	$ 450,000	1%	$454,500
1997	July 1, 1995	475,000	1%	479,750
1998	July 1, 1995	525,000	1%	530,250
1999	July 1, 1995	550,000	1%	555,500
2000	July 1, 1995	600,000	1%	606,000
2001	July 1, 1995	650,000	1%	656,500
2002	July 1, 1995	700,000	1%	707,000
2003	July 1, 1995	750,000	1%	757,500
2004	July 1, 1995	800,000	1%	808,000
2005	July 1, 1995	875,000	1%	883,750
2006	July 1, 1995	925,000	1%	934,250

Pima County, Arizona, Sewer Revenue Bonds, Series of 1988

Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium (If any)	Total
1998	July 1, 1997	$ 435,000	1%	$439,350
1999	July 1, 1997	470,000	1%	474,700
2000	July 1, 1997	505,000	1%	510,050
2001	July 1, 1997	540,000	1%	545,400
2002	July 1, 1997	585,000	1%	590,850
2003	July 1, 1997	630,000	1%	636,300
2004	July 1, 1997	680,000	1%	686,800
2005	July 1, 1997	735,000	1%	742,350
2006	July 1, 1997	795,000	1%	802,950
2007	July 1, 1997	860,000	1%	868,600
2008	July 1, 1997	930,000	1%	939,300

PIMA COUNTY, ARIZONA

By _____
Finance Director

Municipal calls:

The Depository Trust Company
711 Stewart Avenue
Garden City, NY 11530

Midwest Securities Trust Company
Capital Structures-Call Notification
440 South LaSalle Street
Chicago, IL 60605

Registered bond calls:

Pacific Securities Depository
Trust Company
Pacific and Company
Post Office Box 7041
San Francisco, CA 94120

Bearer bond calls:

Pacific Securities Depository
Trust Company
Post Office Box 7042
San Francisco, CA 94120

Philadelphia Depository Trust Company
Reorganization Division
1900 Market Street
Philadelphia, PA 19103

and to:

Financial Information, Inc.'s
Financial Daily Called Bond Service
Post Office Box 473
Jersey City, NJ 07303

Kenny Information Service's
Called Bond Service
55 Broad Street
New York, NY 10004

Moody's Municipal and Government
99 Church Street
New York, NY 10007

EXHIBIT C2

NOTICE OF PRIOR REDEMPTION
of the following obligations:

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 1980

Maturing on February 1 in the following years:
1992 to 1995 and 2010

Notice is hereby given that all of the above-referenced bonds now outstanding have been called for redemption prior to their stated maturity dates and will be redeemed on September 1, 1991.

Owners of the above-described bonds called for redemption are notified to present the same to the Pima County Treasurer, 115 North Church, Tucson, Arizona 85701, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. All bonds must be surrendered with all interest coupons maturing subsequent to the redemption date (except that no coupons need be surrendered on bonds registered as to both principal and interest). The Redemption Price for each bond to be redeemed prior to maturity shall be accrued interest to the prior redemption date, plus the premium set forth below (calculated as a percentage of the bonds principal amount, plus the principal amount thereof. From and after September 1, 1991, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By _____
Clerk, Board of Supervisors
of Pima County, Arizona

Cusip No.	Maturity Date (Feb. 1)	Prior Redemption Date	Principal Called	Premium	Total Redemption Price
	1992	Sep 1, 1991	445,000	2.5%	$ 456,125
	1993	Sep 1, 1991	480,000	2.5%	492,000
	1994	Sep 1, 1991	515,000	2.5%	527,875
	1995	Sep 1, 1991	555,000	2.5%	568,875
	2010	Sep 1, 1991	16,345,000	2.5%	16,753,625

The following is not part of the mailed notice.

Notice of redemption is to be published in a newspaper of general circulation in the County and a financial

newspaper or financial journal, published in the City of New York, New York. Publication must be at least 30 days but not more than 60 days prior to the redemption date. The Clerk of the Board of Supervisors of the County is required to give written notice to the owners of any registered bond.

rev00005o FHR:gmh 060691.7

EXHIBIT C3

NOTICE OF PRIOR REDEMPTION
of the following obligations:

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES 1984

Maturing on July 1, in the following years:
1995 to 2002

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1994.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. The Redemption Price for each Bond to be redeemed prior to maturity shall be accrued interest to the prior redemption date, plus the premium set forth below (calculated as a percentage of the Bonds principal amount, plus the principal amount thereof. From and after July 1, 1994, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By _____
Finance Director

Cusip No.	Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium	Total
	1995	July 1, 1994	300,000	3%	$ 309,000
	1996	July 1, 1994	300,000	3%	309,000
	1997	July 1, 1994	325,000	3%	334,750
	1998	July 1, 1994	325,000	3%	334,750
	1999	July 1, 1994	1,300,000	3%	1,339,000
	2000	July 1, 1994	1,425,000	3%	1,467,750
	2001	July 1, 1994	1,575,000	3%	1,622,250
	2002	July 1, 1994	1,750,000	3%	1,802,500

The following is not part of the mailed notice.

Notice of the intended redemption shall be published to the extent required by applicable law and sent by first-class mail to the address of each registered owner of a Bond,

as shown on the registration books kept by the Registrar, said notice to be mailed at least 30 days but not more than 60 days prior to the redemption date. The notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the numbers and dates of maturity of the bonds to be redeemed; provided, however, that whenever any call includes all of the bonds of a maturity, the numbers of such maturity need not be stated; (d) require that such bonds be surrendered at the office of the Registrar; and (e) give notice that further interest on such bonds will not accrue after the designated redemption date. Copies of such notice shall also be mailed to the original purchasers of the bonds.

rev00005p FHP:gmh 052291.5

EXHIBIT C4

NOTICE OF PRIOR REDEMPTION
of the following obligations:

PIMA COUNTY, ARIZONA
SEWER REVENUE REFUNDING BONDS
SERIES 1985

Maturing on July 1, in the following years:
1994 to 1998

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1993.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1993, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By _____
Finance Director

Cusip No.	Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium	Total
	1994	July 1, 1993	570,000	2%	$ 581,400
	1995	July 1, 1993	605,000	2%	617,100
	1996	July 1, 1993	660,000	2%	673,200
	1997	July 1, 1993	715,000	2%	729,300
	1998	July 1, 1993	815,000	2%	831,300

The following is not part of the mailed notice.

Not more than 30 nor less than 15 days before any redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Series 1985 Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Series 1985 Bonds shall not affect the validity of the proceedings for the redemption of Series 1985 Bonds with respect to other owners of Series 1985 Bonds.

rev00005q FHR:gmh 052291.5

EXHIBIT C5

NOTICE OF PRIOR REDEMPTION
of the following obligations:

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
PROJECT OF 1985

Maturing on July 1, in the following years:
1996 to 2005

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1995.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1995, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By _____
Finance Director

Cusip No.	Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium	Total
	1996	July 1, 1995	475,000	0	$ 475,000
	1997	July 1, 1995	515,000	0	515,000
	1998	July 1, 1995	560,000	0	560,000
	1999	July 1, 1995	610,000	0	610,000
	2000	July 1, 1995	665,000	0	665,000
	2001	July 1, 1995	720,000	0	720,000
	2002	July 1, 1995	785,000	0	785,000
	2003	July 1, 1995	850,000	0	850,000
	2004	July 1, 1995	925,000	0	925,000
	2005	July 1, 1995	1,005,000	0	1,005,000

The following is not part of the mailed notice.

Not more than 30 nor less than 15 days before any redemption date the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Bonds shall not affect the validity of the proceedings for the redemption of Bonds with respect to other owners of Bonds.

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EXHIBIT C6

NOTICE OF PRIOR REDEMPTION
of the following obligations:

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
PROJECT OF 1986, SERIES A (1986)

Maturing on July 1, in the following years:
1996 to 2006

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1995.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1995, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By _____
Finance Director

Cusip No.	Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium	Total
	1996	July 1, 1995	450,000	1%	$ 454,500
	1997	July 1, 1995	475,000	1%	479,750
	1998	July 1, 1995	525,000	1%	530,250
	1999	July 1, 1995	550,000	1%	555,500
	2000	July 1, 1995	600,000	1%	606,000
	2001	July 1, 1995	650,000	1%	656,500
	2002	July 1, 1995	700,000	1%	707,000
	2003	July 1, 1995	750,000	1%	757,500
	2004	July 1, 1995	800,000	1%	808,000
	2005	July 1, 1995	875,000	1%	883,750
	2006	July 1, 1995	925,000	1%	934,250

The following is not part of the mailed notice.

Not more than sixty (60) nor less than thirty (30) days before any redemption date the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Bonds shall not affect the validity of the proceedings for the redemption of Bonds with respect to other owners of Bonds for which notice was properly given.

rev00005s FHR:gmh 052291.5

EXHIBIT C7

NOTICE OF PRIOR REDEMPTION
of the following obligations:

PIMA COUNTY, ARIZONA
SEWER REVENUE BONDS
SERIES OF 1988

Maturing on July 1, in the following years:
1998 to 2008

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates and will be redeemed on July 1, 1997.

Owners of the above-described bonds called for redemption are notified to present the same at the principal corporate trust office of The Valley National Bank of Arizona in Phoenix, Arizona, on or after the date set for redemption, where redemption will be made by payment of the face amount of each such bond plus accrued interest to the date set for redemption plus the premium required to be paid to complete such redemption. From and after July 1, 1997, no interest will be paid on the above-described bonds.

PIMA COUNTY, ARIZONA

By _____
Finance Director

Cusip No.	Maturity Date (July 1)	Prior Redemption Date	Principal Called	Premium	Total
	1998	July 1, 1997	435,000	1%	$439,350
	1999	July 1, 1997	470,000	1%	474,700
	2000	July 1, 1997	505,000	1%	510,050
	2001	July 1, 1997	540,000	1%	545,400
	2002	July 1, 1997	585,000	1%	590,850
	2003	July 1, 1997	630,000	1%	636,300
	2004	July 1, 1997	680,000	1%	686,800
	2005	July 1, 1997	735,000	1%	742,350
	2006	July 1, 1997	795,000	1%	802,950
	2007	July 1, 1997	860,000	1%	868,600
	2008	July 1, 1997	930,000	1%	939,300

The following is not part of the mailed notice.

Not more than sixty (60) nor less than thirty (30) days before any redemption date the Bond Registrar shall cause a notice of any such redemption to be mailed by registered or certified mail to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any owner of Bonds shall not affect the validity of the proceedings for the redemption of Bonds with respect to other owners of Bonds for which notice was properly given.

EXHIBIT D TO DEPOSITORY TRUST AGREEMENT

EXPENSES

The following expenses are to be paid by the Trustee from $_____ deposited with the Trustee for that purpose:

Item	Estimated Cost
Bond Counsel	$ _____
Verification Fee of Independent Accountants	_____
Ratings	_____
(Moody's $_____)	
(S&P $_____)	
Underwriter's Counsel	_____
Auditors' review fee	_____
Bond printing	_____
Trustee Fees	_____
Printing and Distribution of Official Statements	_____
Publication of Prior Redemption Notices	_____
Mailing of Prior Redemption Notices	_____
Miscellaneous	_____
Total Estimated Expenses of Issuance	$_____

EXHIBIT C TO BOND RESOLUTION

COUNTY FEDERAL TAXPAYER I.D. NO. _____
COUNTY STATE TAXPAYER I.D. NO. _____

BOND REGISTRAR, TRANSFER AND PAYING AGENT CONTRACT FOR BONDS OF PIMA COUNTY, ARIZONA

This Agreement, made and entered into between the PIMA COUNTY, ARIZONA (hereinafter called "County"), and THE VALLEY NATIONAL BANK OF ARIZONA, PHOENIX, ARIZONA (hereinafter called "Bank").

The County will issue its Sewer Revenue Refunding Bonds, Series 1991 in the original aggregate principal amount of $_____ (hereinafter called "Bonds"). The Board of Supervisors (the "Board") of the County has determined that the services of a Registrar, Transfer and Paying Agent are necessary and in the best interests of County.

Bank desires to perform the Registrar, Transfer and Paying Agent Services during the life of Bonds.

For and in consideration of the mutual promises, covenants, conditions and agreements hereinafter set forth, the parties agree as follows:

1. Services. Bank hereby agrees to provide the following services:

A. Registrar services which shall include, but not be limited to (1) initial authentication and verification of Bonds; (2) keeping a Bond Register in a manner sufficient to comply with Section 149 of the Internal Revenue Code of 1986, as amended (the "Code"); (3) recording transfers of ownership of Bonds promptly as such transfers occur; (4) protecting against double or overissuance; (5) authenticating new Bonds prepared for issuance to transferees of original purchasers; (6) informing County of the need for additional printings of the Bonds should the forms printed prior to initial delivery prove inadequate; and (7) lodging with County the signatures of the persons authorized from time to time to authenticate the Bonds.

B. Transfer agent services which shall include, but not be limited to, (1) receiving and verifying all Bonds tendered for transfer; (2) preparing new Bonds for delivery to transferees and delivering same either by delivery or by mail, as the case may be; (3) destroying Bonds submitted

for transfer; and (4) providing proper information for recordation in the Bond Register.

C. Paying agent services which shall include, but not be limited to, (1) providing a billing to County at least thirty (30) days prior to a Bond principal and interest payment date setting forth the amount of principal and interest due on such date; (2) preparing, executing and mailing proper interest payment checks to each registered owner of Bonds one business day prior to the scheduled payment date or as soon as money for payment of such interest has been transferred to the paying agent; (3) verifying all matured Bonds upon their surrender; (4) paying all principal and all final interest installments at maturity or prior redemption and premiums, if any, due upon Bonds as they are properly surrendered therefor to Bank; (5) preparing a semiannual reconciliation showing all principal and interest paid during the period and providing copies thereof to County and the Arizona Department of Revenue; (6) inventorying all checks, or making and retaining microfiche proof of such checks for six years (or such longer period if advised by County or the law firm of Gust, Rosenfeld & Henderson that a longer period is required by Arizona Law); and (7) making proof of such payments available to the County or any owner or former owner.

2. Record Date. The Record Date for the payment of interest will be the fifteenth day of the month preceding an interest payment date. Normal transfer activities will continue after the Record Date but interest payments will be mailed or wired, as the case may be, to the registered owners of Bonds as shown on the books of Bank on the close of business on the Record Date.

3. Issuance and Transfer of Bonds. Bank will issue Bonds to registered owners, require Bonds to be surrendered and cancelled and new Bonds issued upon transfer, and maintain the Bond Register showing the names and addresses of the owners from time to time of Bonds. Bank shall promptly record in the Bond Register all changes in ownership of Bonds.

4. Payment Deposit. County will transfer immediately available funds to Bank no later than one (1) business day prior to the date on which the interest, principal and premium payments (if any) are due on Bonds. Bank hereby agrees that all moneys held by it as paying agent shall be held in trust for the benefit of the owners of the Bonds. Bank shall not be responsible for payments to owners from any source other than moneys transferred to it by the County.

5. Collateral. Bank shall collateralize the funds on deposit at Bank in accordance with A.R.S. §§ 35-323 and 35-491. Where the collateral is not transferred by Bank to the County Treasurer but is held by Bank, Bank shall provide the

County Treasurer with a safekeeping receipt issued by its trust department which shall show on its face that it is issued for the account of the County Treasurer.

6. Turnaround Time. Bank will comply with the 72-hour turnaround time required by Securities and Exchange Commission Rule 17(A)(d)-(2) on routine transfer items.

7. Fee Schedule; Initial Fee. For its services under this Agreement, the County shall pay the Bank in accordance with the fee schedule set forth in the attached Appendix A, which is incorporated herein by reference. The initial fee for the Bank's services hereunder until the end of the County's current fiscal year is due at the initial delivery of Bonds and will be payable from proceeds of Bonds. Subsequent payments shall be made solely from the Revenues of the County's Sewer System and not from any general revenues of the County.

8. Facility and Services. If requested by County, Bank will provide a facility for the examination and packaging of Bonds prior to Bond closing and assist with all details of Bond closing, including transfer of Bond proceeds. Bank will cause its authorized representative to execute the authentication on the face of the Bonds at least one day prior to actual closing. With the approval of County and upon payment of any added costs and giving of such indemnification as Bank shall reasonably require, custody of the Bonds may be given to the initial purchaser at least one day prior to closing.

9. Hold Harmless. Bank shall indemnify and hold harmless County, its Board, Treasurer, Finance Director and all boards, commissions, officials, officers and employees of County, individually and collectively, from Bank's failure to perform to the standard of care required of Bank hereunder.

10. Standard of Care Required of Bank. In performing its duties hereunder, Bank shall exercise that care which a prudent person would exercise in dealing with his own property and funds.

11. Entire Agreement. This Agreement and Appendix A attached hereto contain the entire understanding of the parties with respect to the subject matter hereof, and no waiver, alteration or modification hereof, shall be binding unless in writing and signed by a duly authorized representative of all parties hereto.

12. Amendment/Termination. County reserves the right to terminate any service of Bank set forth in this Agreement or all of the services upon providing a sixty (60) day prior written notice.

13. Receipt. By execution of this agreement Bank hereby acknowledges receipt of (1) Resolution No. 1991-___ authorizing the issuance of Bonds and the Bond Purchase Agreement for the purchase of the Bonds; (2) a signature certificate showing the actual signatures of the persons executing the Bonds and adopting as and for their signatures the signatures on the Bonds; (3) the County's Receipt acknowledging receipt of payment of the purchase price of the Bonds including any accrued interest or discount thereon; (4) the Bond Counsel opinion of Gust, Rosenfeld & Henderson; and (5) the debt service payment schedule.

14. Reports to Arizona Department of Revenue. Bank shall notify the Arizona Department of Revenue ("Department") pursuant to A.R.S. §§ 35-501 and 502, or successor statutes of the payment of principal on any Bonds and payment of interest thereon for each semiannual interest and bond retirement payment. Alternatively, Bank shall agree to provisions for the making of such reports acceptable to Bank, County and the Department. Copies of all reports shall be delivered to County.

15. Form of Records. The Bank's records shall be in such form as to be in compliance with standards as have been or may be issued from time to time by the Securities and Exchange Commission, the Municipal Securities Rulemaking Board of the United States, the requirements of the Code and any other applicable securities industry standard.

16. Advice of Counsel. When Bank deems it necessary or reasonable, it may apply to Gust, Rosenfeld & Henderson or such other law firm or attorney approved by County for instructions or advice. When consented to in writing by County, costs and expenses for such legal advice shall be paid by County.

17. Examination of Records. County, or its duly authorized agents may examine records relating to the Bonds at the office of Bank where such records are kept at reasonable times as agreed upon with Bank and such records shall be subject to audit from time to time at the request of County or Bank. On request, Bank will furnish County with a list of the names, addresses and other information concerning the owners of the Bonds or any of them.

18. Payment of Unclaimed Amounts. In the event any check representing payment of interest on the Bonds is returned to Bank without endorsement or is not submitted to Bank for payment, or any Bond is not presented for payment of principal or the final interest installment at the maturity or redemption date, if funds sufficient to pay such interest or principal due upon Bonds shall have been made available to Bank for the benefit of the owners thereof, it shall be the

duty of Bank to hold such funds, without liability for interest thereon, for the benefit of the owners of such Bonds who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to the amounts due. Bank's obligation to hold such funds shall continue for a period of two years and six months following the date on which such interest or principal became due, whether at maturity or at the date fixed for redemption thereof, or otherwise, at which time Bank shall surrender any remaining funds so held to County, whereupon any claim of whatever nature by the owners of such Bonds arising under the Bonds shall be made upon County.

19. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision.

20. Conflict of Interest. The County hereby gives notice to Bank that Section 38-511, Arizona Revised Statutes, as amended, provides that the County may within three years after execution hereof cancel this Agreement without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the County or any of its departments or agencies is at any time while this Agreement or any extension of this Agreement is in effect an employee or agent of Bank in any capacity or a consultant to Bank with respect to the subject matter hereof.

This Agreement is dated and effective as of June 15, 1991.

PIMA COUNTY, ARIZONA

By_____
Chairman, Board of Supervisors

ATTEST:

_____
Clerk, Board of Supervisors

_____

By_____
Authorized Officer

APPROVED AS TO FORM:

_____
Bond Counsel

Attach as Appendix A the fee schedule of the Registrar.

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona
County of Pima ss

I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.

I further certify that the attached resolution entitled

RESOLUTION NO. 1991- 182

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 6th *day of* August, 1991, *at which a quorum was present, and that the original resolution is officially of record in my possession.*

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this* 16th *day of* June, 2010.

Lori Godoshian
Clerk

RESOLUTION NO. 1991-182

RESOLUTION AMENDING RESOLUTION NO. 1991-138 AND RATIFYING THE ADOPTION OF RESOLUTION NO. 1991-138 AS HEREIN AMENDED.

WHEREAS, the Board of Supervisors of Pima County, Arizona, has heretofore adopted its Resolution No. 1991-138 authorizing issuance of Pima County Sewer Revenue Refunding Bonds, Series 1991; and

WHEREAS, the County has now been presented with a commitment to purchase a reserve fund guaranty from Financial Guaranty Insurance Company ("FGIC"); and

WHEREAS, in order to purchase the reserve fund guaranty from FGIC, Resolution No. 1991-138 must be amended to conform as a condition to the issuance of a reserve fund guaranty by FGIC;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Resolution No. 1991-138 be amended to read as follows (fully capitalized words indicate new matter; strike throughs indicate deleted matter):

A. That Section 9 of Resolution No. 1991-138 be amended to read as follows:

> Section 9. Rate Covenant. The County covenants and agrees with the Owners that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and produce aggregate Net Revenues in each Fiscal Year equal to at least one hundred twenty percent (120%) of the principal and interest requirements on all Outstanding Bonds for the corresponding Bond Year (treating Variable Rate Obligations as bearing interest at the Assumed Interest Rate and Bonds subject to mandatory redemption as maturing on their respective mandatory redemption dates) AND SAID RATES, FEES AND OTHER CHARGES SHALL ALSO BE ESTABLISHED AND MAINTAINED AT RATES SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR.

B. That Section 10B(2) be amended to read as follows:

2. Bond Fund. Second, on or before the tenth (10th) day of each month, to the Bond Fund the following amounts in the following manner:

(a) Commencing August SEPTEMBER 10, 1991, through December 10, 1991, one-fifth ~~(1/5)~~ ONE-FOURTH (1/4), and commencing January 10, 1992, one-sixth (1/6) of the interest becoming due on the next interest payment date on all Series 1991 Bonds then Outstanding; and

(b) Commencing August SEPTEMBER 10, 1991, through June 10, 1992, one-eleventh ~~(1/11)~~ ONE-TENTH (1/10), and commencing July 10, 1992, one-twelfth (1/12) of the principal becoming due on the next principal payment date on all Series 1991 Bonds then Outstanding.

The proceedings pertaining to the issuance of Parity Bonds shall provide for additional deposits to the Bond Fund sufficient to satisfy all additional or modified debt service requirements.

The Bond Fund shall be a trust fund used solely to pay principal of and interest on the Bonds. Moneys in the Bond Fund shall be transferred to the Paying Agent as needed to pay punctually all principal and interest as it matures or comes due.

C. That Section 12 be amended to read as follows:

Section 12. Remedies of Owners. Any Owner may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction protect the lien on the Net Revenues, enforce and compel performance of all duties imposed upon the County by the provisions hereof or seek the appointment of a receiver as herein provided.

If any default occurs in the payment of principal of or interest on any Bonds, then upon the filing of suit by an Owner, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all Operating Expenses and to make all required payments to the Bond, Reimbursement and Reserve Funds.

FOR ALL PURPOSES OF SECTION 12, EXCEPT THE GIVING OF NOTICE OF DEFAULT TO BONDHOLDERS, THE BOND INSURER SHALL BE DEEMED TO BE THE SOLE HOLDER OF THE BONDS IT HAS INSURED FOR

SO LONG AS IT HAS NOT FAILED TO COMPLY WITH ITS PAYMENT OBLIGATIONS UNDER THE BOND INSURANCE POLICY.

D. That Section 13A(1) be amended to read as follows:

1. The Net Revenues for the completed Fiscal Year immediately preceding the issuance of the Parity Bonds must have been at least equal to one hundred twenty percent (120%) of Maximum Annual Debt Service on all Bonds to be Outstanding immediately after issuance of such Parity Bonds AND SAID NET REVENUES MUST ALSO HAVE BEEN SUFFICIENT TO PROVIDE AN AMOUNT OF NET REVENUES FOR THE THEN CURRENT FISCAL YEAR WHICH, NET OF THE AGGREGATE AMOUNTS REQUIRED TO BE DEPOSITED TO THE BOND FUND DURING SUCH FISCAL YEAR, WILL BE SUFFICIENT TO PROVIDE AT LEAST ONE HUNDRED PERCENT (100%) OF THE CITY'S POLICY COSTS DUE AND OWING IN SUCH FISCAL YEAR as shown by a certificate signed by the Finance Director. For the purposes of the computation required by this subsection, additional amounts may be added to the Net Revenues of the preceding Fiscal Year, as follows: (i) If all or part of the proceeds of the Parity Bonds are to be expended for the acquisition of existing sewer properties, the net revenues which would have been derived from the operation of such acquired sewer properties during the entire immediately preceding Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, (ii) if during such preceding Fiscal Year the County has acquired existing sewer properties, the net revenues which would have been derived from the operation of such sewer properties during such Fiscal Year had such sewer properties been acquired and operating throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues, and (iii) if during such preceding Fiscal Year the County shall have increased its System rates, fees and charges, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by an engineer or engineering firm having a wide and favorable reputation in respect to such matters, may be added to the Net Revenues;

E. That Section 16 of said Resolution No. 1991-138 be amended by adding a new Section C to read as follows:

C. ANY OTHER PROVISION OF THIS SECTION 16 TO THE CONTRARY NOTWITHSTANDING, NO AMENDMENT TO RESOLUTION NO. 1991-138 SHALL BECOME EFFECTIVE UNLESS AND UNTIL IT IS APPROVED BY ALL BOND INSURERS AND RESERVE FUND GUARANTORS APPLICABLE TO THE BONDS.

F. Section 18 of said Resolution No. 1991-138 is amended to read as follows:

Section 18. Method of Valuation; Frequency. In computing the amount in any fund or account, Permitted Investments shall be valued at their market value EXCLUSIVE OF ACCRUED INTEREST. With respect to all Funds and Accounts, valuation shall occur annually ON THE FIRST BUSINESS DAY OF EACH BOND YEAR and immediately upon a withdrawal from the Reserve Fund.

F. Section 19 of said Resolution No. 1991-138 is amended to read as follows:

Section 19. Prior Redemption of Bonds Being Refunded. The Treasurer is ordered and directed to retain an amount of Series 1991 Bond proceeds and moneys in the redemption funds for the Bonds Being Refunded sufficient to pay on the prior redemption date all principal, interest and redemption premiums on all the Pima County, Arizona, Sewer Revenue Bonds, Series of 1980; which Bonds are called for redemption on September 1, 1991 if the Series 1991 Bonds are issued prior to July 25, 1991. If the Series 1991 Bonds are initially issued after July 25, 1991, the Series 1980 Bonds are called for redemption on a date occurring not more than 60 89 days after such issuance. The Clerk of this Board is directed to publish and mail a notice of redemption of the Series 1980 Bonds in the manner directed by this Board's Resolution No. 1979-185. The Treasurer is ordered and directed to pay the premium, accrued interest to the redemption date only and principal on the Series 1980 Bonds upon presentation and surrender on or after the redemption date.

If the Series 1991 Bonds are issued and the Depository Trust Agreement is fully funded, the remaining Bonds Being Refunded shall be called for redemption in accordance with the following schedule:

Name of Series	Prior Redemption Date
Series 1984	July 1, 1994
Refunding Series 1985	July 1, 1993
Project of 1985	July 1, 1995
Project of 1986	July 1, 1995
Series of 1988	July 1, 1997

Bonds of any of the above-mentioned series maturing on or before the prior redemption date will be paid in the normal manner.

H. In all other respects Resolution No. 1991-138, as laid before this Board on June 18, 1991, shall remain the same. As so amended by this resolution, Resolution No. 1991-138 is hereby ratified. Further, this Board hereby incorporates all unamended provisions of said Resolution No. 1991-138 into this resolution as if set forth and as if adopted as a part hereof.

PASSED, ADOPTED AND APPROVED this 6th day of August, 1991.

Reg Morrison
Chairman, Board of Supervisors
AUG 6 1991

ATTEST:

Jane S. Williams
Clerk, Board of Supervisors

APPROVED AS TO FORM:

Anne Darby for: Fred H. Rosenfeld
Bond Counsel

CERTIFICATE

I hereby certify that the foregoing Resolution No. 1991-182 was duly passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on August 6, 1991, and the vote was 3 aye's and 0 nay's and that the Supervisors were present thereat.

Jane S. Williams
Clerk, Board of Supervisors of
Pima County, Arizona

Certificate of Clerk

Board of Supervisors of Pima County, Arizona

State of Arizona
County of Pima ss

I, Lori Godoshian, do hereby certify that I am the duly appointed, and qualified, Clerk of the Board of Supervisors of Pima County, Arizona.

I further certify that the attached resolution entitled

RESOLUTION NO. 2010- 50

(See attached copy)

is a true and correct copy of a resolution passed and adopted by the Board of Supervisors of Pima County, Arizona, at a meeting held on the 9th *day of* March, 2010, *at which a quorum was present, and that the original resolution is officially of record in my possession.*

In Witness Whereof, *I have hereunto set my hand and affixed the seal of the Board of Supervisors of Pima County, Arizona, this* 16th *day of* June, 2010.

Lori Godoshian
Clerk

RESOLUTION NO. 2010- 50

RESOLUTION AUTHORIZING THE CHAIRMAN OF THE BOARD OF SUPERVISORS, THE COUNTY ADMINISTRATOR AND THE FINANCE DIRECTOR TO CAUSE THE SALE AND EXECUTION AND DELIVERY PURSUANT TO A SERIES 2010 OBLIGATION INDENTURE OF SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010, IN AN AGGREGATE PRINCIPAL AMOUNT NOT IN EXCESS OF $165,000,000, EVIDENCING PROPORTIONATE INTERESTS OF THE HOLDERS THEREOF IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID BY PIMA COUNTY, ARIZONA, PURSUANT TO A SERIES 2010 PURCHASE AGREEMENT; AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY WITH RESPECT THERETO OF ALL AGREEMENTS NECESSARY OR APPROPRIATE AS PART OF PURCHASING PROPERTY TO BE PART OF THE SEWER SYSTEM OF THE COUNTY AND PAYMENT OF RELATED FINANCING COSTS INCLUDING THE DELEGATION TO THE CHAIRMAN OF THE BOARD OF SUPERVISORS, THE COUNTY ADMINISTRATOR AND THE FINANCE DIRECTOR OF CERTAIN AUTHORITY WITH RESPECT THERETO; AUTHORIZING THE PREPARATION AND DELIVERY OF AN OFFICIAL STATEMENT WITH RESPECT TO SUCH SERIES 2010 OBLIGATIONS AND ORDERING THE SALE OF SUCH SERIES 2010 OBLIGATIONS; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO SUCH SERIES 2010 OBLIGATIONS AND AUTHORIZING THE FINANCE DIRECTOR TO EXPEND ALL NECESSARY FUNDS THEREFOR

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. Recitals, Findings and Conclusions.

(a) Pursuant to Title 11, Chapter 2, Article 4, Arizona Revised Statutes, as amended (the "Act"), Pima County, Arizona (the "County"), is authorized to purchase, construct or operate a sewer system (the "System"), including the collection, transportation, pumping, treatment and disposal of sewage and to charge fees therefor.

(b) Pursuant to Resolution No. 1991-138 passed and adopted on June 18, 1991, as amended by Resolution No. 1991-182 passed and adopted August 6, 1991, and supplements thereto, the Board of Supervisors of the County (the "Board") has authorized the sale and issuance of various series of sewer revenue and sewer revenue refunding bonds and has authorized loans with the Water Infrastructure Finance Authority of Arizona to finance portions of the System.

(c) It is necessary and in the best interests of the County that additional obligations be incurred and sold and the proceeds thereof be used to purchase, construct and operate additions and improvements to the System. Therefore, the Board intends to execute and deliver a Series 2010 Purchase Agreement, to be dated as of the first day of the month of the dated date of the hereinafter described Series 2010 Obligations (the "Series 2010 Purchase Agreement"), in substantially the form presented at the meeting at which this Resolution was adopted, by which the County will agree to purchase property to be part of the System (the "Series 2010 Property").

(d) The acquisition of the Series 2010 Property will be financed through the sale and execution and delivery of certain proportionate interests (the "Series 2010 Obligations") in the Series 2010 Purchase Agreement pursuant to, and secured by, a Series 2010 Obligation Indenture, to be dated as of the date of the Series 2010 Purchase Agreement (the "Series 2010 Obligation Indenture"), by and between the County and The Bank of New York Mellon Trust Company, N.A., in its separate capacity as trustee (including any successor appointed and acting in such capacity, the "Trustee"), in substantially the form presented at the meeting at which this Resolution was adopted.

(e) The Board intends for the Series 2010 Obligations to be sold to RBC Capital Markets Corporation (the "Underwriter") as provided in a Purchase Contract, to be dated the date of the sale of the Series 2010 Obligations (the "Purchase Contract"), between the County and the Underwriter, in substantially the form presented at the meeting at which this Resolution was adopted.

(f) The Underwriter is required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with selling the Series 2010 Obligations as an underwriter, and in that regard, the County will execute and deliver a Continuing Disclosure Undertaking, to be dated the date of the Series 2010 Obligations (the "Undertaking"), with respect to the Series 2010 Obligations, in substantially the form included as an appendix to the herein described Preliminary Official Statement.

(g) The County has the requisite power and authority to execute and deliver the Series 2010 Purchase Agreement and to cause the sale and execution and delivery of the Series 2010 Obligations, and all acts, conditions and things required by the Constitution and laws of the State of Arizona and the requirements of the County to happen, exist and be performed precedent to and as a condition to the adoption of this Resolution have happened, exist and been performed in the time and manner required to make the Series 2010 Purchase Agreement a valid and binding limited, special obligation of the County.

Section 2. Authorization and Execution and Delivery of Documents and Obligations.

(a) For the purpose of providing funds to finance the Series 2010 Property and the related costs of the sale and execution and delivery of the Series 2010 Obligations, the Series 2010 Obligations shall be sold and executed and delivered as one or more series of obligations (determined as hereinafter provided). The Series 2010 Obligations shall be dated the date of their initial authentication and delivery and shall be in an aggregate principal amount, shall bear

interest, shall be issued in such form and denominations, shall be payable as to interest and principal on such dates, shall be executed in such manner and shall have such other provisions, including, without limitation, provisions with respect to redemption prior to maturity, as set forth in the form of the Series 2010 Obligation Indenture and, as executed and delivered, the Purchase Contract, with such additions, deletions and modifications consistent with this Resolution as shall be approved by the officers of the Trustee executing and delivering the same on behalf of the Trustee, the execution and delivery thereof to constitute conclusive evidence of their approval and of such additions, deletions or modifications. If, and to the extent, the Series 2010 Obligations or any portion thereof meet the requirements therefor pursuant to the Internal Revenue Code of 1986, as amended, the Series 2010 Obligations or such portion thereof may be qualified and sold as "Build America Bonds" ("BABs") with the federal tax credits paid directly to the County. The Chairman of the Board, the County Administrator, the chief financial officer of the County (the "Finance Director") and the designees of any of them (collectively, the "Authorized Representatives") are hereby authorized to determine such matters on behalf of the County and then to take any action, make any modification of documents, enter into any agreements, make any elections or certifications and pay any costs necessary to provide for the sale and execution and delivery of the Series 2010 Obligations or such portion thereof in such manner and to comply with the requirements of such Code and the terms of the Series 2010 Obligations or such portion thereof and any agreement related thereto including causing the Series 2010 Obligations to be issued in multiple series as designated by them. Notwithstanding the foregoing, the aggregate principal amount of the Series 2010 Obligations shall not exceed $165,000,000, the Series 2010 Obligations shall mature over a period not exceeding the term permitted by the Internal Revenue Code of 1986, as amended, in order for the interest paid with respect to the Series 2010 Obligations to be exempt from federal income taxation and the Series 2010 Obligations shall be sold at such prices and shall bear interest at such rates as to result in an effective yield as calculated for federal income tax purposes relative to the issuance of obligations (after taking into account any subsidy resulting from the Series 2010 Obligations or any portion thereof being qualified as BABs), the interest income on which is excluded from gross income, of not to exceed six percent (6%) per annum.

(b) The Authorized Representatives are hereby authorized to execute, and the Clerk of the Board is hereby authorized to attest and deliver, respectively, the Series 2010 Purchase Agreement, the Series 2010 Obligation Indenture, the Purchase Contract and the Undertaking which are hereby approved, with such additions, deletions and modifications as shall be approved by those officers executing and delivering the same on behalf of the County, the execution and delivery thereof to constitute conclusive evidence of their approval, and of such additions, deletions and modifications.

(c) The Trustee is hereby requested to execute and deliver the Series 2010 Obligations, the Series 2010 Purchase Agreement, the Series 2010 Obligation Indenture and the Purchase Contract to accomplish the purposes hereof.

(d) The Authorized Representatives are hereby authorized to cause the sale and execution and delivery of the Series 2010 Obligations and are hereby delegated the authority to complete any information missing in, or necessary for the consummation of the transactions contemplated by, the Series 2010 Purchase Agreement, the Series 2010 Obligation Indenture, the

Purchase Contract and the Undertaking. The Authorized Representatives are authorized to select, and execute and deliver contracts with, appropriate professionals (including special counsel) to provide various professional services with respect to the sale and execution and delivery of the Series 2010 Obligations as well as to provide for such other matters (including credit enhancement providers if deemed advantageous by them) as are necessary in order to accomplish the purposes of this Resolution. The Authorized Representatives are hereby further authorized to execute and deliver any instruments or documents necessary in connection with the purchase of any such credit enhancement, including those making provision for the repayment of amounts advanced for credit enhancement thereunder. The fees, costs and expenses with respect to the foregoing shall be paid from proceeds of the sale of the Series 2010 Obligations or any other legally available moneys. The Finance Director is hereby authorized to receive and expend such funds as necessary to accomplish the purposes of this Resolution, including payment of installment payments related to debt service on the Series 2010 Obligations.

Section 3. Acceptance of Proposal. So long as the terms for the Series 2010 Obligations are within the parameters established by Section 2 hereof, the proposal of the Underwriter pursuant to the Purchase Contract may be accepted. Such acceptance shall be evidenced by the execution and delivery of the Purchase Contract pursuant to Section 2 hereof. The Series 2010 Obligations shall be prepared and executed and delivered following the adoption of this Resolution and shall thereupon be delivered to the Underwriter upon payment therefor in accordance with the terms of the Purchase Contract.

Section 4. Authorization of Official Statement. The Authorized Representatives are hereby authorized to (i) approve the preparation and dissemination by the Underwriter of a Preliminary Official Statement, to be dated the date of the publication thereof (the "Preliminary Official Statement"), relating to the Series 2010 Obligations in substantially the form presented at the meeting at which this Resolution was adopted and (ii) execute and approve the preparation and delivery to, and use by, the Underwriter of a final Official Statement, to be dated the date of the sale of the Series 2010 Obligations (the "Official Statement"), relating to the Series 2010 Obligations in substantially the form of the Preliminary Official Statement with such additions, deletions and modifications consistent with this Resolution as shall be approved by them. If and to the extent applicable, the Authorized Representatives shall certify or otherwise represent that the Preliminary Official Statement, in original or revised form, is a "deemed final" official statement (except for permitted omissions) of the County as of a particular date and that a completed version is a "final" official statement, in both cases, for purposes of the Rule. The distribution and use of the Preliminary Official Statement and the Official Statement by the County and the Underwriter is hereby authorized, ratified, confirmed and approved. The Authorized Representatives are further authorized to use and distribute, or authorize the use and distribution of, any supplements in connection with the original execution and delivery of the Series 2010 Obligations as may be necessary or appropriate and to sign and deliver, on behalf of the County, the Official Statement and such certificates in connection with the accuracy of the Official Statement and any amendment thereto as may be necessary or appropriate.

Section 5. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A., with its designated office in Phoenix, Arizona, is hereby appointed as the Trustee.

Section 6. Severability. It is the intention hereof to confer upon the County the whole of the powers provided for in the Act and if any one or more sections, clauses, sentences and parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions hereof, but shall be confined to the specific sections, clauses, sentences and parts so determined. All prior resolutions or parts thereof in conflict herewith are hereby repealed.

Section 7. Ratification of Actions. All actions of the officers, employees and agents of the County that conform to the purposes and intent of this Resolution and that further the actions contemplated by this Resolution, whether taken before or after adoption of this Resolution, are hereby ratified, confirmed and approved. The proper officers and agents of the County are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the County as may be necessary to carry out the terms and intent of this Resolution.

PASSED, ADOPTED, AND APPROVED by the Board of Supervisors of Pima County, Arizona, on March 9, 2010.

By.....
Ramón O. Valdez, Chairman, Board of Supervisors

MAR 09 2010

ATTEST:

.....
Lori Godoshian, Clerk, Board of Supervisors

APPROVED AS TO FORM:

By.....
Regina L. Nassen, Deputy County Attorney

329228672.2-3/4/2010

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

CERTIFICATE OF THE COUNTY REQUIRED BY THE OBLIGATION PURCHASE AGREEMENT

The undersigned, acting for and on behalf of Pima County, Arizona (the "*County*"), does hereby certify that I hold the office of Finance and Risk Management Director of the County. With respect to words indicated below with initial capitals, I have adopted the definitions established in the Purchase Contract between the County and RBC Capital Markets Corporation, dated June 2, 2010 (the "*Purchase Contract*"), with respect to the above-referenced Obligations. To the best of my knowledge, I do further certify:

1. that the representations and warranties of the County contained in the Purchase Contract are true and correct in all material respects on and as of the date hereof as if made on the date hereof;

2. that no litigation or proceeding or tax challenge against the County is pending or overtly threatened in any court or administrative body nor is there a basis for litigation which would (a) contest the right of the directors or officers of the County to hold and exercise their respective positions, (b) contest the due organization and valid existence of the County, (c) contest the validity, due authorization and execution of the Obligations or the County Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the County from functioning and collecting, pledging or paying Pledged Revenues to make installment payments under the Purchase Agreement;

3. that the Authorizing Resolution authorizing the execution, delivery and/or performance of the Official Statement, the Obligations, the County Documents and the Tax Agreement have been duly adopted by the County, is in full force and effect and has not been modified, amended or repealed; and

4. that no event affecting the County has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any material respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date hereof does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Dated: June 17, 2010.

.....

Thomas E. Burke
Finance and Risk Management Director, Pima County, Arizona

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

REQUEST TO AUTHENTICATE AND DELIVER

Pima County, Arizona (the "*County*"), by the undersigned officer of the County, requests and authorizes The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), under the Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), by and between the County and the Trustee and pertaining to the above-referenced Obligations (the "*Obligations*"), to complete and to execute and deliver the Obligations.

The Obligations shall be delivered on the order of RBC Capital Markets Corporation (the "*Underwriter*"), upon payment in federal funds at the direction of the County of the sum of $176,124,575.56, being the principal amount ($165,000,000.00), plus original issue premium ($13,210,653.70), less Underwriter's discount ($1,320,000.00), and less the premium for the Series 2010 Policy (as defined in the Indenture) paid by the Underwriter to the Series 2010 Insurer (as defined in the Indenture) on behalf of the County ($766,078.14), all in accordance with the Indenture.

The Obligations to be initially authenticated and executed and delivered, all dated the date hereof, shall mature on July 1, in the years and in the principal amounts, and shall bear interest at the rates per annum, payable on each interest payment date, all as set forth below opposite the year of maturity as fully registered Obligations, numbered as determined by the Trustee, one per maturity and registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York:

Year	Principal Amount	Interest Rate
2014	$ 2,000,000	4.000%
2015	1,600,000	2.500
2015	400,000	4.000
2016	1,000,000	3.000
2016	1,000,000	4.000
2017	2,300,000	3.250

Year	Principal Amount	Interest Rate
2017	$12,225,000	4.500%
2018	775,000	3.500
2018	14,375,000	5.000
2019	250,000	3.750
2019	15,645,000	5.000
2020	1,365,000	4.000
2020	15,320,000	5.000
2021	17,510,000	5.000
2022	18,385,000	5.000
2023	19,300,000	5.000
2024	20,270,000	5.000
2025	21,280,000	5.000

Dated: June 17, 2010.

PIMA COUNTY, ARIZONA

By.....

Thomas E. Burke
Finance and Risk Management Director

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

RECEIPT OF THE COUNTY TREASURER
FOR OBLIGATION PROCEEDS

The undersigned officer of Pima County, Arizona (the "*County*"), does hereby acknowledge that the above-referenced Obligations (the "*Obligations*") have been received on behalf of, and paid for in full by, the purchaser thereof in full in accordance with the terms of the contract for the sale and purchase of the Obligations.

I acknowledge receipt of a portion of said payment in the amount of $164,496,625.56 from The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), under the Series 2010 Obligation Indenture, dated as of June 1, 2010, by and between the County and the Trustee pursuant to which the Trustee executed and delivered the Obligations, which amount shall be deposited into the Improvements Fund established by the Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "*Purchase Agreement*"), by and between The Bank of New York Mellon Trust Company, N.A., as seller, and the County, as purchaser, and will be used or held for use solely for the payment of the costs of acquisition and construction of the Series 2010 Projects (as defined in the Purchase Agreement).

Dated: June 17, 2010.

Beth Ford
.....
Beth Ford
County Treasurer, Pima County, Arizona

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 21, 2010

NEW ISSUE - BOOK-ENTRY-ONLY **RATINGS: See "Ratings" herein**

In the opinion of Greenberg Traurig, LLP, Special Counsel, assuming compliance with certain tax covenants, the portion of each installment payment made by the County pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement with respect to the 2010 Obligations (the "Interest Portion") received by the Holders of 2010 Obligations will be excludable from gross income for federal income tax purposes, will not be an item of tax preference for purposes of the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, and will not be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The Interest Portion received by the Holders of 2010 Obligations will also be exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excluded from gross income for federal income tax purposes. See "TAX MATTERS" herein for a description of certain federal tax consequences of ownership of the 2010 Obligations.

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

Dated: Date of Initial Delivery **Due: July 1, as shown on inside cover**

The $165,000,000* Sewer System Revenue Obligations, Series 2010 (the "2010 Obligations") are being executed and delivered pursuant to a Series 2010 Obligation Indenture, to be dated as of June 1, 2010, between the Pima County, Arizona (the "County"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest on the 2010 Obligations will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2011. The 2010 Obligations will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), for purposes of the book-entry-only system described herein and will be available to ultimate purchasers in the amounts of $5,000 of principal represented by the 2010 Obligations due on a specific maturity date, or any integral multiple thereof, pursuant to the book-entry-only system maintained by DTC. Payments of principal and interest with respect to the 2010 Obligations will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the 2010 Obligations. See Appendix J - "BOOK-ENTRY-ONLY SYSTEM."

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

MATURITY SCHEDULE AND ADDITIONAL INFORMATION ON INSIDE FRONT COVER PAGE

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

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

The 2010 Obligations are offered when, as and if executed and delivered by the Trustee and received by the underwriter identified below (the "Underwriter"), subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the 2010 Obligations and tax-exemption. Certain legal matters will be passed upon for the Underwriter by its counsel, Squire, Sanders & Dempsey L.L.P. It is expected that the 2010 Obligations will be available for delivery through the facilities of DTC on or about June 17, 2010.*

This cover page contains only a brief description of the 2010 Obligations and the security therefor. It is not intended to be a summary of material information with respect to the 2010 Obligations. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

RBC Capital Markets

Dated: June __, 2010

*Preliminary, subject to change.

MATURITY SCHEDULE

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

Principal Payment Date (July 1)*	Principal Amount*	Interest Rate	Yield
2014	$10,365,000		
2015	10,885,000		
2016	11,430,000		
2017	12,000,000		
2018	12,600,000		
2019	13,230,000		
2020	13,895,000		
2021	14,585,000		
2022	15,315,000		
2023	16,080,000		
2024	16,885,000		
2025	17,730,000		

* Preliminary, subject to change.

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS

Ramón Valadez, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Richard Eliás

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C. H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

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

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

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

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

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

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

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

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is to provide information in connection with the sale and execution and delivery of the $165,000,000* Sewer System Revenue Obligations, Series 2010 (the "2010 Obligations"), evidencing proportionate interests of the holders thereof in certain installment payments (the "Purchase Payments" and collectively, the "Purchase Price") to be paid by Pima County, Arizona (the "County") pursuant to a Series 2010 Purchase Agreement, to be dated as of June 1, 2010 (the "Purchase Agreement"), between The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in its separate capacity as seller, and the County. The 2010 Obligations will be executed and delivered pursuant to a Series 2010 Obligation Indenture, to be dated as of June 1, 2010 (the "Indenture"), between the County and the Trustee in its separate capacity as trustee thereunder.

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

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

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

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

THE 2010 OBLIGATIONS

Authorization and Purpose

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

*Preliminary, subject to change.

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

General Provisions

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

Redemption Provisions*

Optional Redemption. The 2010 Obligations maturing on or prior to July 1, 2020, are not subject to redemption prior to maturity. The 2010 Obligations maturing on and after July 1, 2021, are subject to redemption, in whole or in part on any date on or after July 1, 2020, in increments of $5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity by payment of the principal amount of each 2010 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

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

Notice of and Procedure for Redemption

Notice of any redemption, identifying the redemption date, the redemption price, the particular 2010 Obligations, or portions thereof, to be redeemed and the place where the 2010 Obligations to be redeemed are to be surrendered for payment (which place will be the designated office of the Trustee) will be sent by first-class mail not less than 30 nor more than 60 days prior to the date fixed for redemption to the Holder of each 2010 Obligation, initially DTC, to be redeemed, in whole or in part, at the address shown on the registration books maintained by the Trustee or at such other address as may be furnished by such Holders to the Trustee.

Any notice of redemption given as described in the preceding paragraph will also contain a statement that on the redemption date, the redemption price of such 2010 Obligations called for redemption will become due and payable and that, from and after such date, the 2010 Obligations being redeemed will cease to accrue interest; provided, that in the case of an optional redemption of any 2010 Obligation, such redemption notice will also state that the call for optional redemption is conditioned upon the deposit with the Trustee of an amount sufficient to pay the principal of and premium (if any) due on the 2010 Obligations on the redemption date.

* Preliminary, subject to change.

SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS

General

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

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

Source of Purchase Payments

The obligation of the County to make the Purchase Payments under the Purchase Agreement will be payable from and secured by a lien on, pledge of, and security interest in the Pledged Revenues. "Pledged Revenues" are Revenues (including any unrestricted cash balances of the System) remaining after deducting Operating Expenses subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. "Revenues" are all income, moneys and receipts derived by the County from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding (i) any amounts received that the County is contractually required to pay out as reimbursement for acquisition, construction or installation of the System, (ii) the proceeds of the 2010 Obligations or any Additional Obligations or the interest received on any proceeds of Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any 2010 Obligations or Additional Obligations, or (iii) any non-cash capital contributions received by the County for the use and operation of the System. "Operating Expenses," when used with regard to the 2010 Obligations and the Additional Obligations, are the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, and insurance, but excluding (i) non-cash transactions, including depreciation or loss on disposal or transfer of assets, (ii) principal and interest requirements on the 2010 Obligations and Additional Obligations, (iii) payments required to be made by the County for deposit into the Debt Service Reserve Account or a debt service reserve account with respect to Additional Obligations, and (iv) the Rebate Requirement and any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Code with respect to any Additional Obligations.

Such lien on, pledge of and security interest in the Pledged Revenues is (a) subject to the prior pledge thereof and lien thereon for $242,292,980 outstanding principal amount of Prior Obligations, which were authorized and issued or incurred pursuant to Resolution No. 1991-138, adopted by the Board on June 18, 1991, as supplemented and amended (collectively, the "Senior Resolution"), and (b) on a parity with any Additional Obligations subsequently issued or incurred under separate documentation in accordance with the Purchase Agreement.

The pledge of, lien on and security interest in the Pledged Revenues will be irrevocably made in the Purchase Agreement and created for the prompt and punctual payment of the principal of and interest on the 2010 Obligations and Additional Obligations, according to their terms and to make other payments specified. None of the

2010 Obligations or the Additional Obligations will be entitled to priority or distinction over any of the others in the application of the Pledged Revenues, regardless of the incurrence of the 2010 Obligations or any of the Additional Obligations in series or the delivery of the 2010 Obligations or any of the Additional Obligations prior to the delivery of the 2010 Obligations or any other of the Additional Obligations of that series or regardless of the time or times the 2010 Obligations or the Additional Obligations mature or are called for redemption prior to maturity or otherwise. The 2010 Obligations and the Additional Obligations will be co-equal as to the pledge of and lien on the Pledged Revenues for the payment thereof and will share ratably, without preference, priority or distinction, as to the source or method of payment or security therefore.

See Appendix G - "SENIOR RESOLUTION SUMMARY" and Appendix H - "2010 OBLIGATIONS DOCUMENTS SUMMARIES.

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

Debt Service Reserve Account

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

Rate Covenant

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

Outstanding Prior Obligations; No Future or Additional Prior Obligations

As noted above, the County currently has $242,292,980 principal amount of Prior Obligations outstanding which were issued or incurred pursuant to the Senior Resolution and are payable from and secured by a pledge of and a lien on Net Revenues (being that portion of the Revenues after payment of the Prior Obligation's Operating Expenses) which is prior and senior to the claim of the 2010 Obligations and any Additional Obligations issued or incurred in accordance with the Purchase Agreement. For further information on the Prior Obligations, see APPENDIX C – "PIMA COUNTY, ARIZONA –Financial Information – Sewer Revenue Debt Outstanding."

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

Additional Obligations

Pursuant to the provisions of the Purchase Agreement, the County may, in the future, incur Additional Obligations if the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to 120 percent of the Parity Lien Test Debt Service including such Additional Obligations to be issued and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Bond Fund established for the Prior Obligations and the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to Policy Costs and any Credit Facility, respectively, due and owing in such Fiscal Year. "Parity Lien Test Debt Service" is the highest aggregate Principal Requirement and Interest Requirement of all 2010 Obligations and Additional Obligations then Outstanding, including the Additional Obligations to be issued, and principal and interest requirement for the Prior Obligations to fall due and payable in the current or any future Bond Year. For Additional Obligations Outstanding or proposed to be issued, that were or are to be issued as designated "Build America Bonds" under federal law, the Interest Requirement is to be computed by netting the amount of any federal interest credit payments against the interest on such Additional Obligations.

OBLIGATION INSURANCE AND RELATED RISK FACTORS

The County has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the 2010 Obligations. The 2010 Obligations may or may not be issued with bond insurance and the decision whether to use bond insurance on all or a portion of the 2010 Obligations will be subject to market conditions at the time of pricing of the 2010 Obligations.

If the Policy is obtained, there are certain risk factors related to any applicable bond insurance policy. In the event of default in the payment of principal or interest with respect to all or a portion of the 2010 Obligations when due, any Holder of the 2010 Obligations will have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure the payment of any applicable redemption premium. The payment of principal and interest in connection with mandatory or optional redemption of the 2010 Obligations which is recovered from a Holder as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the issuer of the Policy (the "2010 Insurer") at such time and in such amounts as would have been due absent such redemption unless the 2010 Insurer chooses to pay such amounts at an earlier date.

The 2010 Insurer may direct, and must consent to, any remedies that the Trustee exercises and the 2010 Insurer's consent may be required in connection with amendments to the Indenture or the Purchase Agreement.

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

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

If insured, the 2010 Obligations would be general obligations of the 2010 Insurer and in an event of default by the 2010 Insurer, the remedies available to the Trustee may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the County, Special Counsel, the Underwriter or counsel to the Underwriter has made any independent investigation of the claims paying ability of the 2010 Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 2010 Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to pay principal and interest on the 2010 Obligations and the claims paying ability of the 2010 Insurer, particularly over the life of the investment.

THE 2010 PROJECTS

The proceeds of the 2010 Obligations will be used primarily to pay a portion of the costs of the 2010 Projects (the "Series 2010 Property") which consists of the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System, including the Ina Road and Roger Road Wastewater Reclamation Facilities.

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

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Proceeds of 2010 Obligations	$
Net Reoffering Premium/ (Discount)	
Total Sources	$
Uses of Funds:	
Series 2010 Property Delivery Costs [(a)]	$
Total Uses	$

[(a)] Costs related to the execution and delivery of the 2010 Obligations, including insurance premium, if any, and Underwriter's compensation.

DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE

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

Pima County, Arizona
Schedule of Annual Sewer Revenue Obligation Debt Service Requirements
and Projected Debt Service Coverage [a]

Fiscal Year Ending	Projected Pledged Revenues [b]	Prior Obligations Debt Service Requirements	2010 Obligations		Prior Obligations & 2010 Obligations Debt Service Requirements*	Prior Obligations & 2010 Obligations Debt Service Coverage*
			Principal*	Interest*[c]		
2010	$57,791,944	$26,811,547			$26,811,547	2.16x
2011	91,122,733	25,915,468		$8,570,833	34,486,302	2.64
2012	111,443,527	24,675,591		8,250,000	32,925,591	3.38
2013	137,434,678	24,733,353		8,250,000	32,983,353	4.17
2014	162,253,094	25,913,370	$10,365,000	8,250,000	44,528,370	3.64
2015		25,924,256	10,885,000	7,731,750	44,541,006	
2016		23,498,267	11,430,000	7,187,500	42,115,767	
2017		17,737,729	12,000,000	6,616,000	36,353,729	
2018		17,830,004	12,600,000	6,016,000	36,446,004	
2019		17,952,761	13,230,000	5,386,000	36,568,761	
2020		18,073,423	13,895,000	4,724,500	36,692,923	
2021		18,121,373	14,585,000	4,029,750	36,736,123	
2022		18,253,004	15,315,000	3,300,500	36,868,504	
2023		18,380,561	16,080,000	2,534,750	36,995,311	
2024		7,828,829	16,885,000	1,730,750	26,444,579	
2025		3,841,200	17,730,000	886,500	22,457,700	
2026		3,879,200			3,879,200	

* Preliminary, subject to change.

[a] Amounts may not add due to rounding.
[b] Reflects projected Pledged Revenues as estimated by the County's Finance and Risk Management Department.
[c] Interest is estimated at 4.10%.

LITIGATION

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

On October 17, 2007, the Town of Marana, Arizona (the "Town"), filed a lawsuit against the County following failed negotiations over the transfer to the Town of the sewer treatment facilities and conveyance system within the Town. The Town later rescinded its 1979 agreement with the County, under which the County operated and supplied sewer services to the Town. On June 11, 2008, the Superior Court of Maricopa County, Arizona ruled that the County does not have the right to provide sewer service within the Town without the Town's permission. An evidentiary hearing on the extent of the Town's ownership interest in sewer facilities was held in November, 2009, resulting in a decision that the Town is entitled to certain sewers located within its boundaries, but also that the County retains ownership of all sewers it has identified as "flow-through" sewers. A trial was held in March, 2010, regarding the issue of ownership of the Marana Wastewater Reclamation Facility, currently operated by the County. A decision on that issue is expected by early July, 2010. The liability and future outcome of this litigation is unknown at this time. However, the sewer treatment facilities which are the subject of the dispute currently constitute only 700,000 gallons per day of capacity, which represents approximately 0.8% of the entire System. Therefore, the impact of the lawsuit on System revenues is not expected to be material.

Seaboard Surety Company filed suit against the County in 2007 alleging that the County breached a surety agreement with Seaboard by overpaying the contractor for work done on the Ina Road Wastewater Reclamation Facility Expansion Project, and by paying the contractor for work that was defective and had to be redone when the contractor defaulted and Seaboard took over the project. It alleges $4,273,257.56 in damages for this claim, which the County is actively opposing, both in terms of Seaboard's entitlement and the amount. Seaboard also alleges that it is the proper recipient of $4,038,000.69 in retained funds held by the County and has demanded that the County release these funds to Seaboard. The County asserts that the retained funds properly belong to it due to liquidated damage claims against the principal contractor and the contractor's assignee and has filed a counterclaim to that effect. A trial date has been set for October 4, 2010. The attorneys for the County do not believe it is likely that Seaboard, even if its claims are upheld by a court, will be successful in obtaining an award of the full amount of both claims. Therefore, it is not expected that this lawsuit will have a materially adverse impact on the financial status of the System.

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

TAX MATTERS

General

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

The Code prescribes a number of qualifications and conditions for the Interest Portion to be and remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the County to the federal government, require future or continuing compliance after delivery of the 2010 Obligations in order for the Interest Portion to be and to remain so excluded from the date of execution and delivery. Such opinion on such tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain continuing covenants of the County contained in documents which are part of the transcript of proceedings for the 2010 Obligations and that are intended to evidence and assure that the Interest Portion will remain excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the certifications and representations, or compliance with the covenants, made by the County. Noncompliance with these requirements could cause the Interest Portion to be included in gross income for federal income tax purposes and to be subject to federal and State of Arizona income taxation retroactive to the date of execution and delivery of the 2010 Obligations. The County has covenanted in the Purchase Agreement to take all such actions that may be required of it for the Interest Portion to be and remain excluded from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion.

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

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

Original Issue Discount

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

from those described above. Prospective purchasers of the Discount Obligations should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Obligations and with respect to the state and local tax consequences of owning and disposing of the Discount Obligations.

Amortizable Premium

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

LEGAL MATTERS

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

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

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

RATINGS

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

UNDERWRITING

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

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the County's Finance and Risk Management Director, the descriptions and statements contained in this Official Statement relating to the County and its operation and properties were at the time of the sale of the 2010 Obligations, and are at the time of the delivery thereof, true, correct and complete in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended prior to the date of delivery of the 2010 Obligations, the foregoing confirmation will also encompass such supplements or amendments. All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the 2010 Obligations to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2011 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notices of Material Events"). The Annual Reports and the Notices of Material Events will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system ("EMMA") as described in Appendix I - "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The specific nature of the information to be contained in the Annual Reports and the Notices of Material Events is set forth in Appendix I – "FORM OF CONTINUING DISCLOSURE UNDERTAKING."

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

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

FINANCIAL STATEMENTS

The financial statements of the Pima County Regional Wastewater Reclamation Enterprise Fund and excerpts of the County's Comprehensive Annual Financial Report as of June 30, 2009 and for the fiscal year then

ended, which are included as Appendices E and F of this Official Statement, respectively, have been audited by Heinfeld & Meech and the Office of the Auditor General, State of Arizona, respectively, as stated in their respective opinions which appear in Appendices E and F. The County neither requested nor obtained the consent of Heinfeld & Meech or the Office of the Auditor General to include their reports and Heinfeld & Meech and the Office of the Auditor General have performed no procedures subsequent to rendering their opinions on the financial statements.

ADDITIONAL INFORMATION

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

CONCLUDING STATEMENT

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

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

PIMA COUNTY, ARIZONA

By:_____
Chairman, Board of Supervisors

By:_____
County Administrator

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APPENDIX A

PIMA COUNTY, ARIZONA
REGIONAL WASTEWATER RECLAMATION DEPARTMENT

Organization and Administration

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

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

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

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

Wastewater Fees and Revenues

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

User Fees

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

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

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

SUMMARY OF WASTEWATER USER FEES

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

(a) The dates shown reflect the date the User Fee increases were adopted by the Board and does not directly correspond to the effective date of the various increases.

(b) Indicates the range of user fee rates applied to various commercial/industrial users whose sewage flow contributions are in excess of normal, domestic strength sewage.

(c) During the fiscal year 2006-07, two rate increases were approved. The first 6% rate increase was effective on August 11, 2006 and the second 6% rate increase was effective on January 1, 2007.

(d) At the Board of Supervisors meeting on December 11, 2007, two rate increases were approved. The first rate increase of 9% was effective January 1, 2008 and the second rate increase of 9.5% was effective beginning July 1, 2008.

(e) At the Board of Supervisors meeting on February 17, 2009, three rate increases were approved. The first rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates was effective March 20, 2009; the second rate increase of 12.75% for user fee rates was effective July 1, 2009; and the third rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates was effective January 1, 2010.

(f) At the Board of Supervisors meeting on March 9, 2010, four rate increases were approved. The first rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2010; the second rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2011; the third rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2012; and the fourth rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2013.

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

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

SUMMARY OF PERCENTAGE INCREASES IN RESIDENTIAL USER FEE RATES

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

(a) The 12% rate increase represents two 6% rate increases that occurred during the fiscal year.

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

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

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

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

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

SUMMARY OF USER FEE REVENUES

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

* Changes in Total Billed User Fee Revenue.

Source: Wastewater Department

Connection Fees

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

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

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

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

CONNECTION FEE REVENUES

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

Source: Wastewater Department

Other Fees and Charges

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

REVENUES FROM OTHER FEES AND CHARGES

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

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

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

Source: Wastewater Department

Accounting and Billing

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

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

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

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

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

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

Source: Wastewater Department

Litigation and Administrative Actions

On October 17, 2007, the Town of Marana, Arizona (the "Town"), filed a lawsuit against the County following failed negotiations over the transfer to the Town of the sewer treatment facilities and conveyance system within the Town. The Town later rescinded its 1979 agreement with the County, under which the County operated and supplied sewer services to the Town. On June 11, 2008, the Superior Court of Maricopa County, Arizona ruled that the County does not have the right to provide sewer service within the Town without the Town's permission.

An evidentiary hearing on the extent of the Town's ownership interest in sewer facilities was held in November, 2009, resulting in a decision that the Town is entitled to certain sewers located within its boundaries, but also that the County retains ownership of all sewers it has identified as "flow-through" sewers. A trial was held in March, 2010, regarding the issue of ownership of the Marana Wastewater Reclamation Facility, currently operated by the County. A decision on that issue is expected by early July, 2010. The liability and future outcome of this litigation is unknown at this time. However, the sewer treatment facilities which are the subject of the dispute currently constitute only 700,000 gallons per day of capacity, which represents approximately 0.8% of the entire System. Therefore, the impact of the lawsuit on System revenues is not expected to be material.

Seaboard Surety Company filed suit against the County in 2007 alleging that the County breached a surety agreement with Seaboard by overpaying the contractor for work done on the Ina Road Wastewater Reclamation Facility Expansion Project, and by paying the contractor for work that was defective and had to be redone when the contractor defaulted and Seaboard took over the project. It alleges $4,273,257.56 in damages for this claim, which the County is actively opposing, both in terms of Seaboard's entitlement and the amount. Seaboard also alleges that it is the proper recipient of $4,038,000.69 in retained funds held by the County and has demanded that the County release these funds to Seaboard. The County asserts that the retained funds properly belong to it due to liquidated damage claims against the principal contractor and the contractor's assignee and has filed a counterclaim to that effect. A trial date has been set for October 4, 2010. The attorneys for the County do not believe it is likely that Seaboard, even if its claims are upheld by a court, will be successful in obtaining an award of the full amount of both claims. Therefore, it is not expected that this lawsuit will have a materially adverse impact on the financial status of the System.

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

Capital Improvements

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

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

The Wastewater Department has budgeted approximately $87.0 million for the CIP for fiscal year 2009-10, $170.0 million for the CIP for fiscal year 2010-11 and has a 5-year plan totaling $805.0 million. Highlights of the CIP projects under construction and planning efforts underway include:

- Ina Road ROMP Project – This project consists of the design and construction of new facilities and modifications to the existing wastewater treatment system at the Ina Road wastewater facility for nutrient removal and biosolids improvements and to add 12.5 MGD capacity. The modifications to the treatment system will accommodate a future biological phosphorus removal system and will upgrade the effluent disinfection process. Approximately $115.0 million is expected to be spent on this project in fiscal year 2010-11.

- Plant Interconnect (Santa Cruz Interceptor Phase III) – The project is the final phase of the Santa Cruz Interceptor projects to offload the Northwest Interceptor, which often is surcharged, and also to reduce wastewater flows in the Santa Cruz Central and the Santa Cruz East interceptors. The project includes replacement of existing sluice gates and construction of a new, large diameter gravity interceptor sewer. Approximately $11.0 million is expected to be spent on this project in fiscal year 2010-11.

- ROMP Plant Interconnect – The Plant Interconnect will provide the ability to divert part of the flow normally treated at the Roger Road Facility to the Ina Road Facility and vice-versa. This will allow de-activation of parts of either plant for repairs or maintenance and allow the balancing of treatment demand with available plant capacity. Approximately $6.0 million is expected to be spent on this project in fiscal year 2010-11.

- Roger Road 32MGD Reclamation Campus – This project consists of the design and construction of a 32 MGD facility in the vicinity of the existing Roger Road wastewater treatment plant to achieve nutrient removal. The wastewater treatment system will accommodate a future biological phosphorus removal system. Approximately $12.5 million is expected to be spent on this project in fiscal year 2010-11.

Financial Data

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

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

	Fiscal Year Ended June 30			
	2005-2006	**2006-2007**	**2007-2008**	**2008-09**
REVENUES:				
Sewer Utility Service	$ 61,735,147	$ 69,294,198	$ 74,636,355	$ 86,738,469
Sewer Connection Revenue	42,219,962	30,756,891	31,036,931	18,283,654
Engineering Review & Inspection Fees	29,005	80,912	65,769	91,822
Other Income [(a)]	1,843,295	3,826,947	3,525,367	873,247
Gross Revenues	105,827,409	103,958,948	109,264,422	105,987,192
MAINTENANCE AND OPERATIONS COSTS:				
Employees Compensation	27,541,776	29,627,566	34,526,659	33,947,157
Consultants and Outside Services	5,113,446	6,788,680	9,515,947	6,943,746
Treatment Supplies and Chemicals	7,616,054	10,221,597	9,789,655	9,845,204
Repairs & Maintenance	4,291,962	5,610,027	3,877,604	5,478,004
General and Administrative	11,735,333	14,943,334	18,123,891	15,892,212
Capital Expenses	1,072,669	2,405,380	2,687,020	1,079,718
Maintenance and Operations Cost	57,371,240	69,596,584	78,520,776	73,186,041
Net Revenues	48,456,169	34,362,364	30,743,646	32,801,151
PRIOR OBLIGATIONS DEBT SERVICE:				
Debt Service Payments	15,668,431	20,292,785	20,545,429	23,676,183
Debt Service Coverage	3.09X	1.69X	1.50X	1.39X
Net Revenue Remaining After Debt Service	$ 32,787,738	$ 14,069,579	$ 10,198,217	$ 9,124,968

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

Source: Fiscal year 2005-06 through 2008-09: Annual audited financial statements for the Pima County Regional Wastewater Reclamation Enterprise Fund, excluding all grant activity.

The following table depicts the County's projected financial data for the System, based on the Financial Plan which was approved by the Board of Supervisors on March 9, 2010, for the current and next four fiscal years. **The information presented constitutes "forward looking statements" which must be read with an abundance of caution and may not be realized or may not occur in the future.**

Pima County Regional Wastewater Reclamation Enterprise Fund
Comparative Statements of System Gross Revenues, Operation and Maintenance Expenditures and Projected Pledged Revenues Available for Debt Service

	Fiscal Year Ended June 30				
	Projected [(a)] 2009-10	**2010-2011**	**2011-2012**	**2012-2013**	**2013-2014**
System Revenues:					
Sewer Utility Service	$111,506,522	$125,673,394	$137,806,733	$153,358,557	$170,763,385
Sewer Connection Revenue	17,001,500	20,235,000	21,550,275	23,382,048	25,369,522
Engineering Review & Inspection Fees	20,000	91,822	91,822	91,822	91,822
Other Income	682,750	3,213,492	4,285,656	4,436,781	4,601,959
Total Revenues	129,210,772	149,213,708	163,734,486	181,269,208	200,826,688
Operations And Maintenance Costs:					
Employees Compensation	33,637,301	36,620,059	37,297,962	38,593,022	39,957,912
Other Operation and Maintenance Costs	41,334,871	41,928,263	43,444,841	45,023,534	47,789,532
Capital Expenses	3,880,046	4,356,353	4,497,934	4,644,117	4,795,051
Operations and Maintenance Costs	78,852,218	82,904,675	85,240,738	88,260,673	92,542,495
Net Revenues (b)	50,358,554	66,309,033	78,493,748	93,008,535	108,284,193
Cash Balances Remaining After Reserves	7,433,390	24,813,700	32,949,778	44,426,143	53,968,900
Pledged Revenues	57,791,944	91,122,733	111,443,527	137,434,678	162,253,094
Debt Service Payments on Prior Obligations	26,811,546	25,915,468	24,675,591	24,733,353	25,913,370
Debt Service on Obligations (c)	-	13,043,250	23,791,500	36,031,500	66,493,235
Total Debt Service Payments	26,811,546	38,958,718	48,467,091	60,764,853	92,406,605
Debt Service Coverage for Prior Obligations (d)	2.16	2.56	3.18	3.76	4.18
Debt Service Coverage for Obligations and Prior Obligations (e)	2.16	2.34	2.30	2.26	1.76

(a) As estimated by the County's Finance and Risk Management Department based on actual revenues and expenses through February 28, 2010.
(b) Reflects Net Revenues as defined for the Prior Obligations.
(c) Reflects 2010 Obligations and County's anticipated Additional Obligations of $632 million issued through fiscal year 2014.
(d) Reflects ratio of Net Revenues (as defined for Prior Obligations) to debt service on Prior Obligations.
(e) Reflects ratio of Pledged Revenues to debt service on the 2010 Obligations, anticipated Additional Obligations and the Prior Obligations.

Source: County Finance and Risk Management Department.

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APPENDIX B

PIMA COUNTY, ARIZONA
General Economic and Demographic Information

General Information

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

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

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

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

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

Organization

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

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

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

County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with Pima County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Transportation

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

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Commerce indicate that 361,900 persons were employed, on average (not including the agricultural industry), in the County in 2009. The following table presents the County's average annual total employment by industry for the periods indicated. During the recent recession, employment has decreased in the County as reflected in the information shown below for 2008 through 2010 year-to-date.

TABLE 2
Pima County
Average Annual Employment
Number of Persons Employed 2005-2010

Industry	2005	2006	2007	2008	2009	2010 (a)
Goods Producing						
Natural Resources and Mining	1,400	1,600	1,800	1,900	1,700	1,700
Construction	25,700	27,900	26,500	22,800	16,500	14,000
Manufacturing	28,300	28,100	27,500	27,200	25,100	24,300
Service Providing						
Trade, Transportation and Utilities	59,600	62,700	64,300	62,700	58,200	57,100
Information	7,200	6,800	5,900	5,300	4,800	4,500
Financial Activities	16,500	17,600	18,200	17,200	17,400	17,400
Professional and Business Services	45,900	49,700	52,600	51,400	47,300	47,200
Education and Health Services	50,500	52,600	54,700	57,100	58,600	59,200
Leisure and Hospitality	39,800	40,600	40,200	40,400	38,700	38,800
Other Services	14,700	15,800	15,800	15,700	14,700	14,200
Government	77,100	76,300	77,900	79,800	78,900	78,700
Total Wage & Salary Employment	366,700	379,700	385,400	381,500	361,900	357,100

(a) Through March 2010.

Source: Arizona Department of Commerce.

The average unemployment rate for the County in 2009 was 8.3%. The average annual unemployment rate for 2008 and 2007 was 5.1% and 3.6%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States for the periods indicated. As reflected for the United States as a whole, the unemployment rate for Arizona and for the County has seen significant increases in the last two years.

TABLE 3
Pima County
Comparative Employment Statistics

	Pima County		Unemployment Rate		
Calendar Year	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2010 (a)	448,600	43,400	8.8%	9.6%	9.7%
2009	448,700	40,500	8.3%	9.0%	9.3%
2008	454,122	24,565	5.1%	5.9%	5.8%
2007	442,498	16,774	3.6%	3.8%	4.6%
2006	431,585	17,773	4.0%	4.1%	4.6%
2005	419,846	19,519	4.4%	4.7%	5.1%
2004	417,753	20,278	4.6%	5.0%	5.5%

(a) Through March 2010.

Source: Arizona Department of Commerce.

The following table indicates the major employers in southern Arizona, which includes Pima County, as reported in March, 2010.

TABLE 4
Southern Arizona
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Military and Defense	12,140
University of Arizona	Higher Education	10,363
State of Arizona	Government	8,708
Davis-Monthan Air Force Base	Military and Defense	7,755
Wal-Mart Stores Inc.	Retailers	7,192
Tucson Unified School District	Education	7,012
U.S. Army Intelligence Center and Fort Huachuca	Military and Defense	6,236
City of Tucson	Government	5,399
Carondelet Health Network	Health Care	4,566
Tohono O'odham Nation	Government	4,353
Freeport-McMoRan Copper & Gold Inc.	Mining and Agriculture	3,997
University Medical Center Corp.	Health Care	3,542
U.S. Border Patrol	Military and Defense	3,530
Fry's Food Stores	Restaurants & Food Distribution	3,109
TMC HealthCare	Health Care	3,050
Corrections Corp. of America	Other	2,512
Citi	Financial Services	2,500
Pinal County	Government	2,455
Pima Community College	Higher Education	2,309

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2010).

Non-Governmental Employment

Average overall wage and salary employment in the County, excluding government employment, increased in each of the calendar years from 2004 through 2008. For calendar year 2009, average employment across all categories with the exception of education and health services declined compared to average employment levels in calendar year 2008, and that general trend has continued for 2010 year-to-date. Overall, the decrease in average non-governmental employment in the County fell by approximately 18,700 jobs, or approximately 5.1%, with non-governmental employment levels on average returning to pre-2005 employment levels. The most significant decline for this period occurred in construction employment which decreased by 27.6% between calendar year 2008 and 2009.

The average annual employment in service-providing categories in 2009 was 239,700. It is anticipated that as the County continues to grow in population and economic activity, service-providing employment will continue to provide the primary source of jobs in the County. As detailed in Table 2, employment in the Education and Health Services and Trade, Transportation and Utilities have been the primary areas of employment in the service-providing industry.

Government

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

Manufacturing

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

Average annual employment in the manufacturing sector within the County in 2009 was 25,100, representing 6.9% of the County's total wage and salary employment base. Manufacturing employment in the County has decreased every year since 2006, with employment during 2008 and 2007 averaging 27,200 and 27,500, respectively.

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

TABLE 5
Southern Arizona
Major Manufacturers

Company	Type of Business	Approximate 2010 Employment
Raytheon Missile Systems	Missile Manufacturing	12,140
IBM	Business & Technology Products	1,400
Ventana Medical Systems Inc.	Medical Equipment	965
Honeywell Aerospace	Aircraft Electronic Systems	695
Bombardier Aerospace	Aircraft Maintenance	591
Northrop Grumman Corp.	Military Aircraft Modification	500
B/E Aerospace	Aircraft Passenger Cabin Interior Products	360
Texas Instruments	Operation Amplifiers	350
Universal Avionics Systems Corp.	Avionics Systems	255

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2010).

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

Tourism

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

According to the Arizona Hospitality Research & Resource Center, nearly $1.8 billion was spent by tourists in the County in 2009, a slight decrease from estimated tourism-related expenditures in calendar year 2008. These figures include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies between 2004 and 2009.

Total Tourist Expenditures
($ in millions)

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

Source: Arizona Hospitality Research & Resources Center.

Education

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

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

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

Wholesale and Retail Trade

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

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

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

TABLE 6
Pima County Retail Sales (a)

Year	Amount	% Change
2010 (b)	$1,768,199,383	N/A
2009	6,547,084,057	(9.86%)
2008	7,263,583,414	(7.14%)
2007	7,822,497,932	1.05%
2006	7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%

(a) Excludes food and gasoline sales.
(b) Through March 2010.

Source: Arizona Department of Revenue.

Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC-insured institutions within the County for the past five fiscal years. As of June 30, 2009, there were 21 institutions with 196 offices in the County, with a deposit balance of $11.5 billion.

TABLE 7
Pima County
Bank Deposits

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

Source: Federal Deposit Insurance Corporation.

Mining

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

Agriculture

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

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

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

Source: *Arizona Agricultural Statistics,* September 2009.

Building Permits

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

The information provided through year end 2009 in each of the following tables is the most current data available. The County's expectation is that the value of building permits and number of new housing starts for 2010 will continue to show declines from prior years.

TABLE 9

Pima County
Value of Building Permits

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

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

TABLE 10

Pima County
New Housing Starts

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

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

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

APPENDIX C

PIMA COUNTY, ARIZONA
Financial Information

Introduction

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

Expenditure Limitation

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

The County's expenditure limitation for the 2008-09 fiscal year was $489,886,802. The County's expenditures for the 2008-09 fiscal year were under the limit. The County's 2009-10 fiscal year expenditure limitation is $506,395,368 and the County anticipates that its expenditures for such year will be under the limit.

Ad Valorem Taxes

General

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

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

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

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

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

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

Tax Procedures

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

Property Tax Assessment Ratios
2005-06 through 2009-10

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

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

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

Delinquent Tax Procedures

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

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

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

Property Valuations

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

Valuations for Fiscal Year 2009-10	
Estimated Actual Valuation (a)	$80,653,625,457
Net Secondary Assessed Valuation	9,860,980,900
Net Primary Assessed Valuation	8,985,711,830

Valuations for 2010-11 Fiscal Year (b)	
Net Secondary Assessed Valuation	$9,345,594,118
Net Primary Assessed Valuation	8,939,623,680

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

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

Net Secondary Assessed Valuation Comparisons and Trends

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

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

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

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

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

Net Secondary Assessed Valuation Comparisons

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

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

Net Secondary Assessed Valuations of Major Taxpayers

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

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

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

Source: Pima County Assessor.

Record of Real and Secured Personal Property Taxes Levied and Collected

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

Fiscal Year	Real and Secured Personal Property Tax Levy	Fiscal Year Collections (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2009-10	$353,593,620	(c)	N/A	$269,657,530	76.26%
2008-09	322,901,974	$309,375,563	95.81%	321,714,321	99.63%
2007-08	305,699,225	294,220,625	96.25	304,660,163	99.66%
2006-07	283,253,437	273,299,741	96.49	282,616,116	99.77%
2005-06	267,378,750	258,490,790	96.68	266,960,200	99.84%
2004-05	252,420,350	244,086,254	96.70	252,262,810	99.94%

(a) Reflects collections made through June 30th, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment

becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.

(b) Reflects collections made through April 30, 2010 against the current and prior levies.

(c) In the process of collection.

Source: Pima County Treasurer.

Tax Rate Data

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

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

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

Debt Limitation

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

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

General Obligation Bonded Debt Outstanding

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

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

Estimated Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

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

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

Net Direct and Overlapping General Obligation Bonded Debt

The chart below reflects the property valuation and outstanding general obligation debt for jurisdictions that overlap the County's boundaries. The overlapping bonded debt figures were compiled from information obtained from the County Treasurer's Office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per $100 assessed valuation follows.

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

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

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

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

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

(b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the State equalization tax rate of $0.3306, the $0.2643 tax rate of the Free Library District, the $0.1000 tax rate of the Central Arizona Project and the $0.0406 tax rate of the Fire District Assistance Tax.

(c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.

(d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.

(e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.

(f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County.

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

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

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

Net Direct and Overlapping General Obligation Bonded Debt Ratios

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

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

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

Street and Highway Revenue Bonded Debt Outstanding

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

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

Sewer Revenue Debt Outstanding

The following chart lists the outstanding sewer revenue obligations (the "Prior Obligations") of the County.

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

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

Lease, Lease-Purchase and Purchase Agreements

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

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

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

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

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

Retirement Plans

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

Other Post Employment Benefits

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

The County has, in the past, offered its retired employees, their spouses and survivors continuing access to health care insurance through the County's health plan until they reach an age covered by Medicare, a benefit that has been discontinued effective July 1, 2010. Participating retirees were required to pay 100% of applicable health care insurance premiums. The County makes no payments for OPEB costs for such retirees, but for fiscal year 2007-08 the County reported an implicit rate subsidy described in Note 10 of the 2007-08 Comprehensive Annual Financial Report. For fiscal year 2008-09, the County did not report any OPEB liability because the County determined that, to the degree GASB 45 applied, any OPEB liability would not be material. Because the program has been discontinued as of July 1, 2010, the County will have no OPEB costs for fiscal year 2009-10 or for future years unless the program is reinstituted.

Management Commentary on Financial Condition

The County projects that its revenues from County sources for fiscal year 2009-10 will be near budgeted amounts. As of February 2010, however, the County is projecting a decrease in State-shared sales revenues of approximately $6.2 million, or seven percent. While projected State-shared revenues are anticipated to be lower for fiscal year 2009-10, the County's mandated payments to the State for such fiscal year of $14.3 million for the Arizona Long-Term Care System ("ALTCS") were eliminated. In addition, the County received an $11.0 million refund from the State for ALTCS payments for the previous fiscal year. This additional revenue and decrease in budgeted expenditures increased the County's General Fund balance by approximately $25 million.

In March 2010, the State of Arizona adopted the State's fiscal year 2010-11 budget that includes significant impacts on the County through a combination of cost shifting and revenue reductions. The County anticipated such action and has, over the past several years, initiated ongoing expenditure reductions and hiring restrictions to mitigate the impact of the State's budget. The County Administrator has prepared a recommended budget for the Board of Supervisors consideration for fiscal year 2010-11 to address the impacts to the County of the State's budget. The County's recommended budget includes additional expenditure reductions with the County's General Fund departments. With this recommended budget, the County expects to continue to provide services while

maintaining its policy of funding a General Fund balance at the level of five percent of budgeted revenues ($24 million for fiscal year 2010-11

Depending on State revenue receipts, additional measures may be enacted by the Legislature for the current and subsequent fiscal years. In past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The County cannot determine whether any such provisions will be enacted or how they may affect the County or its financial position.

The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the 2009-10 fiscal year, and a 2% budget reduction for fiscal year 2010-11, that are designed to address any additional reduction in State-shared revenues and any potential increased cost shifting from the State to cities, towns and counties. The County budgeted for an ending General Fund balance for fiscal year 2009-10 of at least five percent of annual General Fund revenues of the County ($24.5 million). Due to the change in ALTCS payments, the County projects an ending General Fund balance for fiscal year 2009-10 of in excess of $50 million.

In 2004, the County closed the County-operated Kino Community Hospital and leased the hospital grounds and buildings to University Physicians Healthcare (UPH), a private nonprofit corporation, which opened a privately-owned and operated hospital on the site. The original lease agreement between the County and UPH required $127 million of fees to be paid to UPH by the County over the first 10 years of the lease, in decreasing amounts, for the transition to a new hospital. At the request of UPH, the County amended its contract with UPH to accelerate, but not increase, the payments required by the lease. UPH is continuing efforts to make the hospital financially self sufficient including a potential arrangement with the University of Arizona College of Medicine (UACOM) for integrating the hospital into the UACOM system. To date, the County has paid UPH $120.5 million of the total $127 million pledged and is scheduled to pay $6.5 million in fiscal year 2010-11. UPH has requested the County to provide additional long-term funding for its operations due to ongoing operating deficits. In the County's fiscal year 2009-10 budget, the County set aside an additional $15 million, contingent on reaching an agreement with UPH with respect to the use of the additional funds. On April 13, 2010, the Board of Supervisors directed County staff to continue discussions with UPH, UACOM, and University Medical Center Corporation (a quasi-public nonprofit corporation, which runs the University Medical Center (UMC), UACOM's teaching hospital) to develop an agreement among the Arizona Board of Regents, the County, and a new corporation to be created as a "parent" of UPH and UMCC. Pursuant to this agreement, if one is reached, the County would provide funding to be used for the operation of an integrated two-hospital medical education program utilizing both UMC and the hospital on the Kino campus. The proposal is for the County to provide the $15 million set aside in the fiscal year 2010-11 budget; $20 million in fiscal year 2010-11 (this amount includes the remaining $6.5 million due under the existing UPH Lease); and $15 million in fiscal year 2011-12. This proposal is still in the discussion stages. Any future decision by the County to continue to provide funding at any level will be made with full consideration of the impact such funding would have on other operations of the County and the need for the County to continue to maintain a balanced budget.

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

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

Source: Pima County Finance and Risk Management Department.

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

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

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

Source: Pima County Finance and Risk Management Department.

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

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

	Actual				
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Revenues by Source:					
Taxes	$225,959	$242,948	$252,350	$268,493	$281,749
Licenses and Permits	2,350	2,536	2,795	2,971	2,747
Intergovernmental	125,203	143,982	152,271	148,158	131,966
Charges for Services	24,905	27,102	33,604	32,307	35,330
Fines and Forfeits	5,035	5,786	5,526	5,020	4,720
Interest Income	1357	2,491	3,321	3,343	1,084
Miscellaneous	4,435	4,935	6,828	8,314	7,099
Total Revenues	389,244	429,780	456,695	468,606	464,695
Expenditures:					
Current					
General Government	160,378	168,394	181,329	192,839	184,434
Public Safety	84,694	96,687	106,825	118,623	121,704
Sanitation	0	0	0	0	0
Health	2,189	2,401	2,526	2,906	2,767
Welfare	96,996	102,496	96,684	106,502	115,481
Culture & Recreation	11,236	13,104	14,694	16,325	15,580
Education & Econ. Opport.	14,637	16,682	16,407	17,418	16,368
Debt Service:					
Principal	1,440	1,750	1,785	3,115	3,510
Interest	1,324	1,292	1,230	2,805	2,426
Miscellaneous	5	5	6	4	6
Total Expenditures	372,899	402,811	421,486	460,537	462,276
Excess of Revenues Over (Under) Expenditures	16,345	26,969	35,209	8,069	2,419
Other Financing Sources (Uses):					
Sale of General Fixed Assets	8	22	0	0	371
Operating Transfers In (Out)	(11,822)	(12,643)	(29,224)	4,760	(33,013)
Total Other Financing Sources (Uses):	(11,814)	(12,621)	(29,224)	4,760	(32,642)
Net Change in Fund Balance	4,531	14,348	5,985	12,829	(30,223)
Beginning Fund Balance, as restated	32,696	37,227	51,575	57,560	70,389
Ending Fund Balance	$37,227	$51,575	$57,560	$70,389	$40,166

Source: Pima County Finance and Risk Management Department.

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

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APPENDIX D

FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

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

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

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the above-referenced Obligations (the "*Obligations*") in the aggregate principal amount of $165,000,000* and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance the costs of certain improvements to the sewer system (the "*System*") serving Pima County, Arizona (the "*County*").

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

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

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

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

* Preliminary, subject to change.

equity. The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

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

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

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

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

Respectfully submitted,

GREENBERG TRAURIG, LLP

APPENDIX E

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

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2009

Regional Wastewater Reclamation

Enterprise Fund

Pima County, Arizona

For the Fiscal Year Ended June 30, 2009

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
June 30, 2009

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
of Pima County, Arizona

We have audited the accompanying financial statements of the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the Regional Wastewater Reclamation Enterprise Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Regional Wastewater Reclamation Enterprise Fund are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities and the major fund of Pima County, Arizona that is attributable to the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona, as of June 30, 2009, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2009 on our consideration of the Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heinfeld, Meech & Co. P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 26, 2009

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Net Assets
June 30, 2009

Assets

Current assets:	
Cash and cash equivalents	$ 30,163,077
Restricted cash and cash equivalents	41,487,239
Interest receivable	240,794
Accounts receivable, net	13,667,823
Due from other Pima County funds	3,098,392
Inventory of materials and supplies	3,634,751
Prepaid expenses	275,608
Total current assets	92,567,684
Noncurrent assets:	
Restricted cash and cash equivalents:	
Held in escrow as construction contract retentions	2,291,282
Capital assets, net of accumulated depreciation where applicable:	
Land and other improvements	11,252,984
Intangibles - easements	573,524
Conveyance systems, net	399,093,604
Treatment facilities, net	223,522,587
Equipment, net	87,987,380
Construction in progress	43,208,573
Total capital assets, net	765,638,652
Deferred financing costs	2,679,087
Total noncurrent assets	770,609,021
Total assets	$ 863,176,705

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Net Assets
June 30, 2009

(continued)

Liabilities

Current liabilities:		
Accounts payable	$	12,327,710
Accrued payroll and employee benefits		3,980,449
Due to other Pima County funds		3,229,659
Interest payable		4,859,401
Current portion of sewer revenue bonds payable		7,870,000
Current portion of wastewater loans payable		6,316,650
Deferred revenue		1,240,129
Total current liabilities		39,823,998
Noncurrent liabilities:		
Construction contract retentions payable		6,481,142
Sewer revenue bonds payable, less current portion		176,010,000
Wastewater loans payable, less current portion		58,280,597
Deferred interest expense and bond discount		(600,044)
Total noncurrent liabilities		240,171,695
Total liabilities		279,995,693

Net Assets

Invested in capital assets, net of related debt		532,240,445
Restricted for:		
Debt service		818,611
Capital Projects		14,478,998
Operation and maintenance		5,882,837
Unrestricted		29,760,120
Total net assets	$	583,181,012

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

Operating revenues:	
Sewer utility service	$ 86,738,469
Engineering review and inspection fees	91,822
Permits and fines	27,162
Other income	56,413
Total operating revenues	86,913,866
Operating expenses:	
Employee compensation	33,947,157
Operating supplies	8,360,462
Utilities	6,601,088
Sludge and refuse disposal	1,484,742
Repairs and maintenance	5,478,004
General and administrative	9,291,124
Consultants and professional services	6,943,746
Depreciation	26,911,578
Total operating expenses	99,017,901
Operating loss	(12,104,035)
Nonoperating revenues (expenses):	
Intergovernmental revenue	12,437
Interest income	1,164,397
Sewer connection revenue	18,283,654
Loss on disposal of equipment	(327,332)
Interest expense	(6,046,335)
Amortization of deferred charges	(226,975)
Total nonoperating revenues (expenses)	12,859,846
Income before capital contributions and transfers	755,811
Capital contributions	14,915,911
Transfers in	25,570,082
Transfers out	(26,081,729)
Increase in net assets	15,160,075
Net assets—July 1, 2008	568,020,936
Net assets—June 30, 2009	$ 583,181,011

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009

Cash flows from operating activities:	
Receipts from customers	$ 83,078,118
Miscellaneous receipts	56,413
Payments to suppliers for goods and services	(29,695,087)
Payments to other Pima County Funds for goods and services	(8,357,283)
Payments to employees	(34,665,073)
Net cash provided by operating activities	10,417,088
Cash flows from noncapital financing activities:	
Intergovernmental receipts	12,437
Repayment of interfund borrowings	(2,335,532)
Net cash used by noncapital financing activities	(2,323,095)
Cash flows from capital and related financing activities:	
Sewer connection receipts from customers	18,008,238
Intergovernmental contract receipts	(356,316)
Purchase and construction of capital assets	(74,223,259)
Proceeds from issuance of sewer revenue bonds	18,940,000
Principal payments on revenue bonds and loans	(5,974,466)
Interest payments on revenue bonds and loans	(2,172,650)
Net cash used by capital and related financing activities	(45,778,453)
Cash flows from investing activities:	
Interest received on investments	1,209,300
Net cash provided by investing activities	1,209,300
Net decrease in cash and cash equivalents	(36,475,160)
Cash and cash equivalents, July 1, 2008	110,416,758
Cash and cash equivalents, June 30, 2009	$ 73,941,598

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009

(continued)

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	$	(12,104,035)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		26,911,578
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable		(3,807,373)
Due from other governments		28,038
Inventory of materials and supplies		(15,129)
Prepaid expenses		(97,124)
Increase (decrease) in liabilities:		
Accounts payable		307,063
Due to other governments		(88,014)
Accrued payroll and employee benefits		(717,916)
Net cash provided by operating activities	$	10,417,088

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2009:

Developers conveyed capital assets with an estimated fair value of $15,380,903. This transaction was recorded as capital contributions.

Pima County Board of Supervisors approved Connection Fee Flow-Through Sewer Credit Agreements totaling $465,799. This transaction was recorded as an increase to deferred revenue and a decrease in capital contributions.

The Fund disposed of capital assets with a net book value of $327,333.

The Fund retired expired Sewer Credit Agreements totaling $807. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

See accompanying notes to financial statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pima County (County) and its Regional Wastewater Reclamation Enterprise Fund (Fund), formerly known as the Wastewater Management Enterprise Fund, conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the Fund follows.

The Fund adopted early implementation of the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

A. Reporting Entity

The Fund is accounted for as an enterprise fund of Pima County, Arizona, however, the ultimate financial accountability for the Fund remains with Pima County. The Fund's management is responsible for operating all wastewater conveyance and treatment systems and water pollution control programs throughout Pima County.

The financial statements present only the Regional Wastewater Reclamation Enterprise Fund as one of the enterprise funds of Pima County and are not intended to present the balances and activity of Pima County in its entirety.

B. Fund Accounting

The Fund's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

The Fund's financial transactions are recorded and reported as an enterprise fund because its operations are financed and operated in a manner similar to private business enterprises. It is the intent of the Board of Supervisors that the costs (expenses, including depreciation) of goods or services provided by the Fund on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

Basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Fund are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. When both restricted and unrestricted net assets are available to finance Fund expenses, restricted resources are used before unrestricted resources. Interfund transactions that would be treated as revenues or expenses if they involved parties external to the County are recorded in the appropriate revenue or expense accounts. Intrafund transactions within the fund are eliminated for the consolidated financial statement presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Unless in conflict with GASB pronouncements, the Fund follows Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research bulletins. The Fund has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

D. Basis of Presentation

The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of the Fund at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external restrictions or availability of assets to satisfy the Fund's obligations. Invested in capital assets net of related debt represents the cost of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net assets represent grants, contracts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in fund net assets provides information about the Fund's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and transfers. Generally, charges for services and fees generated from providing wastewater treatment services and sewer utility service fees are considered to be operating. Other revenues, such as sewer connection revenues and interest income, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the costs of providing sewer services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

A statement of cash flows provides information about the Fund's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer, investments with the State Treasurer, and deposits held in escrow accounts from both restricted and unrestricted sources. Unrestricted cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer in an investment pool, and investments with the State Treasurer. Restricted cash and cash equivalents consist of cash and investments held by the Pima County Treasurer in an investment pool, and deposits held in escrow accounts. All investments are stated at fair value.

F. Accounts Receivable

Accounts receivable consist primarily of amount due from customers for services provided. These balances are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through charge to earnings and credit to a valuations allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Note 1 – Summary of Significant Accounting Policies (continued)

G. Inventory

Inventories consist of operating supplies and are recorded as assets when purchased and expensed when consumed. These inventories are stated at the lower of cost or market. Cost is determined using the moving average method.

H. Capital Assets

Purchased capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. The Fund capitalizes all land and developer contributions regardless of cost; sewage conveyance system, buildings and improvements, infrastructure and intangible software costing $100,000 or more, and equipment costing $5,000 or more. Costs for internally constructed capital assets include material, direct labor, engineering, interest, and allocated portions of other indirect costs related to the construction projects. Depreciation of such assets is charged as an expense against operations. All assets other than land and construction in progress are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Treatment facilities and equipment	4 to 30 years
Conveyance systems	50 years

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate a limited number of sick leave (1,920) hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability.

J. Construction Contract Retentions

The Fund has numerous construction projects in process. The Fund retains a percentage of each progress payment until the project's successful completion. In some instances, contract retentions are deposited in escrow accounts so contractors may earn interest during the construction period.

K. Deferred Interest Expense

For advance refundings resulting in defeasance of debt, the difference between the reacquisition price and net carrying amount of the old debt is deferred and amortized as a component of interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. This deferred amount is reported as a deduction from the new debt liability on the statement of net assets.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Revenues

Sewer utility billings are based on the content and volume of wastewater discharged and a minimum service charge.

Land developers contribute capital and aid in the construction of certain portions of the conveyance systems. Contributions are recorded as contributed capital at their estimated fair value. In those instances when a developer makes enhancements that exceed the requirements for the conveyance systems, the Fund establishes reduced fees and credits that can be used to offset future fees charged to developers for each new connection to the conveyance systems. These credits are recorded as deferred sewer connection revenue and recognized as income when connection permits are issued.

Sewer connection fees are assessed to land developers based on the type and number of fixtures attached to the conveyance systems. Fees are established at a level to provide for the recovery of the Fund's operating expenses that are not recovered by the sewer utility service fees. Accordingly, fees collected are classified as nonoperating revenues.

Note 2 – Cash and Investments

Cash and cash equivalents consisted of the following amounts:

Current	
Cash on hand	$ 2,600
Cash and cash equivalents	30,160,477
Restricted cash and cash equivalents;	
Construction	14,478,998
Debt service	21,125,404
Operation and maintenance	5,882,837
Total restricted cash	41,487,239
Total current cash and cash equivalents	71,650,316
Noncurrent	
Restricted cash and cash equivalents;	
Deposits held in escrow accounts	2,291,282
Total cash and cash equivalents	$ 73,941,598

Current restricted cash and cash equivalents represents cash received for capital projects, anticipated debt service payments, and an estimated one-twelfth of annual operating expenses. In prior years, only one-twelfth of the annual debt principal and interest was restricted. However, because the Water Infrastructure Finance Authority debt payment, and debt service payment to Bank of New York for bonded debt is paid July 1, the entire amount of the payment is now included as restricted cash for debt service.

Note 2 – Cash and Investments (continued)

Noncurrent restricted cash and cash equivalents are deposits held in escrow pending completion of capital projects.

The Fund's cash and investments in the Pima County Treasurer's investment pool represent a portion of the County Treasurer's investment pool portfolio. There is no oversight provided for the County Treasurer's investment pool, and the pool's structure does not provide for shares. The Fund's portion in the pool is not identified with specific investments and is not subject to custodial credit risk.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The Pima County Treasurer's investment pool is unrated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The Pima County Treasurer's investment pool had a weighted average maturity of 289 days at June 30, 2009.

Legal Provisions – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer's investment pool: obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk - Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors' service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors' service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk - Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - Statutes do not allow foreign investments.

Note 3– Capital Asset Activity

Capital asset activity for the year ended June 30, 2009, is presented in the following schedule:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land and other improvements	$ 8,735,249	$ 2,517,735		$ 11,252,984
Intangibles - easements		573,524		573,524
Construction in progress	72,060,008	34,598,454	$ 63,449,889	43,208,573
Total capital assets not being depreciated	80,795,257	37,689,713	63,449,889	55,035,081
Capital assets being depreciated:				
Conveyance systems	580,096,380	40,997,120	16,859	621,076,641
Treatment facitlites	347,847,060	6,131,541	324,997	353,653,604
Equipment	35,614,097	64,885,834	869,539	99,630,392
Total capital assets being depreciated	963,557,537	112,014,495	1,211,395	1,074,360,637
Less accumulated depreciation for:				
Conveyance systems	210,582,745	11,417,151	16,859	221,983,037
Treatment facilities	118,756,922	11,616,175	242,080	130,131,017
Equipment	8,389,884	3,878,251	625,123	11,643,012
Total accumulated depreciation	337,729,551	26,911,577	884,062	363,757,066
Total capital assets being depreciated, net	625,827,986	85,102,918	327,333	710,603,571
Capital assets, net	$ 706,623,243	$ 122,792,631	$ 63,777,222	$ 765,638,652

Note 4 – Claims, Judgments, and Risk Management

The Fund is a participant in Pima County's self-insurance program. The County's self-insurance program covers the Fund for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In the opinion of the Fund's management, any unfavorable outcomes from these types of risks would be covered by that self-insurance program. Accordingly, the Fund has no risk of loss beyond adjustments to future years' premium payments to Pima County's self-insurance program. All estimated losses for unsettled claims and actions of Pima County are determined on an actuarial basis and are included in the *Pima County Comprehensive Annual Financial Report.*

Risks of loss arising from contractual breaches are not covered by the County's self-insurance program or commercial insurance. The Fund's management does not believe that these types of losses would be material to the financial statements; therefore, no accrual of losses has been reported in the financial statements. At June 30, 2009, there were no material lawsuits related to contractual breaches.

Note 5 – Long-Term Liabilities

The following schedule details the Fund's long-term liability and obligation activity for the year ended June 30, 2009:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within 1 year
Sewer revenue bonds	$ 164,940,000	$ 18,940,000		$ 183,880,000	$ 7,870,000
Less unamortized deferred amounts	1,239,293	412,702	$ 335,844	490,747	
Total sewer revenue bonds payable	163,700,707			183,389,253	7,870,000
Wastewater loans payable	70,571,713		5,974,466	64,597,247	6,316,650
Less unamortized deferred amounts	145,729		36,432	109,297	
Total wastewater loans payable	70,425,984			64,487,950	6,316,650
Construction contract retention payable	5,842,091	3,181,509	2,542,458	6,481,142	
Total long-term liabilities	$ 239,968,782	$ 22,534,211	$ 8,144,648	$ 254,358,345	$ 14,186,650

Sewer Revenue Bonds Payable—The Fund has issued several series of sewer revenue bonds (Series 1998, Refunding 2001, Refunding 2004, Series 2007, Series 2008, and Series 2009) to provide funds for the defeasance of prior sewer revenue bonds, the construction of a sewage treatment plant, and the construction of improvements to the sewer system. The bonds are callable at various prices depending on the date of call. Interest on the bonds is payable semiannually. Of the total amount originally authorized, the entire amount of the May 20, 1997 election has been issued, while $10,002,383 from the May 18, 2004 bond election remain unissued.

Wastewater Loans Payable—The Fund has entered into four loan agreements/amendments with the Water Infrastructure Financing Authority of Arizona (1996, 1997, 2000, and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding.

In May 2009, the County issued for the Fund $18,940,000 in Sewer Revenue Bonds Series 2009. The net proceeds of the issuance were used to provide monies for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

Debt Covenants—All revenue bonds were issued and the loan agreements were executed with a first lien on the pledge of the Fund's net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the Fund to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies equal to the average annual debt service payment. At June 30, 2009, the Fund had a surety bond to meet the requirements of the debt covenants. The County is also authorized to issue for the Fund additional parity bonds if certain conditions are met, primarily that net revenues for the fiscal year immediately preceding issuance of the parity bonds exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

Note 5 – Long-Term Liabilities (continued)

Bonds and loans outstanding at June 30, 2009, were as follows:

Description	Interest Rates	Maturity Dates	Outstanding Principal
*Series 1998	4.0-4.5%	2009-15	$ 13,355,000
*Refunding 2001	4.25-5.38%	2009-15	12,655,000
*Refunding 2004	3.5-5.5%	2009-15	18,145,000
*Series 2007	3.75-5.0%	2009-26	45,785,000
*Series 2008	4.0-5.0%	2009-23	75,000,000
Series 2009	3.25-4.25%	2009-24	18,940,000
Total sewer revenue bonds payable			$ 183,880,000
1996 loan payable	3.19%	2009-12	$ 4,775,425
1997 loan payable	2.95%	2009-11	1,914,924
2000 loan payable	2.20%	2009-16	39,644,825
2004 loan payable	1.81%	2009-24	18,262,073
Total wastewater loans payable			$ 64,597,247

** The U.S. government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-2009.*

Revenue bond debt service and loan payment requirements to maturity, are as follows:

	Revenue Bond Debt Service		Loan Payment Requirements	
	Principal	Interest	Principal	Interest
Year ending June 30,				
2010	$ 7,870,000	$ 7,456,622	$ 6,316,650	$ 2,199,815
2011	8,900,000	7,334,383	7,604,514	1,947,422
2012	8,425,000	6,961,145	7,891,095	1,666,141
2013	8,795,000	6,578,816	6,936,540	1,396,498
2014	10,405,000	6,148,356	6,032,549	1,160,417
2015-2019	58,400,000	23,080,125	21,845,369	2,710,635
2020-2024	68,595,000	10,060,938	7,970,530	814,969
2025-2027	12,490,000	692,481		
Total	$183,880,000	$ 68,312,866	$ 64,597,247	$ 11,895,897

Note 5 – Long-Term Liabilities (continued)

The Fund has pledged future user charges, net of specified operating expenses, to repay $ 183,880,000 in sewer revenue bonds issued between 1998 and 2009, and 64,597,247 in sewer revenue loans issued between 1996 and 2004. Proceeds from the bonds and loans provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds and loans are payable from net sewer revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 28 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 19 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $ 252,192,866. Total principal and interest to be paid on the loans is $ 76,493,144. Principal and interest paid for bonds were $ 3,587,679, principal and interest paid on loans in the current year were $ 8,377,230, and total customer net revenues were $ 34,444,905. Principal and interest paid in the current year does not include amounts paid effective July 1, which in prior years were reported for the period ending June 30th.

Construction Contract Retentions Payable—State laws and regulations require the Fund to withhold a portion of progress payments made on construction contracts until the successful completion of the construction project.

Note 6 – Due To Other Pima County Funds

Due to other Pima County funds represents payables to other County funds for goods or services. At June 30, 2009, the payables included $13,105 due to the General Fund, $3,098,392 due to Debt Service Fund, $228 due to Parking Garages and $117,933 due to the Capital Projects Fund.

Note 7 – Related Party Transactions

Administrative and Fiscal Services—The Fund incurred expenses from Pima County for a variety of administrative and fiscal services, including $2,475,621 for the allocation of overhead; $1,678,371 for self-insurance premiums; $640,218 for interdepartmental supplies and services charges; $2,104,522 for motor pool charges; $25,905 for professional charges; $809,458 for repair and maintenance charges; a credit of $2,676 in printing charges; and $661,789 for miscellaneous other charges.

Public Works Center- The Fund occupies a portion of the Public Works Center and pays rent based on a pro rata share of the building expenses. The Fund's rent totaled $293,715 for the year ended June 30, 2009.

Note 8 – Construction and Other Significant Commitments

At June 30, 2009, the Fund had construction contractual commitments of $44,508,051 and other contractual commitments related to service contracts of $7,245,467. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 9 – Intergovernmental Agreement

The City of Tucson, Metropolitan Domestic Water Improvement District (MDWID), Town of Marana Water, and Oro Valley Water provide sewer utility billing and collection services, certain computer services, accounting information, and statistical data to the Fund. During the year ended June 30, 2009, the Fund paid fees totaling $2,271,558, $148,916, $33,463, and $166,916, respectively, for such services. As part of its agreement, the City of Tucson invests cash collected from utility customers and held for remittance to the Fund. Interest earnings on such investments are remitted to the Fund. The MDWID, Town of Marana Water and Oro Valley Water submit cash receipts to the Fund regularly. However, cash collections are not invested, therefore, MDWID, Town of Marana Water, and Oro Valley Water do not remit interest to the Fund.

Note 10 – Retirement Plan

Plan Description—The Fund contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the Arizona State Retirement System (ASRS) that covers employees of the State of Arizona and employees of participating subdivisions and school districts. Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her spouse. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910, by calling (602) 240-2000, or on-line at http://www.ASRS.state.az.us/web/Aboutus.do.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Fund's contribution rates. For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and health insurance benefit, and 0.50 percent long-term disability) of the members' annual covered payroll, and the Fund was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

Year ended June 30th	Retirement Fund	Health Benefit Supplemental Fund	Long-Term Disability Fund
2009	$2,074,550	$249,257	$129,822
2008	1,990,805	259,670	123,652
2007	1,679,980	233,640	111,257

Note 11 – Subsequent Event

WIFA Loan agreement – On October 9th, 2009 the Fund entered into a loan agreement with Water Infrastructure Authority of Arizona (WIFA) in the amount of $10,002,383 to provide funds for the construction of approximately 5 miles of system improvements to interconnect the Roger Road and the Ina Road treatment facilities to one another, as approved by Pima County Board of Supervisors' Resolution No. 2009-58 on April 14th, 2009.

Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. Principal payments to maturity are subject to change based upon total amounts drawn down. Payments will be made from user charges received in the Regional Wastewater Reclamation Enterprise Fund.

HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Supervisors
of Pima County, Arizona

Members of the Board:

We have audited the financial statements of the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona as of and for the year ended June 30, 2009, and have issued our report thereon dated October 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Wastewater Reclamation Enterprise Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Supervisors, others within the entity and governmental agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 26, 2009

APPENDIX F

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

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

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, one major fund, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Government-Wide Statements				
Governmental Activities:				
Stadium District	0.26%	0.05%	0.93%	0.47%
School Reserve Fund	0.11%	0.03%	0.48%	0.59%
Self Insurance Trust	2.40%	4.88%	0.07%	0.27%
Business-Type Activities:				
Regional Wastewater Reclamation Department	94.91%	91.44%	30.17%	30.90%
Development Services	0.43%	0.25%	1.70%	2.95%
Self Insurance Trust	0.00%	0.00%	0.00%	0.18%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
Fund Statements				
Major Fund:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.93%	0.28%	2.63%	1.36%
School Reserve Fund	0.40%	0.15%	1.36%	1.74%
Development Services	0.70%	0.57%	2.09%	4.04%
Self Insurance Trust	8.55%	27.95%	6.37%	8.26%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 11 through 28, the Budgetary Comparison Schedule on pages 75 and 76, and the Schedule of Retirement Plans' Funding Progress on page 77 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

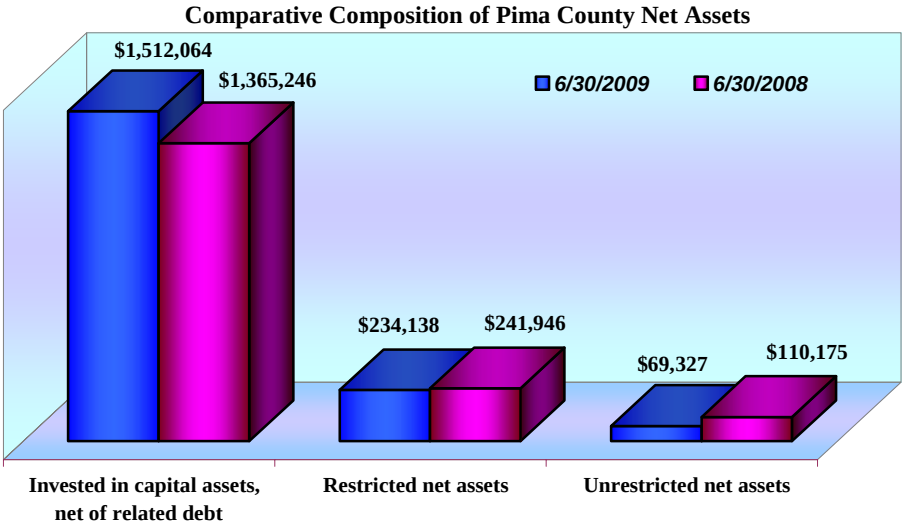
December 21, 2009

Management's Discussion and Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2009, and should be read in conjunction with the County's basic financial statements in the following sections. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

FINANCIAL HIGHLIGHTS

- At June 30, 2009, the assets of the County exceeded its liabilities (*net* assets) by $1,815,529, an increase of 5.7% from the prior year. Of this amount, $69,327 is available for general government expenditures (*unrestricted net assets)*, $234,138 is restricted for specific purposes (*restricted net assets)*, and $1,512,064 is invested in capital assets, net of related debt and accumulated depreciation. The chart below presents the composition of net assets for the current and prior years:



- Unrestricted net assets for the County dropped $40,848 (or 37.1%), from $110,175 to $69,327 this fiscal year. Of this amount, $35,803 is unreserved and undesignated in the General Fund. This balance represents approximately 7.7% of the County's General Fund expenditures and 3.9% of total governmental funds expenditures.

- County revenues dropped 7.7% (or $97,224), from $1,266,195 last year to $1,168,971 in fiscal year 2008-09. The loss of the Ambulatory contract with the Arizona Health Care Cost Containment System (AHCCCS) comprised 78% of the lost revenue. In addition, the state-shared sales taxes have dropped 14% this fiscal year because of the continuing downturn in the economy.

- To offset the shortfalls in the revenues and ensure that the budget remains balanced at the close of the fiscal year, the County initiated several cost cutting measures during the year including mid-year budget expenditure reductions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information (4) is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Regional Wastewater Reclamation Department, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 29-31 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable State statutes and federal Office of Management and Budget budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds,* (2) *proprietary funds,* and (3) *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects and Debt Service funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 32-35 of this report.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for certain health care services, including medical and long-term health care, sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management, automotive fleet maintenance and operations, printing services, telecommunications, wireless and IT network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, most of the assets and liabilities of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Regional Wastewater Reclamation Department and Pima Health System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 36-39 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 42-73 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 75-77 of this report.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 80-110 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

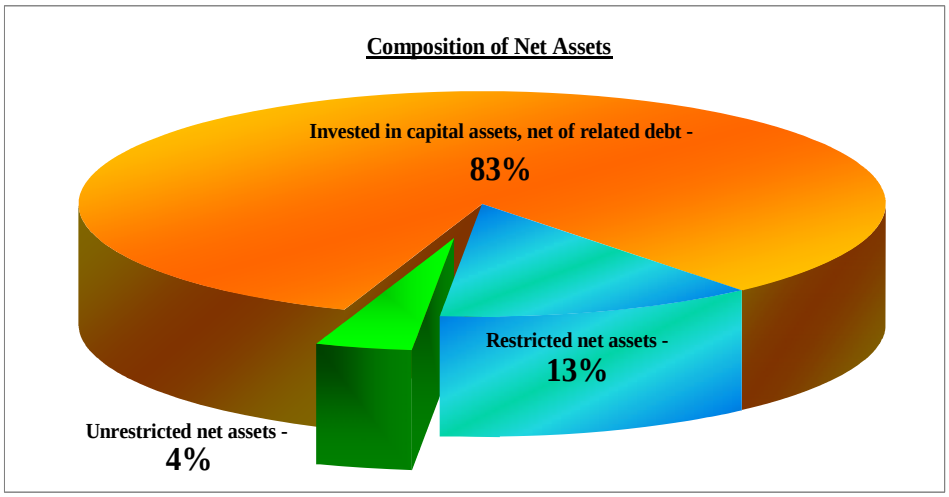
As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by $1,815,529 at June 30, 2009. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

Table 1

Schedule of Assets, Liabilities, and Net Assets
At June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$452,751	$460,995	$133,963	$189,217	$586,714	$650,212
Capital assets (net):						
Land, buildings, equipment, infrastructure & other assets	1,526,774	1,413,881	773,117	714,548	2,299,891	2,128,429
Total assets	1,979,525	1,874,876	907,080	903,765	2,886,605	2,778,641
Current and other liabilities	86,278	87,975	48,328	63,919	134,606	151,894
Long-term liabilities	682,111	667,157	254,359	242,223	936,470	909,380
Total liabilities	768,389	755,132	302,687	306,142	1,071,076	1,061,274
Net assets :						
Invested in capital assets, net of related debt	972,346	882,424	539,718	482,822	1,512,064	1,365,246
Restricted	203,940	183,542	30,198	58,404	234,138	241,946
Unrestricted	34,850	53,778	34,477	56,397	69,327	110,175
Total net assets	$1,211,136	$1,119,744	$604,393	$597,623	$1,815,529	$1,717,367

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2009, investment in capital assets totaled $1,512,064, comprising approximately 83.3% of total net assets. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. The $146,818 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2009, restricted net assets totaled $234,138 and comprised approximately 12.9% of total net assets. This represents a $7,808 decrease in restricted net assets from the $241,946 balance of the prior fiscal year.

The remaining balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2009, unrestricted net assets totaled $69,327 and comprised approximately 3.8% of total net assets.

Governmental activities

The change in net assets for governmental activities was $91,392, an increase of $47,681 from the prior year. The following table shows details of the changes in net assets for governmental activities:

Table 2

Governmental Activities Schedule of Changes in Net Assets For the Years Ended June 30, 2009 and 2008				
			Variance	
	2009	2008	Amount	Percent
Program revenues:				
Charges for services	$ 59,886	$ 64,010	$ (4,124)	-6.4%
Operating grants and contributions	131,361	144,479	(13,118)	-9.1%
Capital grants and contributions	68,535	48,672	19,863	40.8%
Total program revenues	259,782	257,161	2,621	1.0%
General revenues:				
Property taxes	393,255	377,809	15,446	4.1%
State-shared taxes	115,046	130,337	(15,291)	-11.7%
Investment earnings	5,875	16,326	(10,451)	-64.0%
Other general revenues	42,452	39,657	2,795	7.0%
Total general revenues	556,628	564,129	(7,501)	-1.3%
Total revenues	816,410	821,290	(4,880)	-0.6%
Expenses:				
General government	212,196	239,398	(27,202)	-11.4%
Public safety	149,253	165,715	(16,462)	-9.9%
Highways and streets	79,251	88,488	(9,237)	-10.4%
Sanitation	7,434	9,658	(2,224)	-23.0%
Health	31,541	36,977	(5,436)	-14.7%
Welfare	115,513	106,546	8,967	8.4%
Culture and recreation	60,520	60,616	(96)	-0.2%
Education and economic opportunity	46,770	47,296	(526)	-1.1%
Amortization	(235)	138	(373)	-270.3%
Interest on long-term debt	26,780	22,860	3,920	17.1%
Total expenses	729,023	777,692	(48,669)	-6.3%
Excess before contributions and transfers	87,387	43,598	43,789	100.4%
Transfers in	4,005	113	3,892	3444.2%
Change in net assets	91,392	43,711	47,681	109.1%
Ending net assets	$ 1,211,136	$ 1,119,744	$ 91,392	8.2%

Factors affecting the $4,880 decrease in revenues from governmental activities:

- Decrease in operating grants of $13,118 is due primarily to various state revenues that were cut by the State due to its budgetary constraints. This includes $1,091 decrease in Vehicle License Taxes, $2,851 decrease in HURF, $3,800 funding cut for the County Hold Harmless program, and $1,807 in Juvenile Court state grants. A $2,000 final payment from the City of Tucson for the transfer of the City libraries and a $1,500 one time grant from the US Department of Homeland Security (USDHS) for the purchase of a Sheriff helicopter were both received last fiscal year.

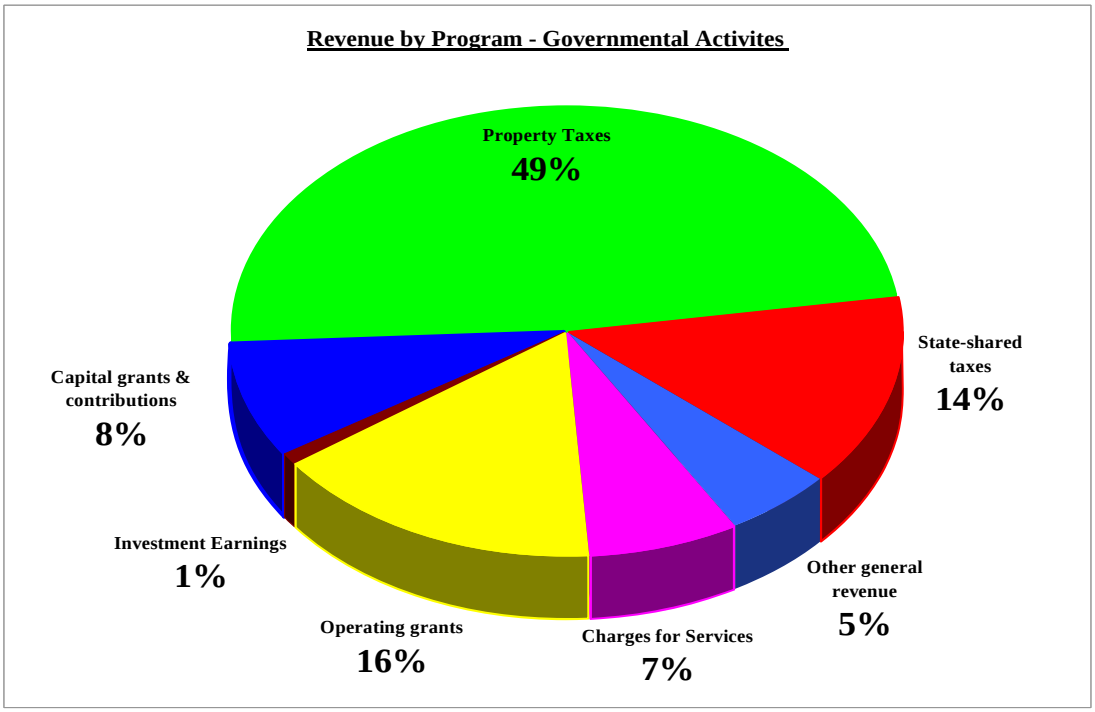
- Revenue from capital grants and contributions increased by $19,863 primarily due to a $10,279 increase in the Regional Transportation Authority (RTA) funding and a $2,439 state grant for the acquisition of Tumamoc Hill. Additionally, several donations were received by the County including the $4,100 library facility on Wilmot Road from the City of Tucson and other donations from developer for roadway projects.

- Property taxes increased $15,446 as a result of an increase in property valuations for primary and secondary taxes that was partially offset by a decrease in the primary tax rate.

- Decrease in state-shared taxes is a reflection of the current downturn in the economy. State sales tax has recorded a 13.6% drop or $13,994 and the unrestricted share of the VLT decreased by $1,297 as compared to last fiscal year.

- Decrease in investment income is due primarily from the 54.8% or 2 points dropped in the interest rate, from 4.2% average down to 1.9% this fiscal year, the lowest recorded average rate since fiscal year 2004-05. Additionally, losses from State Treasurer investments with Lehman Brothers for $2,260 were written off during the fiscal year.

The charts below present the Revenue by program and Expenses by function for governmental activities:

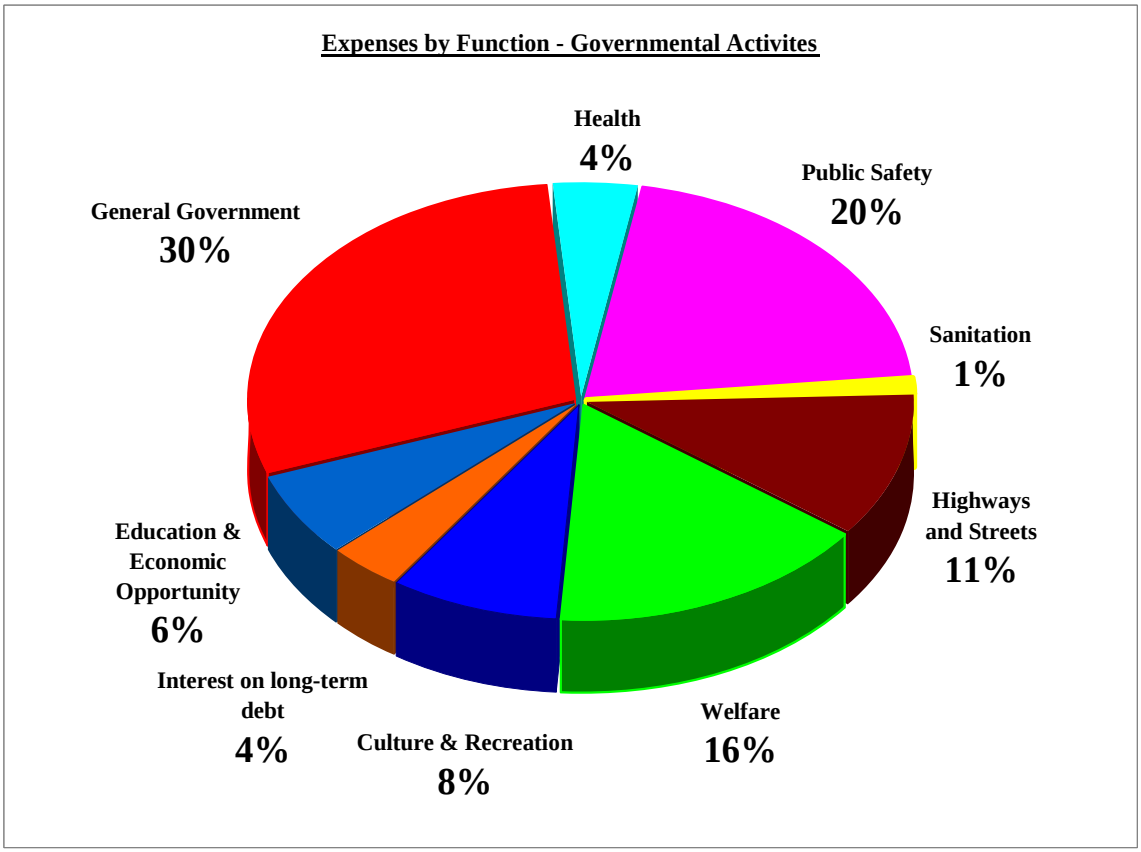


Total expenses of governmental activities were $729,023, down $6.3% or $48,669 compared to the previous year's total of $777,692. Factors contributing to the decrease in expenses:

- Public Safety expenses decreased $16,462, a 9.9% drop compared to last fiscal year. This is due primarily to a decrease of $8,448 in capital projects which were mainly flood control projects and another $4,119 in Flood Control District expenditures. In addition, the Counter Narcotics Alliance (CNA) antiracketeering expenditures last year for $2,623 which was previously processed by the Sheriff department have been transferred to the City of Tucson.

- Highways and Streets expenses decreased 10.4%, or $9,237 due primarily to the county-wide reductions in spending implemented within the fiscal year.

- Welfare expenses increased 8.4% or $8,967 primarily due to the mandated payments to AHCCCS. These include the $3,794 mandated contribution to the budget neutrality compliance fund and $1,828 for clinical teaching program. In addition there was increased spending in healthcare services for the adult detention center ($1,900) and for outside hospitals and psychiatrics clinics ($2,200).



Business-type activities

Business-type activities, which is composed exclusively of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. Change in net assets for business-type activities added $6,770, or 6.9%, to the County's $98,162 change in total net assets for the year ended June 30, 2009. The following table shows changes in net assets for business-type activities:

Table 3

Business-type Activities Schedule of Changes in Net Assets For the Years Ended June 30, 2009 and 2008				
			Variance	
	2009	2008	Amount	Percent
Program revenues:				
Charges for services	$ 328,600	$ 409,140	$ (80,540)	-19.7%
Operating grants and contributions	4,626	4,806	(180)	-3.7%
Capital grants and contributions	14,916	22,952	(8,036)	-35.0%
Total program revenues	348,142	436,898	(88,756)	-20.3%
General revenues:				
Investment earnings	2,025	6,721	(4,696)	-69.9%
Other general revenues	2,394	1,286	1,108	86.2%
Total general revenues	4,419	8,007	(3,588)	-44.8%
Total revenues	352,561	444,905	(92,344)	-20.8%
Expenses:				
Regional Wastewater Reclamation	105,139	106,803	(1,664)	-1.6%
Pima Health System & Services	224,959	295,494	(70,535)	-23.9%
Development Services	9,992	14,750	(4,758)	-32.3%
Parking Garages	1,696	1,877	(181)	-9.6%
Total expenses	341,786	418,924	(77,138)	-18.4%
Excess before contributions and transfers	10,775	25,981	(15,206)	-58.5%
Transfers in (out)	(4,005)	(113)	(3,892)	3444.2%
Change in net assets	6,770	25,868	(19,098)	-73.8%
Beginning net assets	597,623	571,755	25,868	4.5%
Ending net assets	$ 604,393	$ 597,623	$ 6,770	1.1%

Key elements of the change in net assets from business-type activities include:

- The Regional Wastewater Reclamation fund has reported a $15,160 increase in net assets, down 41% from last year's $25,700. Although the economic slowdown resulted in a 41.1% drop (or $12,753) in sewer connection service fees, this was offset by the 9% rate increase in sewer user fee for a total increase of $12,129 or 16.2%. Another revenue stream affected by the downturn in the economy is the capital grants and contribution which dropped $7,922 (or 34.7%) as compared to last year.

- Pima Health Systems and Services (PHS&S) reported a $4,620 decrease in net assets, down 203.5% from last year's net asset increase of $4,465. Of the total decrease in charges for services revenues in business-type activities, $75,665 is reported within PHS&S due to the loss of the Ambulatory contract with the AHCCCS. PHS&S retained approximately 2,700 ambulatory members under a capped agreement contract that were either dual-eligible (Medicaid and Medicare) or family members of PHS&S ALTCS members. As a result, expenses related to medical claims decreased $69,403 or 23.9% compared to fiscal year 2007-08.

- Development Services reported a decrease in net assets of $4,101, compared to the $5,236 decrease in net assets last fiscal year. Charges for services for Development Services dropped $3,338 due to the continuing downturn in the residential construction market.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The County's general government functions are accounted for in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library and Stadium Districts). The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Governmental Funds

General Fund
The General Fund is the chief operating fund of the County. At June 30, 2009, unreserved, undesignated fund balance of the General Fund was $35,803 while total fund balance was $40,166. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 7.7% of total General Fund expenditures, while total fund balance represents 8.7% of that same amount.

Total fund balance for the General Fund decreased $30,223 compared to the prior fiscal year. Revenues decreased by $3,911 and reflect the following changes:

- An increase of $13,256 for property taxes was primarily due to higher assessed property valuations that were partially offset by lower tax rates.

- Intergovernmental revenue dropped 10.9% or $16,192 primarily as a result of the $13,501 decrease in State Sales Tax and a $3,818 funding cut by the State to the Proposition 204 County Hold Harmless program.

A slight increase in expenditures of $1,739 was reported within the General Fund for the fiscal year as a result of the following changes:

- $8,979 increase in welfare expenditures is primarily attributed to the $5,622 contribution to the AHCCCS. In addition, increases in mandated hospital care and adult detention healthcare expenditures were $2,191, and $1,950, respectively.

- The above increases were offset by the $8,405 decrease in general government expenditures as a result of cost-cutting measures implemented during the year. In the prior year, expenditures included a one-time settlement of $1,822 from the state-wide tax lawsuit filed by Qwest.

The excess of revenues over expenditures was $2,419, which is further decreased by net operating transfers out of $33,013. During fiscal year 2008-09, funds to be used for the repayment of the COPS Series 2008 were transferred out to the Debt Service Fund.

Budget to Actual Comparison for the General Fund

Overall, actual revenues were less than budgeted revenues by $16,639 and actual expenditures were less than budgeted expenditures by $39,137. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Capital Projects Fund
Total fund balance for the Capital Projects Fund decreased $25,780 compared to the prior fiscal year. Revenue decreased by $3,072 and is due to the $5,187 drop in charges for services, $3,054 in investment earnings, and $2,844 in miscellaneous revenues offset by an increase of $8,013 in intergovernmental revenues. Significant factors affecting revenue changes:

- Intergovernmental revenue increased by $8,013 due primarily to the construction of RTA-funded roadway projects and a State grant for the acquisition of Tumamoc Hill in the Cultural Resources projects.

- Charges for services revenue is predominately a reflection of developer fees collected for a number of benefit areas. Fiscal year 2008-09 revenues decreased 58.7% or $5,187. This would be the third straight year that this revenue source has declined, as home construction activity continues to be depressed. Benefit areas of Canada del Oro, San Xavier and Santa Cruz Valley have major decreases at a rate of 34%, 17%, and 14%, respectively.

Capital project expenditures increased by $6,795 in fiscal year 2008-09 compared to the prior year. The 5% increase came from the acquisition of Marley ranch for $20,106 offset by the reduced spending this fiscal year as several projects reached their completion.

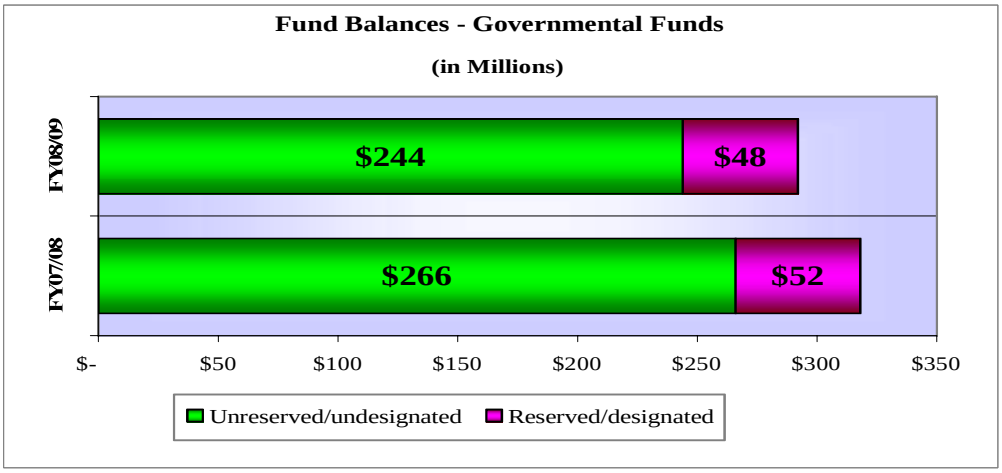
The fund reported a $115,565 deficiency of revenues under expenditures. The issuance of bonds for $109,400 and the net transfer out amounting to $19,615 further decreased the net change in the fund balance to $25,780 for the Capital Projects Fund.

Debt Service Fund
The fund accounts for the accumulation of resources for and the payment of principal and interest of the general long-term debt. It is considered a major fund this year due to an increased cash balance at year end and structured financing to meet the County's current fiscal requirements. At June 30, 2009, the fund balance increased by $21,449, up 173.1% compared to last fiscal year. This increase resulted from departmental transfers for the repayment of Certificate of Participation (COPS) Series 2008 and, due to a change in business practice within the payment processor, certain general obligation and street and highway revenue bonds had debt service payments that changed from a funding date of June 30th to July 1st. The change in funding dates provided the debt service fund with a significant amount of cash on June 30th. The County will return to a June 30th funding date in fiscal year 2009-10.

Revenue increased by $566, mainly from the tax levy and due to the growth in property valuations. Expenditures increased $44,549 from last year as a result of the $40,000 principal payment to the 2008 COPS. The payment is comprised of $20,000 current year's loan maturity and another $20,000 to defease next year's payment in order to maximize collateral requirements.

Overview of all governmental funds

At June 30, 2009, the County's governmental funds reported combined fund balances of $292,247, a decrease of $25,330 from the prior year. Approximately 83% of the combined fund balances, or $243,820, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs.



The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to the following: $33,870 for debt service on various bond and other debt instruments; $5,605 to reflect

inventories and prepaid amount; $2,851 for specified programs; $1,078 to reflect a loan receivable; $98 for capital repairs and refurbishments; and $4,925 for the Stadium District.

Revenues for governmental functions totaled approximately $785,285 in fiscal year 2008-09, which represents a decrease of $18,817 (2.3%) from the previous year. The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4

Governmental Funds
Revenues Classified by Source
For the Years Ended June 30, 2009 and 2008

	2009		2008		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Taxes	$ 396,241	50.4%	$ 381,862	47.5%	$ 14,379	3.8%
Special assessments	441	0.1%	556	0.1%	(115)	-20.7%
Licenses and permits	6,989	0.9%	7,710	0.9%	(721)	-9.4%
Intergovernmental	292,236	37.2%	312,634	38.9%	(20,398)	-6.5%
Charges for services	55,346	7.0%	58,890	7.3%	(3,544)	-6.0%
Fines and forfeits	6,283	0.8%	6,480	0.8%	(197)	-3.0%
Interest	5,335	0.7%	14,218	1.8%	(8,883)	-62.5%
Miscellaneous	22,414	2.9%	21,752	2.7%	662	3.0%
Total revenues	$ 785,285	100.0%	$ 804,102	100.0%	$ (18,817)	-2.3%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes - Revenues from property taxes increased $14,379 reflecting higher primary tax revenues of $13,256 and secondary tax revenues of $1,123. Increased property tax revenue resulted from higher property valuations that were partially offset by a decrease in the primary tax rate. The County is expecting a decrease or flattening of property tax valuations in the future.

- Intergovernmental - The $20,398 decrease in intergovernmental revenue was due primarily to a $13,501 decrease in the State shared sales tax attributable to the decline in consumer spending. Other intergovernmental revenue decreases include: $2,851 in Highway User Revenue; $2,387 in Vehicle License tax; $4,583 in state grant funding; $3,800 funding cut for the County Hold Harmless program; offset by a $5,947 increase in Regional Transportation Authority (RTA) funded projects and a $2,439 increase in grants funding for the Tumamoc Hill open space acquisition within the Capital Projects Fund. Additionally, the final payment from the City of Tucson for the transition of the Library System declined by $2,000 from last year's amount.

- Interest – The $8,883 decrease in interest revenue is mainly due to the decline in the interest rates and losses from investments with Lehman Brothers, as discussed previously.

The following table presents expenditures by function compared to prior year amounts:

Table 5

Governmental Funds Expenditures by Function For the Years Ended June 30, 2009 and 2008						
	2009		2008		Variance	
Government Function	Amount	Percent	Amount	Percent	Amount	Percent
General government	$ 222,309	24.0%	$ 237,640	26.6%	$ (15,331)	-6.5%
Public safety	144,617	15.6%	149,475	16.7%	(4,858)	-3.3%
Highways and streets	38,132	4.1%	43,741	4.9%	(5,609)	-12.8%
Sanitation	6,666	0.7%	8,310	0.9%	(1,644)	-19.8%
Health	31,626	3.4%	34,352	3.8%	(2,726)	-7.9%
Welfare	115,481	12.5%	106,607	11.9%	8,874	8.3%
Culture and recreation	51,657	5.6%	50,509	5.6%	1,148	2.3%
Education and economic opportunity	42,299	4.6%	42,286	4.7%	13	0.0%
Capital outlay	146,334	15.8%	139,539	15.7%	6,795	4.9%
Debt service:						
- Principal	100,384	10.8%	59,719	6.7%	40,665	68.1%
- Interest	26,849	2.9%	22,639	2.5%	4,210	18.6%
- Miscellaneous	24	0.0%	330	0.0%	(306)	-92.7%
Total expenditures	$ 926,378	100.0%	$ 895,147	100.0%	$ 31,231	3.5%

Total expenditures in governmental funds increased during fiscal year 2008-09 by $31,231 due primarily from the retirement and defeasance of the COPS Series 2008 in the amount of $40,000. Other major changes in the governmental funds:

- General government expenditures decreased by $15,331. Of this amount, $8,405 (or 54.8%) occurred within the General Fund, which has been previously discussed. In addition, several projects have been completed within the Other Special Revenue funds contributing $4,765 and a $1,367 decline in the state funding for the Juvenile Courts' safe schools program. Lastly, there was a 2.5% budget expenditure reduction implemented in the second half of the fiscal year.

- Welfare expenditures increased by $8,874 due to mandated contributions to AHCCCS and other healthcare related services as previously discussed under the General Fund section.

- Capital outlay expenditures decreased by $6,795 as previously discussed under the Capital Projects Fund section.

- Debt service principal and interest costs increased $40,665 and $4,210, respectively. The significant increase in principal expenditures was the result of the $40,000 repayment of the 2008 COPS; $20,000 scheduled for the current year and another $20,000 to defease next year's payment. Accordingly, $3,214 of the increase in the interest cost was for the 2008 COPS.

Proprietary funds

The County's proprietary fund functions are contained in the enterprise and internal service funds. The enterprise funds of the County are PHS&S, Regional Wastewater Reclamation, Development Services and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

The following table presents a comparison of this year's enterprise fund activities with the prior year:

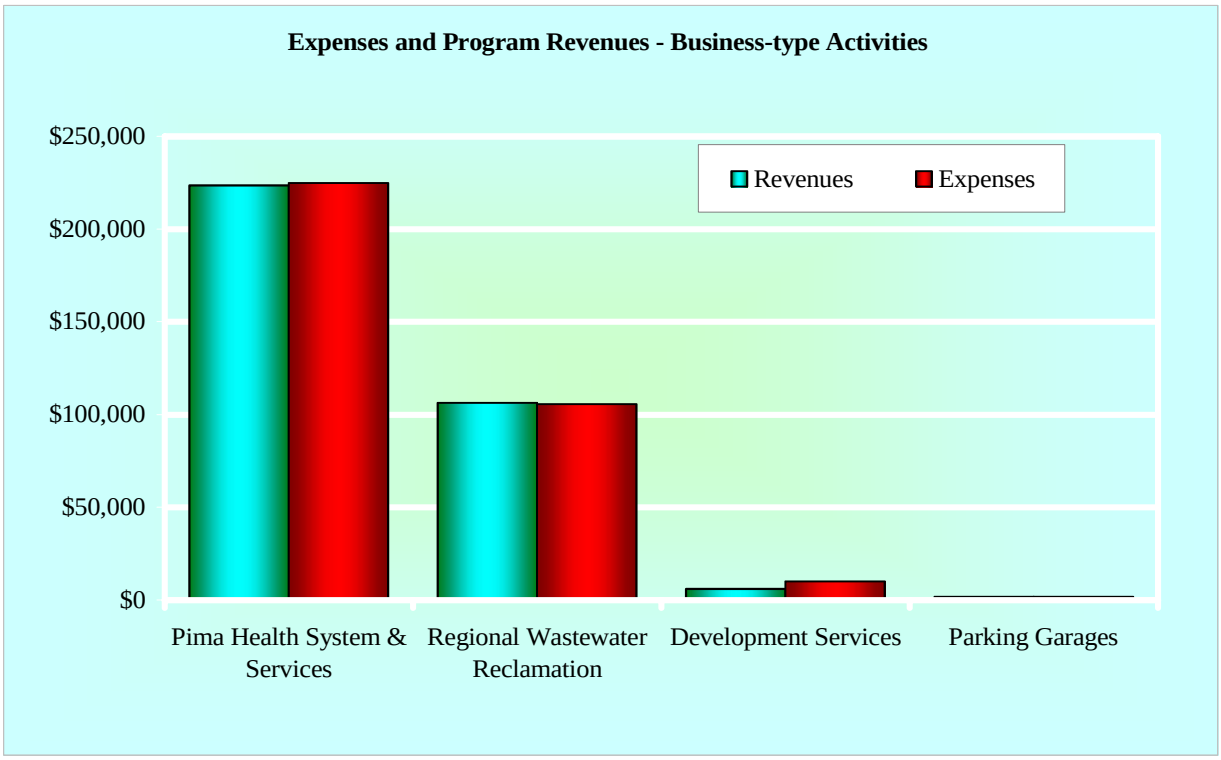
Table 6

Enterprise Funds
Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008

	2009	2008	Variance Amount	Variance Percent
Operating revenues:				
Net patient services	$ 213,986	$ 289,651	$ (75,665)	-26.1%
Charges for services	96,310	87,770	8,540	9.7%
Other	2,414	1,302	1,112	85.4%
Total net operating revenues	312,710	378,723	(66,013)	-17.4%
Operating expenses:				
Employee compensation	72,681	85,298	(12,617)	-14.8%
Medical claims	177,284	237,926	(60,642)	-25.5%
Operating supplies & services	9,534	10,078	(544)	-5.4%
Utilities	7,347	7,737	(390)	-5.0%
Sludge and refuse disposal	1,485	1,602	(117)	-7.3%
Repair and maintenance	5,989	4,498	1,491	33.1%
General and administrative	20,500	22,466	(1,966)	-8.8%
Consultants and professional services	8,668	11,911	(3,243)	-27.2%
Depreciation and amortization	27,689	25,288	2,401	9.5%
Total operating expenses	331,177	406,804	(75,627)	-18.6%
Operating loss	(18,467)	(28,081)	9,614	-34.2%
Nonoperating revenues (expenses):				
Intergovernmental revenue	4,626	5,514	(888)	-16.1%
Invesment earnings	2,039	6,822	(4,783)	-70.1%
Sewer connection fees	18,284	31,037	(12,753)	-41.1%
Interst expense	(6,060)	(6,653)	593	-8.9%
Loss on disposal of capital assets	(341)	(534)	193	-36.1%
Amortization of deferred charges	(227)	(136)	(91)	66.9%
Premium tax	(4,403)	(5,893)	1,490	-25.3%
Total nonoperating revenues	13,918	30,157	(16,239)	-53.8%
Income (loss) before contributions and transfers	(4,549)	2,076	(6,625)	-319.1%
Capital contributions	14,916	23,510	(8,594)	-36.6%
Transfers in	25,570	9,545	16,025	167.9%
Transfers (out)	(29,575)	(10,259)	(19,316)	188.3%
Change in net assets	$ 6,362	$ 24,872	$ (18,510)	-74.4%

The net operating revenues for the County's Enterprise Funds decreased 17.4% or $66,013 with a corresponding 18.6% or $75,627 decrease in operating expenses. This resulted in an operating loss of $18,467. Of this amount, $12,104 was reported in Regional Wastewater Reclamation, $2,144 in the PHS&S, $4,209 in Development Services, and $10 for Parking Garages.

The chart below presents the revenues and expenses for business-type activities:



Key activities within the enterprise funds for fiscal year 2008-09 include the following:

- Net patient services revenues decreased by $75,665 from fiscal year 2007-08. The loss of the Ambulatory contract with the state, effective October 2008, resulted in an $80,127 drop in this particular revenue stream. The County retained approximately 2,700 ambulatory members under a capped enrollment contract that were dual-eligible (Medicaid and Medicare) or family members of PHS&S ALTCS members.

- Employee compensation expenses decreased by $12,617 primarily as a result of these significant changes: $8,230 due to the loss of the Ambulatory contract with AHCCCS and $3,792 due to the persistent downturn in construction and permitting activities.

- Medical claims expense decreased by $60,642 due to the loss of the Ambulatory contract with AHCCCS as discussed previously.

- Investment earnings dropped 70.1% due to declining interest rates and decreasing cash balances which dropped 55% and 36%, respectively. In addition, losses from investments with Lehman Brothers amounting to $998 were written off this year.

- Sewer connection revenues dropped 41.1%, or $12,753 as the current economic slowdown continues to affect the construction activities. In addition to fewer permits issued this year, the square footage per home being built has also decreased which resulted in a lower number of fixture units and reduced connection revenues.

- Increase in transfers out represents the $3,400 equity transfer from PHS&S into the General Fund. The difference of transfers in and out reflects the movement of 2008 COPS funding for the Regional Wastewater Reclamation Fund.

Capital Assets and Debt Administration

Capital Assets

The County's total investment in capital assets as of June 30, 2009 amounted to $2,299,891 (net of accumulated depreciation), an increase of 8.1% (or $171,462). Of this amount, $112,893 (65.8%) came from governmental activities and $58,569 (34.2%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7

Governmental and Business-type Activities
Capital Assets
For the Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 384,368	$ 303,646	$ 13,595	$ 10,596	$ 397,963	$ 314,242
Construction in progress	103,106	90,098	43,208	72,060	146,314	162,158
Buildings and improvements	380,798	366,370	228,198	234,142	608,996	600,512
Infrastructure	614,951	609,112	399,094	369,514	1,014,045	978,626
Equipment	43,551	44,655	89,022	28,236	132,573	72,891
Total	$ 1,526,774	$ 1,413,881	$ 773,117	$ 714,548	$ 2,299,891	$ 2,128,429

Major capital asset events during the current fiscal year included the following:

Governmental activities

- Land increased by $80,722 due primarily to the purchases of open spaces under the Conservation Acquisition Program. Open spaces acquisition consisted of: $20,106 for Marley ranch; $21,024 for Clyne ranch properties; $10,295 partial purchase for Sopori ranch east of Arivaca; and $4,541 for Tumamoc Hill. In addition, several land parcels were donated to the County for $15,847 towards roadway projects, $900 for the library at Wilmot Road and $3,380 towards the Camino del Cerro Road.

- Construction in progress increased $13,008 (or 14.4%) compared to last fiscal year. Current cost of major projects still in progress includes the $5,653 for Justice Court/Municipal Court building complex, the $2,820 towards the animal care center and various transportation roadways projects including the $5,178 La Cañada Drive from Ina Road to Calle Concordia projects.

- Building and improvement activities increased by $14,428 mainly due to the completion of these projects: $5,090 Southern Arizona Children's Advocacy Center; the $1,333 Jackson employment center at 400 E. 26th street; the $4,250 Green Valley Multi-media Performing Arts Center; and the $4,889 improvement to the Rillito River Linear Park from Alvernon to Craycroft road.

Business-type activities

- Construction in progress decreased by $28,852 mainly within the Regional Wastewater Reclamation fund. The decrease is due primarily to the capitalization of the $56 million expansion project of the Avra Valley Biological Nutrient Reduction Oxidation Ditch (BNROD) which posted $26,011 in expenses last fiscal year.

- Infrastructure increased by $29,580 due to the $25,616 rehabilitation and replacement of the Santa Cruz Sewer Interceptor project from Prince to Franklin and various contributions of developer-built sewer conveyance systems.

- Facilities and equipment increased by $60,786 from the completion of two sewer treatment facilities; the Avra Valley BNROD expansion project ($48,258) and the new Marana BNROD expansion project ($8,532).

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 4 of the financial statements on pages 53-54 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8

Long-Term Debt For the Years Ended June 30, 2009 and 2008		
	2009	**2008**
Bonds issued (at face value):		
General obligation	$ 75,000	$ 100,000
Street and highway revenue		25,000
Sewer revenue	18,940	75,000
Certificate of Participation (COPs)	34,400	50,000
Capital leases		312
Total	$ 128,340	$ 250,312

During the fiscal year, the county received $75,000 in proceeds from the sale of general obligation bonds and $18,940 from the sale of sewer revenue bonds. As of June 30, 2009, remaining unspent bond proceeds from the general obligation (GO) bonds, transportation revenue (HURF) bond and sewer revenue bonds were $50,301, $6,173, and $7,519, respectively. The majority of the general obligation bonds were spent on projects for Facilities Management, Flood Control District, open space and parks and recreational facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold $34,400 in certificates of participation (COPS) Series 2009 to finance capital costs for public infrastructure as well as the expansion and upgrade to the County's sewer treatment system.

The most recent ratings for Pima County's bonds and COPs are:

Table 9

Credit Ratings						
	Moody's Investors Service		**Standard & Poor's**		**Fitch Ratings**	
	Rating	**Date**	**Rating**	**Date**	**Rating**	**Date**
Certificate of Participation (COPs)	A1	May-2009	A+	Oct-2009	A+	Nov-2009
General obligation	Aa3	Mar-2009	AA-	Oct-2009	AA-	Nov-2009
Street and highway revenue	A1	Feb-2008	AA	Oct-2009	AA-	Nov-2009
Sewer revenue	A2	Apr-2009	A+	Mar-2009	n/a	n/a

The State constitution limits the amount of general obligation debt a governmental entity may issue to 6% of its net assessed valuation without voter approval. However, Pima County has voter approval for general obligation debt up to 15%. The current debt limitation for Pima County is $1,439,229, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 6 of the financial statements on pages 57-65 of this report.

Economic Factors and Next Year's Budget

The State of Arizona had anticipated a budget deficit for fiscal year 2009-10 estimated at $2 to $3 billion because of lower than expected revenues. Although the State has not yet adopted specific proposals to address the entire deficit for fiscal year 2009-10, in past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of state-shared revenues distributed to the cities, towns and counties.

The County's revenues for fiscal year 2009-10 are expected to be less than the budgeted or forecasted amounts largely due to lower revenues from residential building permits and state-shared tax revenues. The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures to address the anticipated reduction in state-shared revenues and any potential increased cost shifting from the State.

General Fund

General government revenues, excluding property tax revenues, are budgeted in fiscal year 2009-10 at $140.6 million, approximately $21.4 million less than the amounted budgeted for fiscal year 2008-09. The General Fund property tax revenues for fiscal year 2009-10 are projected to be $286,321 based upon the adopted tax levy of $297,724 and a collection rate of 96.17%. The primary tax rate dropped from $3.3913 to $3.3133 per $100 of assessed valuation. Another $14.7 million is projected to be collected from delinquent property taxes and associated interest and penalties.

Total state-shared sales tax and vehicle license tax revenues were budgeted at $113.7 million. The most current projections of state-shared and vehicle license taxes for fiscal year 2009-10 indicate $8.5 million less is expected to be received.

The adopted budget for fiscal year 2009-10 has expenditures for the General Fund decreasing by approximately $6.6 million primarily due to: the $5.3 million decrease from a 2.5% across-the-board base budget reduction; $0.7 million net reduction for cost of fuel for estimated motor pool charges; and $1.1 million decrease in state mandated contributions to the various state retirement systems.

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

Transportation

By the end of October 2009, the County is projecting that the Vehicle License Tax (VLT) revenues received for fiscal year 2009-10 will decrease by $2.4 million below the adopted amount. In an effort to reduce expenditures to deal with the revenue shortfall, the County has initiated cost saving measures within the Transportation department. Additionally, revenues from impact fees are substantially lower than budgeted for fiscal year 2009-10.

Development Services

Consistent with the slowdown in the housing industry for the last two fiscal years, the fiscal year 2009-10 budget for the Development Services department has been reduced to $6,074 from last year's budget of $10,934. By the end of October 2009, the County is projecting about $1,900 decrease in actual revenues. Part of the decrease is the

slowdown in commercial activity. The economic situation is not expected to improve in the near future. The County has therefore initiated cost saving measures within the Development Services department to reduce expenses.

Debt Management

In November 2009, the County issued $23.5 million in Series 2009 General Obligations (G.O.) Refunding Bonds to advance refund various G.O. bond obligations. The refunding component saved the County $1.3 million on a net present value basis or 5.6% when expressed as a percentage of the bonds that were refunded.

American Recovery and Reinvestment Act (ARRA)

Since signing of the American Recovery and Reinvestment Act on February 17, 2009, the County has been awarded 28 ARRA grants. Significant grants awarded to the County include $8.64 million towards transportation, $5.97 million towards workforce training, $4.47 million for criminal justice and public safety, and $3.37 million for emergency food and shelter/community services. Several County departments are still awaiting a final decision on another $52 million in outstanding ARRA grant requests.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Assets
June 30, 2009
(in thousands)

Exhibit A - 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
Assets				
Cash and cash equivalents	$ 375,479	$ 102,879	$ 478,358	$ 1,898
Property taxes receivable (net)	14,605		14,605	
Interest receivable	1,344	383	1,727	
Internal balances	829	(829)		
Due from other governments	44,822	1,040	45,862	
Accounts receivable (net)	3,074	21,443	24,517	24
Inventories	1,952	3,724	5,676	65
Prepaids	4,999	353	5,352	
Special assessments receivable	995		995	
Other assets	2,797	2,679	5,476	
Restricted assets:				
Cash and cash equivalents	777	2,291	3,068	
Loans receivable	1,078		1,078	
Capital assets not being depreciated:				
Land	384,368	13,595	397,963	
Construction in progress	103,106	43,208	146,314	
Capital assets being depreciated (net):				
Buildings and improvements	380,798	228,198	608,996	1,778
Sewage conveyance system		399,094	399,094	
Equipment	43,551	89,022	132,573	670
Infrastructure	614,951		614,951	
Total assets	1,979,525	907,080	2,886,605	4,435
Liabilities				
Accounts payable	39,280	13,361	52,641	214
Accrued medical and healthcare claims		18,078	18,078	
Interest payable	1,522	4,862	6,384	
Contract retentions	362		362	
Employee compensation	40,933	7,072	48,005	
Due to other governments	31	3,714	3,745	
Deposits and rebates	812		812	24
Deferred revenues	3,338	1,241	4,579	51
Noncurrent liabilities:				
Due within one year	99,210	14,187	113,397	
Due in more than one year	582,901	240,172	823,073	
Total liabilities	768,389	302,687	1,071,076	289
Net Assets				
Invested in capital assets, net of related debt	972,346	539,718	1,512,064	2,448
Restricted for:				
Facilities, justice, library, tax stabilization and community development	78,080		78,080	
Highways and streets	21,349		21,349	
Debt service	44,566	819	45,385	
Capital projects	59,945	14,479	74,424	
Regional wastewater		5,883	5,883	
Healthcare		9,017	9,017	
Unrestricted	34,850	34,477	69,327	1,698
Total net assets	$ 1,211,136	$ 604,393	$ 1,815,529	$ 4,146

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2009
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 212,196	$ 26,283	$ 27,643	$ 14
Public safety	149,253	10,386	10,303	1,016
Highways and streets	79,251	4,616	56,266	56,985
Sanitation	7,434	4,668	1,047	
Health	31,541	10,488	9,567	
Welfare	115,513		1,828	
Culture and recreation	60,520	2,754	2,856	10,207
Education and economic opportunity	46,770	691	21,851	313
Amortization - unallocated	(235)			
Interest on long-term debt	26,780			
Total governmental activities	729,023	59,886	131,361	68,535
Business-type activities:				
Regional Wastewater Reclamation	105,139	105,162	12	14,916
Pima Health System & Services	224,959	216,108	4,614	
Development Services	9,992	5,654		
Parking Garages	1,696	1,676		
Total business-type activities	341,786	328,600	4,626	14,916
Total primary government	$ 1,070,809	$ 388,486	$ 135,987	$ 83,451
Component unit:				
Southwestern Fair Commission	$ 4,609	$ 4,757	$ 120	
Total component units	$ 4,609	$ 4,757	$ 120	

General revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets

Transfers
Total general revenues and transfers
Change in net assets
Net assets at beginning of year
Net assets at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission	Functions/Programs
				Primary government:
				Governmental activities:
$ (158,256)		$ (158,256)		General government
(127,548)		(127,548)		Public safety
38,616		38,616		Highways and streets
(1,719)		(1,719)		Sanitation
(11,486)		(11,486)		Health
(113,685)		(113,685)		Welfare
(44,703)		(44,703)		Culture and recreation
(23,915)		(23,915)		Education and economic opportunity
235		235		Amortization - unallocated
(26,780)		(26,780)		Interest on long-term debt
(469,241)		(469,241)		**Total governmental activities**
				Business-type activities:
	$ 14,951	14,951		Regional Wastewater Reclamation
	(4,237)	(4,237)		Pima Health System & Services
	(4,338)	(4,338)		Development Services
	(20)	(20)		Parking Garages
	6,356	6,356		**Total business-type activities**
(469,241)	6,356	(462,885)		**Total primary government**
				Component unit:
			$ 268	Southwestern Fair Commission
			$ 268	**Total component units**
				General revenues:
277,777		277,777		Property taxes, levied for general purposes
25,337		25,337		Property taxes, levied for regional flood control district
32,353		32,353		Property taxes, levied for library district
57,788		57,788		Property taxes, levied for debt service
6,591		6,591		Hotel/motel taxes, levied for sports facility and tourism
1,534		1,534		Other taxes, levied for stadium district
89,177		89,177		Unrestricted share of state sales tax
25,869		25,869		Unrestricted share of state vehicle license tax
5,741		5,741		Grants and contributions not restricted to specific programs
6,123		6,123		Interest and penalties on delinquent taxes
5,875	2,025	7,900		Investment earnings
21,323	2,394	23,717	132	Miscellaneous
1,140		1,140		Gain on sale of capital assets
4,005	(4,005)			Transfers
560,633	414	561,047	132	Total general revenues and transfers
91,392	6,770	98,162	400	Change in net assets
1,119,744	597,623	1,717,367	3,746	Net assets at beginning of year
$ 1,211,136	$ 604,393	$ 1,815,529	$ 4,146	Net assets at end of year

See accompanying notes to financial statements

Exhibit A - 3

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2009
(in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 36,317	$ 143,323	$ 41,028	$ 90,251	$ 310,919
Property taxes receivable (net)	9,888		2,377	2,340	14,605
Interest receivable	296	469	129	283	1,177
Due from other funds	2,481	118	3,099	851	6,549
Due from other governments	19,284	5,704	8	19,660	44,656
Accounts receivable	1,341	5		1,722	3,068
Inventory				1,551	1,551
Prepaid expenditures	3,237	42		775	4,054
Special assessments receivable				995	995
Loan receivable	1,078				1,078
Other assets	160	815		82	1,057
Restricted cash equivalents	107	670			777
Total assets	$ 74,189	$ 151,146	$ 46,641	$ 118,510	$ 390,486
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 7,706	$ 19,019		$ 10,917	$ 37,642
Interest payable	8	5	$ 1,508	1	1,522
Bonds payable			9,170		9,170
Contract retentions		362			362
Employee compensation	8,847	26		3,405	12,278
Due to other funds	257	3,098		2,486	5,841
Due to other governments	1	17		13	31
Deposits and rebates	142	670			812
Deferred revenues	17,062	1,086	2,121	10,312	30,581
Total liabilities	34,023	24,283	12,799	27,134	98,239
Fund balances:					
Reserved for:					
Inventory				1,551	1,551
Prepaid expenditures	3,237	42		775	4,054
Debt service			33,842	28	33,870
Capital repairs and refurbishments				98	98
Specified programs	48			2,803	2,851
Loan receivable	1,078				1,078
Unreserved, designated for:					
Special revenue				4,925	4,925
Unreserved, undesignated:					
General fund	35,803				35,803
Capital projects		126,821			126,821
Special revenue				81,196	81,196
Total fund balances	40,166	126,863	33,842	91,376	292,247
Total liabilities and fund balances	$ 74,189	$ 151,146	$ 46,641	$ 118,510	$ 390,486

See accompanying notes to financial statements

Exhibit A - 4

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2009
(in thousands)

Fund balances - total governmental funds		$ 292,247
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 2,197,709	
Less accumulated depreciation	(690,498)	1,507,211
Some long term debt liabilities and their associated issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(519,270)	
Certificates of participation payable	(74,554)	
Loans and leases payable	(21,327)	
Unamortized deferred issuance costs reported as other assets	1,740	(613,411)
Some compensated absences are not due and payable shortly after June 30, 2009, and therefore are not reported in the governmental funds		
Employee compensation		(27,938)
Some liabilities are not due and payable shortly after June 30, 2009, and therefore are not reported in the governmental funds		
Landfill liability	(19,329)	
Pollution remediation liability	(1,467)	(20,796)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		27,243
Internal service funds are used by management to charge the costs of certain activities to individual funds. Most assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		46,580
Net assets of governmental activities		$ 1,211,136

See accompanying notes to financial statements

Exhibit A - 5

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009
(in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 281,749		$ 57,223	$ 57,269	$ 396,241
Special assessments				441	441
Licenses and permits	2,747			4,242	6,989
Intergovernmental	131,966	$ 25,036	17	135,217	292,236
Charges for services	35,330	3,652		16,364	55,346
Fines and forfeits	4,720			1,563	6,283
Investment earnings	1,084	1,758	946	1,547	5,335
Miscellaneous	7,099	323		14,992	22,414
Total revenues	464,695	30,769	58,186	231,635	785,285
Expenditures:					
Current:					
General government	184,434			37,875	222,309
Public safety	121,704			22,913	144,617
Highways and streets				38,132	38,132
Sanitation				6,666	6,666
Health	2,767			28,859	31,626
Welfare	115,481				115,481
Culture and recreation	15,580			36,077	51,657
Education and economic opportunity	16,368			25,931	42,299
Capital outlay		146,334			146,334
Debt service - principal	3,510		96,751	123	100,384
- interest	2,426		24,322	101	26,849
- miscellaneous	6		18		24
Total expenditures	462,276	146,334	121,091	196,677	926,378
Excess (deficiency) of revenues over (under) expenditures	2,419	(115,565)	(62,905)	34,958	(141,093)
Other financing sources (uses):					
Premium on bonds			675		675
Face amount of long-term debt		109,400			109,400
Proceeds from sale of capital assets	371			505	876
Transfers in	50,517	15,751	83,679	21,239	171,186
Transfers (out)	(83,530)	(35,366)		(47,423)	(166,319)
Total other financing sources (uses)	(32,642)	89,785	84,354	(25,679)	115,818
Net change in fund balances	(30,223)	(25,780)	21,449	9,279	(25,275)
Fund balances at beginning of year	70,389	152,643	12,393	82,152	317,577
Change in reserve for inventory				(55)	(55)
Fund balances at end of year	$ 40,166	$ 126,863	$ 33,842	$ 91,376	$ 292,247

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009
(in thousands)

Net change in fund balances - total governmental funds		$ (25,275)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense		
Expenditures for capital assets	$ 125,341	
Less current year depreciation	(54,596)	70,745
Transfers of capital assets between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		93
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Face amount of long-term debt	(109,400)	
Premium on bonds	(675)	
Debt service - principal payments	100,384	
Deferred issuance costs	251	
Amortization expense	235	(9,205)
Some revenues reported in the statement of activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds. Likewise, some revenues reported in the governmental funds are collections of current financial resources that related to other periods and therefore are not reported as revenues in the statement of activities.		
Donations of capital assets	42,396	
Property tax revenues	3,137	
Other	(2,024)	43,509
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Likewise, some expenditures and changes in fund balances reported in the governmental funds are uses of current financial resources that related to other periods and therefore are not reported as expenses in the statement of activities.		
Changes in payroll liabilities	7,799	
Change in landfill liability	(910)	
Change in pollution remediation liability	317	
Net book value of capital asset disposals	(303)	
Change in reservation of fund balances	(55)	6,848
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net activity of the internal service funds is reported with governmental activities		4,677
Change in net assets of governmental activities		$ 91,392

See accompanying notes to financial statements

Exhibit A - 7

PIMA COUNTY, ARIZONA
Statement of Net Assets - Proprietary Fund
June 30, 2009
(in thousands)

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 25,234	$ 30,163	$ 5,995	$ 61,392	$ 64,560
Restricted cash and cash equivalents		41,487		41,487	
Interest receivable	117	241	25	383	167
Due from other funds		3,098	1	3,099	428
Due from other governments	1,040			1,040	166
Accounts receivable (net)	7,755	13,668	20	21,443	6
Inventory	89	3,635		3,724	401
Prepaid expense	11	276	66	353	945
Total current assets	34,246	92,568	6,107	132,921	66,673
Noncurrent assets:					
Restricted cash and cash equivalents		2,291		2,291	
Capital assets:					
Land and other improvements		11,827	1,768	13,595	592
Buildings and improvements	694	353,654	12,927	367,275	614
Sewage conveyance system		621,077		621,077	
Equipment	1,435	99,630	1,634	102,699	32,841
Less accumulated depreciation	(1,375)	(363,757)	(9,605)	(374,737)	(15,097)
Construction in progress		43,208		43,208	613
Total capital assets (net of accumulated depreciation)	754	765,639	6,724	773,117	19,563
Deferred financing costs		2,679		2,679	
Total noncurrent assets	754	770,609	6,724	778,087	19,563
Total assets	35,000	863,177	12,831	911,008	86,236
Liabilities					
Current liabilities:					
Accounts payable	677	12,328	356	13,361	1,638
Accrued medical and health care claims	18,078			18,078	
Employee compensation	2,346	3,980	746	7,072	717
Interest payable	3	4,859		4,862	
Due to other funds	1,003	3,230	1	4,234	1
Due to other governments	3,643		71	3,714	
Deferred revenues	1	1,240		1,241	
Current portion of sewer revenue bonds		7,870		7,870	
Current portion of wastewater loans payable		6,317		6,317	
Current portion of reported but unpaid losses					4,446
Current portion of incurred but not reported losses					2,218
Total current liabilities	25,751	39,824	1,174	66,749	9,020
Noncurrent liabilities:					
Contracts and notes		6,481		6,481	
Sewer revenue bonds		175,519		175,519	
Wastewater loans payable		58,172		58,172	
Reported but unpaid losses					20,089
Incurred but not reported losses					10,241
Total noncurrent liabilities		240,172		240,172	30,330
Total liabilities	25,751	279,996	1,174	306,921	39,350
Net assets					
Invested in capital assets, net of related debt	754	532,240	6,724	539,718	19,563
Restricted for:					
Debt service		819		819	
Capital projects		14,479		14,479	
Wastewater management		5,883		5,883	
Healthcare	9,017			9,017	
Unrestricted	(522)	29,760	4,933	34,171	27,323
Total net assets	$ 9,249	$ 583,181	$ 11,657	604,087	$ 46,886

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.	306
Net assets of business-type activities	$ 604,393

See accompanying notes to financial statements

Exhibit A - 8

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009
(in thousands)

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating revenues:					
Net patient services	$ 213,986			$ 213,986	
Charges for services	2,122	$ 86,858	$ 7,330	96,310	$ 44,440
Other	2,136	56	222	2,414	2,169
Total net operating revenues	218,244	86,914	7,552	312,710	46,609
Operating expenses:					
Employee compensation	30,866	33,947	7,868	72,681	6,649
Medical claims	177,284			177,284	
Operating supplies and services	973	8,360	201	9,534	5,656
Utilities	423	6,601	323	7,347	1,071
Sludge and refuse disposal		1,485		1,485	
Repair and maintenance	347	5,478	164	5,989	3,567
Incurred losses					12,600
Insurance premiums					4,627
General and administrative	8,613	9,291	2,596	20,500	3,143
Consultants and professional services	1,648	6,944	76	8,668	574
Depreciation	234	26,912	543	27,689	2,840
Total operating expenses	220,388	99,018	11,771	331,177	40,727
Operating income (loss)	(2,144)	(12,104)	(4,219)	(18,467)	5,882
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,614	12		4,626	
Investment earnings	728	1,164	147	2,039	489
Sewer connection fees		18,284		18,284	
Interest expense	(14)	(6,046)		(6,060)	
Loss on disposal of capital assets	(1)	(327)	(13)	(341)	(329)
Amortization of deferred charges		(227)		(227)	
Premium tax	(4,403)			(4,403)	
Total nonoperating revenues	924	12,860	134	13,918	160
Income (loss) before contributions and transfers	(1,220)	756	(4,085)	(4,549)	6,042
Capital contributions		14,916		14,916	
Transfers in		25,570		25,570	1,029
Transfers (out)	(3,400)	(26,082)	(93)	(29,575)	(1,986)
Change in net assets	(4,620)	15,160	(4,178)	6,362	5,085
Net assets at beginning of year	13,869	568,021	15,835	597,725	41,801
Net assets at end of year	$ 9,249	$ 583,181	$ 11,657	604,087	$ 46,886

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net activity of certain internal service funds is reported with business-type activities.	408
Change in net assets of business-type activities	$ 6,770

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(in thousands)

	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services	$ 358			$ 358	$ 44,440
Cash received from customers for goods and services	221,650	$ 83,078	$ 7,329	312,057	
Cash received from miscellaneous operations	1,778	56	216	2,050	2,324
Cash payments to suppliers for goods and services	(199,686)	(29,696)	(1,352)	(230,734)	(15,689)
Cash payments to other funds for goods and services	(5,262)	(8,357)	(3,244)	(16,863)	(3,979)
Cash payments for incurred losses					(6,667)
Cash payments to employees for services	(33,054)	(34,665)	(7,393)	(75,112)	(6,203)
Net cash provided by (used for) operating activities	(14,216)	10,416	(4,444)	(8,244)	14,226
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(16)			(16)	
Cash transfers in from other funds		25,570		25,570	1,028
Cash transfers out to other funds	(3,400)	(26,082)		(29,482)	(1,983)
Loans with other funds	(83)	(1,823)	2,633	727	147
Premium tax	(4,403)			(4,403)	
Intergovernmental revenues	4,360	(696)		3,664	
Net cash provided by (used for) noncapital financing activities	(3,542)	(3,031)	2,633	(3,940)	(808)
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		18,940		18,940	
Principal paid on bonds and loans		(5,975)		(5,975)	
Interest paid on bonds and loans		(2,172)		(2,172)	
Sewer connection fees		18,009		18,009	
Proceeds from sale or transfer of capital assets			16	16	294
Proceeds from intergovernmental contract		352		352	
Purchase of capital assets	(387)	(74,224)	(65)	(74,676)	(3,427)
Net cash used for capital and related financing activities	(387)	(45,070)	(49)	(45,506)	(3,133)
Cash flows from investing activities:					
Interest received on cash and investments	755	1,210	139	2,104	494
Net cash provided by investing activities	755	1,210	139	2,104	494
Net increase (decrease) in cash and cash equivalents	(17,390)	(36,475)	(1,721)	(55,586)	10,779
Cash and cash equivalents at beginning of year	42,624	110,416	7,716	160,756	53,781
Cash and cash equivalents at end of year	$ 25,234	$ 73,941	$ 5,995	$ 105,170	$ 64,560

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(in thousands)

(continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating income (loss)	$ (2,144)	$ (12,104)	$ (4,219)	$ (18,467)	$ 5,882
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	234	26,912	543	27,689	2,840
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	3,635	(3,808)	(7)	(180)	141
Due from other governments	144	28		172	14
Inventory and other assets	(8)	(15)		(23)	157
Prepaid expenses	3	(98)	(59)	(154)	(248)
Increase (decrease) in liabilities:					
Accounts payable	(16,484)	307	1	(16,176)	(109)
Due to other governments	1,763	(88)	(33)	1,642	(5)
Reported but unpaid losses					5,113
Incurred but not reported losses					676
Other current liabilities	(1,359)	(718)	(670)	(2,747)	(235)
Net cash provided by (used for) operating activities	$ (14,216)	$ 10,416	$ (4,444)	$ (8,244)	$ 14,226

Noncash investing, capital and noncapital financing activities during the year ended June 30, 2009:

Pima Health System & Services retired equipment with a net book value of $1.

Regional Wastewater Reclamation disposed of capital assets with a net book value of $327.

Regional Wastewater Reclamation received contributed developer-built conveyance systems with estimated fair values totaling $15,381. These contributions were recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation recorded a Board of Supervisor approved connection fee credit agreement of $466. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Regional Wastewater Reclamation retired expired Sewer Credit Agreements totaling $1. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

Other Enterprise Funds disposed of capital assets with an original cost of $54 and accumulated depreciation of $43, resulting in a loss on disposal of $11.

Other Enterprise Funds transferred land with a book value of $93 to the County's general government.

Other Enterprise Funds retired capital assets with a book value of $18.

Internal Service Funds retired assets with a net book value of $6.

Internal Service Funds transferred in capital assets with a net book value of $1 from the County's general government.

Internal Service Funds transferred out capital assets with a net book value of $3 to the County's general government.

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2009
(in thousands)

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 271,397	$ 66,626
Interest receivable	788	
Total assets	272,185	$ 66,626
Liabilities		
Employee compensation		$ 3,931
Due to other governments		38,506
Deposits and rebates		24,189
Total liabilities		$ 66,626
Net assets		
Held in trust for pool participants	$ 272,185	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009
(in thousands)

	Investment Trust Funds
Additions	
Contributions from participants	$ 2,518,562
Total contributions	2,518,562
Investment earnings	5,832
Total investment earnings	5,832
Total additions	2,524,394
Deductions	
Distributions to participants	2,567,538
Total deductions	2,567,538
Change in net assets	(43,144)
Net assets held in trust July 1, 2008	315,329
Net assets held in trust June 30, 2009	$ 272,185

See accompanying notes to financial statements

Note 1: Summary of Significant Accounting Policies

The accounting policies of Pima County (County) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies follows.

During the year ended June 30, 2009, the County adopted early implementation of GASB Statement No. 51. The provisions for GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, require that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Historically, Pima County has reported intangible assets, primarily consisting of rights of way, easements and software. The County's implementation of GASB 51 generated a change of the policy for capitalization to specifically include intangible assets. The County's policy is to prospectively capitalize all intangible assets costing $100,000 or more. No restatement was necessary for intangible assets that were reported using a different capitalization threshold.

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the County's operations. Therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The County Board of Supervisors is the Board of Directors of the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Pima County Board of Supervisors is the Board of Directors of the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors for the Regional Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

Note 1: Summary of Significant Accounting Policies (continued)

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization:

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the government funds to be available if the revenues are collected within 30 days after year-end. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting

Note 1: Summary of Significant Accounting Policies (continued)

Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

C. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges received from users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (continued)

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The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The County reports the following major enterprise funds:

Pima Health System and Services (**PHS&S**) provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

Regional Wastewater Reclamation (**RWR**) accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, graphic services and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Agency Funds account for the assets, held by the County as an agent, for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

D. Cash and Investments

Primary government:

For purposes of its statements of cash flows, the County considers only those highly liquid investments, with a maturity period of 3 months or less when purchased, to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

Note 1: Summary of Significant Accounting Policies (continued)

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

E. Inventories and Prepaids

The County accounts for its inventories in the Health and Animal Care Fund using the purchase method. Inventories of the Health and Animal Care Fund consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method or average cost method.

Inventories of the Transportation Department are recorded as assets when purchased and expensed when used. Amounts on hand at year-end are shown on the balance sheet as an asset and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources". Inventories in Transportation are valued at lower of cost or market, cost being determined using the moving average method.

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

Inventories of Pima Health System and Services, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of RWR, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of the Internal Service Funds, are valued at lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchase method.

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost, or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Note 1: Summary of Significant Accounting Policies (continued)

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows (excluding component units):

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Land improvements (Reported in buildings and building improvements)	All	Straight Line	20 - 30 Years
Buildings and building improvements	$100	Straight Line	10 - 50 Years
Equipment	$5	Straight Line	4 - 25 Years
Fleet service vehicles (Reported in equipment)	$5	Units of Production based on number of hours or miles	5 - 15 Years
Infrastructure/Sewer conveyance systems	$100	Straight Line	10 - 50 Years
Intangible (Reported in land, equipment and infrastructure)	$100	Straight Line	Varies

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Investment Earnings

Investment earnings are composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at their year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements in Employee Compensation.

Employees may accumulate up to 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide and proprietary financial statements in Employee Compensation.

Note 2: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and bonds or other evidences of indebtedness of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States.

Credit risk—The State statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.

2. Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.

3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum duration of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2009, the carrying amount of the County's deposits was $77,499 and the bank balance was $77,784.

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2009, $2,446 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 2: Cash and Investments (continued)

Investments—At June 30, 2009, the County's investments consisted of $268,901 invested in marketable securities and $472,996 invested in the State Treasurer's Investment Pool. Cash from the County and from external legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk.

At June 30, 2009, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
Commercial paper	A1/P1	S&P / Moody's	$ 39,037
Corporate bonds	A/A1	S&P / Moody's	77,727
Federal Farm Credit Bank	AAA/Aaa	S&P / Moody's	18,936
Federal Home Loan Bank	AAA/Aaa	S&P / Moody's	21,024
Fannie Mae (Federal National Mortgage Association	AAA/Aaa	S&P / Moody's	27,901
Freddie Mac (Federal Home Loan Mortgage Corp)	AAA/Aaa	S&P / Moody's	20,195
Money market mutual fund	AAA/Aaa	S&P / Moody's	1,959
State Treasurer Investment Pool 5	AAAf/S1+	S&P	343,284
State Treasurer Investment Pool 7	Unrated		129,712
Total			$ 679,775

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's $741,897 of investments, $266,942, consisting of the commercial paper, corporate bonds, Federal Farm Credit Bank, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes and U.S. Treasury notes, are uninsured and held by a counterparty in the County's name in book form.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County's exposure as of June 30, 2009 is less than 5% per issuer.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

Note 2: Cash and Investments (continued)

As of June 30, 2009, the County had the following investments:

Investment Type	Amount	Weighted Average Maturity (Years)
State Treasurer Investment Pool 5	$ 343,284	0.12
State Treasurer Investment Pool 7	129,712	0.03
Commercial paper	39,037	0.13
Corporate bonds	77,727	2.11
Federal Farm Credit Bank	18,936	1.61
Federal Home Loan Bank	21,024	1.05
Fannie Mae (Federal National Mortgage Association)	27,901	1.05
Freddie Mac (Federal Home Loan Mortgage Corp)	20,195	1.41
U.S. Treasury	62,122	2.52
Money market mutual fund	1,959	0.13
Total	$ 741,897	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

	Cash on Hand	Amount of Deposits	Amount of Investments	Total
Cash, deposits and investments:	$ 53	$ 77,499	$ 741,897	$ 819,449

	Governmental Activities	Business-type Activities	Investment Trust Funds	Agency Funds	Totals
Statement of Net Assets:					
Cash and cash equivalents	$ 375,479	$ 102,879	$ 271,397	$ 66,626	$ 816,381
Restricted cash and cash equivalents	777	2,291			3,068
Total	$ 376,256	$ 105,170	$ 271,397	$ 66,626	$ 819,449

County Treasurer's Investment Pool (Pool)—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

Note 2: Cash and Investments (continued)

The Pool's assets are substantially the same as the risks discussed above and consist of the following:

	Principal	Interest Rates	Maturities	Fair Value
Commercial paper	$38,900	0.1-1.3%	07/09-09/09	$ 39,037
Corporate bonds	76,103	2.1-6.8%	08/09-05/14	77,727
Federal Farm Credit Bank	17,500	5.0-5.4%	09/10-07/11	18,936
Federal Home Loan Bank	20,000	4.1-5.3%	06/10-08/10	21,024
Fannie Mae (Federal National Mortgage Association)	27,000	3.4-4.6%	08/09-05/11	27,901
Freddie Mac (Federal Home Loan Mortgage Corp)	19,200	3.3-4.1%	10/10-02/11	20,195
U.S. Treasury	60,200	0.9-4.8%	01/10-05/14	62,122
State Treasurer Investment Pool 5	205,378	N/A	N/A	205,378
Deposits	55,288	N/A	N/A	55,288
Interest Receivable	786	N/A	N/A	786
Total assets				$528,394

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets	
Assets held in trust for:	
Internal participants	$ 385,923
External participants	142,471
Total assets	528,394
Total liabilities	0
Total net assets held in trust	$ 528,394
Statement of Changes in Net Assets	
Total additions	$ 7,040,430
Total deductions	(7,132,253)
Net decrease	(91,823)
Net assets held in trust:	
July 1, 2008	620,217
June 30, 2009	$ 528,394

Discretely Presented Component Units

Southwestern Fair Commission—At June 30, 2009, the commission's cash and cash equivalents of $1,898 consisted of deposits with financial institutions. Of the total balance, $265 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:						
Grants and contributions	$ 235	$ 342		$ 8,894		$ 9,471
State of Arizona:						
Taxes and shared revenues	17,512	1,523		8,495		27,530
Grants and contributions				1,085	$ 10	1,095
City of Tucson:						
Reimbursement for services	1,392		$ 8	830		2,230
Other governments:						
Reimbursement for services	145	3,839		356	156	4,496
Total due from other governments fund based statements	$19,284	$ 5,704	$ 8	$ 19,660	$ 166	$ 44,822

Business-type activities:

	Total Business-type Activities Pima Health System & Services
Federal government:	
Reimbursement for services	$ 143
State of Arizona:	
Grants and contributions	897
Total due from other governments fund based statements	$ 1,040

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 303,646	$ 80,726	$ (4)	$ 384,368
Construction in progress	90,098	59,106	(46,098)	103,106
Total capital assets not being depreciated	393,744	139,832	(46,102)	487,474
Capital assets being depreciated:				
Buildings and improvements	499,224	26,818	(128)	525,914
Infrastructure	1,067,881	40,935	(501)	1,108,315
Equipment	107,243	9,769	(6,346)	110,666
Total capital assets being depreciated	1,674,348	77,522	(6,975)	1,744,895
Less accumulated depreciation for:				
Buildings and improvements	(132,854)	(12,339)	77	(145,116)
Infrastructure	(458,769)	(35,052)	457	(493,364)
Equipment	(62,588)	(10,045)	5,518	(67,115)
Total accumulated depreciation	(654,211)	(57,436)	6,052	(705,595)
Total capital assets being depreciated, net	1,020,137	20,086	(923)	1,039,300
Governmental activities capital assets, net	$ 1,413,881	$ 159,918	$ (47,025)	$ 1,526,774

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 10,596	$ 3,092	$ (93)	$ 13,595
Construction in progress	72,060	34,598	(63,450)	43,208
Total capital assets not being depreciated	82,656	37,690	(63,543)	56,803
Capital assets being depreciated:				
Buildings and improvements	361,468	6,132	(325)	367,275
Sewage conveyance system	580,096	40,997	(16)	621,077
Equipment	38,459	65,339	(1,099)	102,699
Total capital assets being depreciated	980,023	112,468	(1,440)	1,091,051
Less accumulated depreciation for:				
Buildings and improvements	(127,326)	(11,994)	243	(139,077)
Sewage conveyance system	(210,582)	(11,417)	16	(221,983)
Equipment	(10,223)	(4,278)	824	(13,677)
Total accumulated depreciation	(348,131)	(27,689)	1,083	(374,737)
Total capital assets being depreciated, net	631,892	84,779	(357)	716,314
Business-type activities capital assets, net	$ 714,548	$ 122,469	$ (63,900)	$ 773,117

Note 4: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	$	7,099
Public safety		10,197
Highway and streets		30,381
Sanitation		318
Health		596
Welfare		17
Culture and recreation		5,281
Education and economic opportunity		707
Internal service funds		2,840
Total governmental activities depreciation expense	$	57,436
Business-type activities:		
Pima Health System & Services	$	234
Parking Garages		298
Regional Wastewater Reclamation		26,912
Development Services		245
Total business-type activities depreciation expense	$	27,689

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	$ 38		$ (38)	
Total capital assets not being depreciated	38		(38)	
Capital assets being depreciated:				
Buildings and improvements	4,019	$ 318	(7)	$ 4,330
Equipment	1,997	208	(15)	2,190
Total capital assets being depreciated	6,016	526	(22)	6,520
Less accumulated depreciation for:				
Buildings and improvements	(2,429)	(130)	7	(2,552)
Equipment	(1,403)	(132)	15	(1,520)
Total accumulated depreciation	(3,832)	(262)	22	(4,072)
Total capital assets being depreciated, net	2,184	264		2,448
SFC capital assets, net	$ 2,222	$ 264	$ (38)	$ 2,448

Note 5: Claims, Judgments and Risk Management

Risk Management and Claims Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent.

The Fund is liable for any single general or automobile liability claim up to $2,000,000 per occurrence, any workers' compensation claim up to $750,000 per occurrence or any medical malpractice claims in aggregate up to $5,000,000 in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

Payment of unemployment and dental claims is fully self-funded. Payment of environmental claims is generally self-funded, although some claims filed could result in past insurers being liable for such losses.

All of the County's departments participate in the Fund. With the exception of environmental, dental and unemployment losses, charges are based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Charges for environmental losses are based on historical experience. Charges for dental and unemployment losses are based on actual claims paid.

The claims liability of $36,994 reported in the Fund at June 30, 2009, is based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

	2009	2008
Claims liability - beginning	$ 31,205	$ 32,857
Current-year claims and changes in estimates	12,600	10,227
Claims payment	(6,811)	(11,879)
Claims liability - ending	$ 36,994	$ 31,205

Litigation

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Note 5: Claims, Judgments and Risk Management (continued)

Pollution Remediation - El Camino del Cerro Site

The County has estimated and reported an environmental liability of $1,467 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and north of El Camino del Cerro Road. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

In communication with the Arizona Department of Environmental Quality, the County has begun remediation efforts that will include a groundwater pump-and-treat system.

The estimated liability was calculated based upon the expected future outlays associated with the estimate of one pump-and-treat system for one year.

There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction wells, and/or changes in the estimated extent of contamination.

There are no estimated recoveries at this time.

Note 6: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Governmental activities:					
General obligation bonds	$ 348,335	$ 75,000	$ 36,490	$ 386,845	$ 51,750
Plus unamortized deferred amount	1,208	79	100	1,187	104
Total general obligation bonds	349,543	75,079	36,590	388,032	51,854
Flood control bonds	725			725	725
Transportation revenue bonds	149,655		10,090	139,565	15,145
Plus unamortized deferred amount	146		28	118	28
Total transportation revenue bonds	149,801		10,118	139,683	15,173
Certificates of participation	79,076	34,400	41,546	71,930	21,610
Plus unamortized deferred amount	2,536	596	508	2,624	699
Total certificates of participation	81,612	34,996	42,054	74,554	22,309
Loans and Leases:					
Transportation loans payable	1,000		1,000		
Capital leases payable:					
Jail capital lease	24,680		1,965	22,715	2,025
Less unamortized deferred amount	(1,723)		(192)	(1,531)	(191)
Other capital leases	266		123	143	107
Total capital leases	23,223		1,896	21,327	1,941
Total loans and leases	24,223		2,896	21,327	1,941
Reported but unpaid losses (Note 5)	19,422	11,924	6,811	24,535	4,446
Incurred but not reported losses (Note 5)	11,783	676		12,459	2,218
Landfill closure and post-closure care costs (Note 8)	18,419	910		19,329	
Pollution remediation (Note 5)	1,784		317	1,467	544
Payroll-related liabilities	9,845		9,845		
Total governmental activities long-term liabilities	$ 667,157	$123,585	$ 108,631	$ 682,111	$ 99,210

Note 6: Long-Term Liabilities (continued)

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 164,940	$ 18,940		$ 183,880	$ 7,870
Less unamortized deferred amount	(1,239)	413	(335)	(491)	
Total revenue bonds payable	163,701	19,353	(335)	183,389	7,870
Regional Wastewater Reclamation (RWR) loans payable	70,572		5,975	64,597	6,317
Less unamortized deferred amount	(146)		(38)	(108)	
Total loans payable	70,426		5,937	64,489	6,317
Contracts and notes	5,842	3,181	2,542	6,481	
Payroll-related liabilities	2,254		2,254		
Total business-type activities long-term liabilities	$ 242,223	$ 22,534	$ 10,398	$ 254,359	$ 14,187

GENERAL OBLIGATION BONDS OUTSTANDING
Governmental Activities
(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2009, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $20,090 from the May 20, 1997, $232,061 from the May 18, 2004, and $51,655 from the May 16, 2006 bond election remain unissued.
The following table presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
*Series of 1998	$ 42,420	4.50 - 4.60%	2010-13	$ 11,720
Series of 1999	50,000	5.00%	2010	3,115
Series of 2000	50,000	4.00 - 5.00%	2010-14	15,000
*Series of 2001 Refunding	17,835	5.00%	2010	375
Series of 2002	20,000	4.25 - 4.50%	2010-16	6,000
*Series of 2003	50,000	3.50 - 4.25%	2010-17	33,850
Series of 2004	65,000	3.00 - 5.00%	2010-19	43,740
Series of 2005	65,000	3.50 - 5.00%	2010-20	46,080
Series of 2007	95,000	3.00 - 4.50%	2010-21	78,965
Series of 2008	100,000	3.00 - 4.00%	2010-22	82,000
Series of 2009	75,000	3.00 - 4.13%	2010-23	66,000
G.O. bonds outstanding				386,845
Plus unamortized deferred amount:				1,187
		Total G.O. bonds outstanding		$ 388,032

Note 6: Long-Term Liabilities (continued)

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 51,750	$ 16,454
2011	35,240	13,602
2012	29,105	12,118
2013	29,030	10,883
2014	27,400	9,645
2015 - 2019	134,755	31,162
2020 - 2023	79,565	6,868
Total	$ 386,845	$ 100,732

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund of the District)

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2009 is presented below.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
*Series of 2001 Refunding	$ 4,585	4.20%	2010	$ 725

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

The following schedule details flood control bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 725	$ 15
Total	$ 725	$ 15

Note 6: Long-Term Liabilities (continued)

TRANSPORTATION BONDS PAYABLE
Governmental Activities
(Payments made from street and highway revenues)

Pima County transportation revenue bonds were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, $122,800 from the November 4, 1997 bond election remains unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
Series of 2002	$55,000	4.25 - 4.38%	2010-12	$ 19,055
*Series of 2003	35,000	3.38 - 4.38%	2010-18	27,600
Series of 2005	51,200	3.50 - 5.00%	2010-20	47,810
Series of 2007	21,000	3.25 - 4.75%	2010-22	20,250
Series of 2008	25,000	3.00 - 4.50%	2010-22	24,850
	Transportation bonds outstanding			139,565
	Plus unamortized deferred amount:			118
	Total transportation bonds outstanding			$ 139,683

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

The following schedule details transportation bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 15,145	$ 6,203
2011	13,430	5,091
2012	14,015	4,503
2013	9,970	3,912
2014	10,415	3,517
2015 - 2019	56,360	10,703
2020 - 2022	20,230	1,330
Total	$ 139,565	$ 35,259

Pima County has pledged future highway user revenues, net of specified operating expenses, to repay $139,565 in transportation revenue bonds issued between 2002 and 2008. Proceeds from the bonds provide financing for construction of various highways and streets within Pima County. The bonds are payable from net highway user revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require approximately 93 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $174,824. Principal and interest paid for bonds and loans in the current year and total highway user revenues were $15,686, $1,061 and $20,808, respectively.

Note 6: Long-Term Liabilities (continued)

CERTIFICATES OF PARTICIPATION
Governmental Activities
(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for $28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson. On June 26, 2008, the County issued Certificates of Participation Series 2008 for $50,000 to finance capital costs for public infrastructure of the County, including expansion and upgrades to the County's sewer treatment system and major road corridors. On June 10, 2009, the County issued Certificates of Participation Series 2009 for $34,400 to finance capital costs for public infrastructure of the County, including expansion and upgrades to the County's sewer treatment system.

The following schedule details outstanding Certificates of Participation payable at June 30, 2009.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
Series of 2007A	$ 28,765	4.00 - 5.00%	2010-22	$ 27,530
Series of 2008	50,000	5.00%	2011	10,000
Series of 2009	34,400	3.00 - 4.00%	2010-12	34,400
	Certificates of participation outstanding			71,930
	Plus unamortized deferred amount:			2,624
	Total certificates of participation outstanding			$ 74,554

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 21,610	$ 2,445
2011	21,675	2,310
2012	6,140	1,343
2013	1,810	1,097
2014	1,890	1,021
2015 - 2019	10,880	3,667
2020 - 2022	7,925	805
	$ 71,930	$ 12,688

CAPITAL LEASES
Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for $34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima

Note 6: Long-Term Liabilities (continued)

County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement. The County has also entered into capital leases for computer equipment. The outstanding balance as of June 30, 2009, for these leases totaled $143. The net book value of assets acquired through capital leases consists of $18,000 of buildings and $63 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2009.

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**
2010	$ 2,025	$ 982	$ 107	$ 4
2011	2,125	878	36	1
2012	2,230	775		
2013	2,780	648		
2014	2,485	511		
2015 - 2018	11,070	935		
	$ 22,715	$ 4,729	$ 143	$ 5

SEWER REVENUE BONDS AND LOANS
Business-type Activities
(Payments made from user charges received in the Regional Wastewater Reclamation Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation system. Of the total amount originally authorized, $10,003 from the May 18, 2004 bond election remain unissued.

Issue	**Issue Amount**	**Interest Rates**	**Maturities**	**Outstanding June 30, 2009**
*Series of 1998	$ 29,185	4.00 - 4.50%	2009-15	$ 13,355
*Series of 2001 Refunding	19,440	4.25 - 5.38%	2009-15	12,655
*Series of 2004 Refunding	25,770	3.50 - 5.50%	2009-15	18,145
*Series of 2007	50,000	3.75 - 5.00%	2009-26	45,785
*Series of 2008	75,000	4.00 - 5.00%	2009-23	75,000
Series of 2009	18,940	3.25 - 4.25%	2009-24	18,940
		Sewer revenue bonds outstanding		183,880
		Less unamortized deferred amount:		(491)
		Total sewer revenue bonds outstanding		$ 183,389

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

Note 6: Long-Term Liabilities (continued)

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 7,870	$ 7,457
2011	8,900	7,334
2012	8,425	6,961
2013	8,795	6,579
2014	10,405	6,148
2015 - 2019	58,400	23,080
2020 - 2024	68,595	10,061
2025 - 2027	12,490	693
	$ 183,880	$ 68,313

The Regional Wastewater Reclamation Enterprise Fund entered into loan agreements (1996, 1997, 2000 and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

Issue	Issue Amount	Interest Rate	Maturities	Outstanding June 30, 2009
1996 Loans payable	$ 11,313	3.19%	2009-12	$ 4,775
1997 Loans payable	7,500	2.95%	2009-11	1,915
2000 Loans payable	61,180	2.20%	2009-16	39,645
2004 Loans payable	19,967	1.81%	2009-24	18,262
Loans payable				64,597
Less unamortized deferred amount				(108)
Total loans payable				$ 64,489

The following schedule details loans payable debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 6,317	$ 2,200
2011	7,605	1,948
2012	7,891	1,667
2013	6,937	1,397
2014	6,032	1,160
2015 - 2019	21,845	2,710
2020 - 2024	6,547	791
2025 - 2029	1,423	23
	$ 64,597	$ 11,896

Pima County has pledged future user charges, net of specified operating expenses, to repay $183,880 in sewer revenue bonds issued between 1998 and 2009 and $64,597 in sewer revenue loans issued

Note 6: Long-Term Liabilities (continued)

between 1996 and 2004. Proceeds from the bonds and loans provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds and loans are payable from net sewer revenues and are payable through fiscal year 2026-27. Annual principal and interest payments on the bonds are expected to require approximately 28 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 19 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $252,193. Total principal and interest remaining to be paid on the loans is $76,493. Principal and interest paid for bonds and loans in the current year and total customer net revenues were $3,588, $8,377 and $34,445, respectively.

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Regional Wastewater Reclamation Department Enterprise Fund)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, with voter approval, debt may be incurred up to 15 percent of the value of taxable property. Pima County has received voter approval for all general obligation debt. The legal debt margin at June 30, 2009, is as follows:

Net assessed valuation		$ 9,594,862
Debt Limit (15% of net assessed valuation):		1,439,229
Less amount of debt applicable to debt limit:		
General obligation bonds outstanding	$ 386,845	
Less net assets in debt service fund available for payment of general obligation bond principal	(10,523)	376,322
Legal debt margin available		$ 1,062,907

Note 6: Long-Term Liabilities (continued)

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2009, is as follows:

Net assessed valuation		$ 8,684,572
Debt Limit (5% of net assessed valuation):		434,229
Less amount of debt applicable to debt limit:		
Flood Control obligation bonds outstanding	$ 725	
Less net assets in debt service fund available for payment of flood control bond principal	(49)	676
Legal debt margin available		$ 433,553

Note 7: Short-term Debt

Line of Credit

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association to meet its short-term cash needs. At June 30, 2009, the County had an outstanding balance of $0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	July 1, 2008 Balance	Draws	Repayments	June 30, 2009 Balance
Line of credit	$0	$ 18,300	$ 18,300	$0

Note 8: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

State and federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The $19,329 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of $5,437 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2009; actual costs may change due to inflation, changes in technology, or changes in regulations.

Note 8: Landfill Liabilities (continued)

Landfill Site	Capacity Used June 30, 2009	Estimated Remaining Service Life
Ajo *	100%	0 Year
Sahuarita **	45%	41 Years
Tangerine ***	91%	12 Years

*Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion. A Type IV Modification application has been submitted to Arizona Department of Environmental Quality to increase capacity.

** Sahuarita's facility has incurred a decrease in annual solid waste tipping. This decrease has resulted in an increase in the expected life of the landfill.

*** Tangerine's facility has increased expected life due to decreased disposal activity and revised annual airspace consumption.

The County plans to fund the estimated closure and post-closure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately $9,727 when closure occurs and plans to fund the costs with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

Note 9: Retirement Plans

Pension Plan Descriptions

The County contributes to the Arizona State Retirement System **(ASRS),** the Corrections Officer Retirement Plan **(CORP),** the Public Safety Personnel Retirement System **(PSPRS),** consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan **(EORP).** The **EORP** and the **PSPRS** - Pima County, County Attorney Investigators, are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions, including general employees of the County, and school districts. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S.

Note 9: Retirement Plans (continued)

Title 38, Chapter 5, Article 2.

The **PSPRS** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers Pima County Sheriff's public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS**, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain employees of the State of Arizona's Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the applicable plan.

ASRS	**PSPRS and CORP**
3300 N. Central Ave Phoenix, AZ 85012 (602) 240-2000 or (800) 621-3778	3010 East Camelback Road Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for **ASRS**, **PSPRS** and **CORP.**

Cost-sharing plans

For the year ended June 30, 2009, active **ASRS** members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.50 percent for long-term disability) of the members' annual covered payroll. The County was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, .96 percent for health insurance premium, and 0.50 percent for long-term disability) of the members' annual covered payroll.

	ASRS Retirement Fund	**Health Benefit Supplement Fund**	**Long-term Disability Fund**
Year ended June 30,			
2009	$ 20,127	$ 2,418	$ 1,259
2008	20,981	2,737	1,303
2007	19,169	2,666	1,270

Note 9: Retirement Plans (continued)

Agent plans

For the year ended June 30, 2009, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 23.89 percent, the aggregate of which is the actuarially required amount. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. The health insurance premium portion of the contribution was set at 1.93 percent of covered payroll. Active **CORP** members were required by statute to contribute 7.96 percent of the members' annual covered payroll, except that, beginning in October 2008, all non-dispatcher members were required to contribute 8.41 percent, and the County was required to contribute at the actuarially determined rate of 9.42 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.10 percent of covered payroll.

Actuarial methods and assumptions

The contribution requirements for the year ended June 30, 2009 were established by the June 30, 2007 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2009 contribution requirements, are as follows:

	PSPRS	**CORP**
Actuarial valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.00%	5.00%
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	29 Years for unfunded actuarial accrued liability, 20 years for excess	29 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Note 9: Retirement Plans (continued)

Annual Pension and OPEB Cost

The County's pension/OPEB cost for the PSPRS and CORP agent plans for the year ended June 30, 2009, and related information follows:

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	$ 8,268	$ 627	$ 2,162	$ 236
Contibutions made	$ 8,268	$ 463	$ 2,162	$ 182

Trend Information

Annual pension cost information for the current and 2 preceding years follows for the PSPRS and CORP agent plans. Annual OPEB cost information for fiscal year 2009 and 2008 are as follows. Information about the other preceding year will be added in next year.

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	
PSPRS				
Pension	2009	$ 8,268	100%	
Health insurance	2009	$ 627	73.8%	$ 164
Pension	2008	$ 6,923	100%	
Health insurance	2008	$ 565	79%	$ 121
Pension & health insurance	2007	$ 5,422	100%	
CORP				
Pension	2009	$ 2,162	100%	
Health insurance	2009	$ 236	77.1%	$ 54
Pension	2008	$ 1,513	100%	
Health insurance	2008	$ 247	66%	$ 84
Pension & health insurance	2007	$ 1,224	100%	

Funded Status

The funded status of the plans, as of the most recent valuation date June 30, 2009, along with the actuarial assumptions and methods used in those valuations follow. Additionally, the required schedule of funding progress, presented as Exhibit B-2 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 9: Retirement Plans (continued)

	PSPRS		CORP	
	Pension Insurance	Health Insurance	Pension Insurance	Health Insurance
Actuarial accrued liability	$ 212,291	$ 7,088	$ 60,217	$ 3,095
Actuarial value of assets	$ 142,164	0	$ 48,740	0
Unfunded actuarial accrued liability (funding excess)	$ 70,127	$ 7,088	$ 11,477	$ 3,095
Funded ratio	67.0 %	0 %	80.90 %	0 %
Covered payroll	$ 33,557	$ 33,557	$ 20,411	$ 20,411
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	209.0 %	21.1 %	56.2 %	15.1 %

	PSPRS	CORP
Actuarial valuation date	June 30, 2009	June 30, 2009
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.50%	5.50%
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period	27 Years for unfunded actuarial accrued liability, 20 years for excess	27 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year Smoothed market value	7-year Smoothed market value

Note 10: Interfund Transactions

A. Interfund Assets/ Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due from:	Amounts recorded as due to: General	Capital Projects	Other Governmental	PHS & Services	RWR	Other Enterprise	Internal Service	Total
General			$ 1,463	$ 1,003	$ 13	$ 1	$ 1	$ 2,481
Capital Projects			-		118			118
Debt Service					3,099			3,099
Other Governmental	$ 256		595		-			851
RWR		$ 3,098						3,098
Other Enterprise	1							1
Internal Service			428					428
Total	$ 257	$ 3,098	$ 2,486	$ 1,003	$ 3,230	$ 1	$ 1	$ 10,076

Note 10: Interfund Transactions (continued)

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	General	Capital Projects	Other Governmental	PHS & Services	RWR	Internal Services	Total
General		$ 20,594	$ 12,778	$ 3,400	$ 12,892	$ 853	$ 50,517
Capital Projects	$ 571		14,180			1,000	15,751
Debt Service	49,091	937	20,331		13,190	130	83,679
Other Governmental	19,553	1,552	134				21,239
RWR	13,462	12,108					25,570
Internal Service	853	175					1,028
Total	$ 83,530	$ 35,366	$ 47,423	$ 3,400	$ 26,082	$ 1,983	$ 197,784

The table above does not include transfers of capital assets from the proprietary funds to the governmental activities because these are not reported in the governmental funds. The following proprietary funds transferred capital assets with Governmental Activities:

Transfer from	Transfer to		Transfer from	Transfer to
		$ 93	Other enterprise funds	Government activities
		$ 3	Internal Services	Government activities
	Subtotal	$ 96		
Government activities	Internal Services	(1)		
	Total	$ 95		

Note 11: Construction and Other Significant Commitments

At June 30, 2009, Pima County had the following major contractual commitments related to Facilities Management, General Government, Natural Resources, Parks & Recreation, Pima Health Systems & Services, Regional Flood Control District, Regional Wastewater Reclamation and Transportation.

Facilities Management

At June 30, 2009, the Pima County Facilities Management Department had contractual commitments related to service contracts of $7,876. Funding for these expenditures will be provided from general fund revenues.

General Government

At June 30, 2009, Pima County had contractual commitments related to service contracts for Fleet Services of $3,733, Human Resources of $39,062, Institutional Health of $28,718 and Sheriff of $815. Funding for these expenditures will be provided from General Fund revenues. Real Property had contractual

Note 11: Construction and Other Significant Commitments (continued)

commitments related to land acquisitions of $23,511, for which the funding of these expenditures will be provided by general obligation bonds.

Natural Resources, Parks and Recreation
At June 30, 2009, Pima County had contractual commitments related to construction contracts for Natural Resources, Parks and Recreation of $11,141. Funding for these expenditures will be provided from general obligation bonds.

Pima Health Systems & Services
At June 30, 2009, Pima County had contractual commitments related to service contracts for Pima Health Systems & Services of $58,407. Funding for these expenditures will be primarily provided from federal and state funding sources.

Regional Flood Control District
At June 30, 2009, the Pima County Regional Flood Control District had construction contractual commitments of $3,719. Funding for these expenditures will be provided from tax levy revenues.

Regional Wastewater Reclamation
At June 30, 2009, the Regional Wastewater Reclamation Enterprise Fund had construction contractual commitments of $44,508 and other contractual commitments related to service contracts of $7,245. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Transportation
At June 30, 2009, the Pima County Transportation Department had construction contractual commitments of $33,639 and other contractual commitments related to service contracts of $1,420. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

Note 12: Stewardship, Compliance, and Accountability (Deficit Fund Balances)

The Special Districts Fund (non-major governmental fund) had a deficit fund balance at June 30, 2009, of $952. This deficit can be eliminated in the future through normal operations.

Note 13: Subsequent Events

On October 9, 2009 the Regional Wastewater Reclamation Enterprise Fund entered into a loan agreement with the Water Infrastructure Financing Authority (WIFA) in the amount of $10,002 to provide funds for the construction of approximately 5 miles of system improvements to interconnect the Roger Road and the Ina Road treatment facilities to one another, as approved by Pima County Board of Supervisors' Resolution No 2009-58 on April 14, 2009.

Interest is payable semiannually beginning January 1, 2010 and is calculated based on the principal amount of the loan outstanding during such period. Principal payments to maturity are subject to change based upon total amounts drawn down. Payments will be made from user charges received in the Regional Wastewater Reclamation Enterprise Fund.

Note 13: Subsequent Events (continued)

On November 17, 2009, the County issued $23,535 in Series 2009 Refunding Bonds. The net proceeds of the refunding bonds issuance were placed in an irrevocable trust account with U. S. Bank to advance refund various General Obligation bonds as follows:

Series 1998	$	7,120
Series 2000		12,000
Series 2002		4,000
	$	23,120

The interest rate on the bonds range from 2.00% to 3.50%, and the maturity dates range from July 1, 2010 to 2016. Interest is payable semiannually beginning July 1, 2010.

On November 17, 2009, the County issued $90,000, Series 2009A G. O. Bonds, to fund various County capital projects. Interest rates on the bonds range from 2.00% to 4.00%, and the maturity date ranges from July 1, 2010 to 2024. Interest is payable semiannually beginning July 1, 2010.

On November 17, 2009, the County issued $8,400, Series 2009 Transportation Refunding Bonds to advance refund $8,300 of Series 2002 Transportation Bonds. The net proceeds were placed in an irrevocable trust with U. S. Bank. Interest rates on the bonds range from 3.00% to 4.00%, and maturity date ranges from July 1, 2013 to 2024. Interest is payable semiannually beginning July 1, 2010. Payments will be made from the revenues received by the County from highway user taxes.

On November 17, 2009, the County issued $15,020 in Series 2009 Transportation Bonds to provide funds for road construction. Interest rates on the bonds range from 3.00% to 4.00% and maturity dates range from July 1, 2013 to 2024. Interest is payable semiannually beginning on July 1, 2010. Payments will be made from the revenues received from highway user taxes.

On December 3, 2009, the County defeased $20,000 in Series 2009 Certificates of Participation, payable June 1, 2010, with an interest rate of 3.00%. These funds will be placed in irrevocable trust with U.S. Bank.

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APPENDIX G

SENIOR RESOLUTION SUMMARY

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

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

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

Definitions; Interpretation.

A. Senior Resolution Definitions.

"Agreement" - any Reserve Fund Guaranty Agreement.

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

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

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

"Drawdown" - any amount drawn under any Reserve Fund Guaranty.

"Drawdown Date" - the date of any Drawdown.

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

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

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

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

"Reserve Requirement" - when used with regard to Prior Obligations, the Average Annual Debt Service on all Outstanding Prior Obligations.

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

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

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

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

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

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

Source of Payment and Pledge of Revenues.

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

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

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

Creation of Funds; Application of Revenues.

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

1. The Revenue Fund.

2. The Operation and Maintenance Fund.

3. The Bond Fund.

4. The Reimbursement Fund.

5. The Reserve Fund containing separate accounts: the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Rebate Fund.

7. The System Development Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equality of Lien; Prior Obligations.

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

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

Resolution Modification.

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

(1) To cure any ambiguity, formal defect, omission or inconsistency;

(2) To grant to such owners additional rights, remedies, powers or authority;

(3) To secure additional Revenues or provide additional security or reserves for Prior Obligation payment;

(4) To comply with any federal securities laws or the Trust Indenture Act of 1939, if and to the extent applicable to the Prior Obligations;

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

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

1. Change the maturity of any outstanding Prior Obligations.

2. Change the interest rate on any outstanding Prior Obligations.

3. Reduce the principal or redemption premium payable on any Prior Obligations.

4. Modify the principal, interest or redemption premium payment terms on any Prior Obligations or impose any adverse conditions on such payments.

5. Adversely affect the rights of the owners of less than all Prior Obligations then outstanding.

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

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

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

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

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APPENDIX H

2010 OBLIGATIONS DOCUMENTS SUMMARIES

The following summaries are supplemental to and should be read together with "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2010 OBLIGATIONS" herein. These summaries are a brief description of certain provisions of the Indenture and the Purchase Agreement and certain definitions therein not defined elsewhere in this Official Statement, should not be considered a full statement thereof and are qualified in their entirety by reference to the entire Indenture and Purchase Agreement, copies of which are available as set forth in this Official Statement under the heading "ADDITIONAL INFORMATION."

Certain Rights of 2010 Insurer if Policy is Obtained for 2010 Obligations

If a Policy is obtained, the 2010 Insurer will be treated as the Holder of all of the 2010 Obligations for purposes of demands, requests, consents, waivers or other actions by Holders of the 2010 Obligations to be taken under the Indenture; provided, however, the consent or approval of the 2010 Insurer shall not be required if the Policy is not in effect or the 2010 Insurer is in default or contesting its obligations thereunder or is in bankruptcy, receivership, insolvency or similar proceedings.

Definitions

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

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

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

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

"Bond Year" means a 12-month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the City of Tucson and in the city or cities in which the corporate trust office of the Trustee and the Paying Agents are required or authorized by law or executive order to remain closed, and (c) a day on which the County is required or authorized by law or executive order to remain closed.

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

"County Representative" means the Finance Director or any other person at any time designated, by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the County Administrator or his or her designee, to act on behalf of the County with respect to the Indenture and the 2010 Obligations. Such certificate may designate one or more alternates.

"County Series 2010 Obligations Fund" means the fund of that name created pursuant to Section 3.3(a) of the Purchase Agreement.

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

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

"Defeasance Obligations" means any of the following:

1. Cash.

2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs)).

3. Direct obligations of the U.S. Treasury that have been stripped by the U.S. Treasury itself.

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

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

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

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

"Depository Trustee" means any financial institution meeting the requirements as a successor Trustee under Section 8.6 of the Indenture that may be designated by the County

"Finance Director" means the chief financial officer of the County.

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

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

"Holder" means the registered owner of any 2010 Obligation.

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

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

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

"Interest Requirement" means (i) with respect to this Purchase Agreement, as of any date of calculation, the interest amount on this Purchase Agreement due during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the amount required to be paid by the County during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of any Additional Obligations issued as "Build America Bonds" within the meaning of Section 54AA of the Code (or any successor provision), the Interest Requirement is to be computed by subtracting the amount of any interest credit payments to be received by the County from the United States Treasury Department pursuant to Section 6431 of the Code (or any successor provision) with respect to such Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

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

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

"Obligation Payment Date" means each January 1 and July 1, commencing, January 1, 2011, so long as any 2010 Obligations are Outstanding.

"Operating Expenses" means the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, and insurance, but excluding (i) non-cash transactions, including particularly, but not by way of limitation, depreciation or loss on disposal or transfer of assets, (ii) the Principal Requirement and the Interest Requirement on the Series 2010 Obligations and Additional Obligations; provided, however, if any Additional Obligations are issued as "Build America Bonds," the Interest Requirement on such Additional Obligations shall not be reduced by the amount of any interest credit payments to be received by the County from the United States Treasury Department pursuant to Section 6431 of the Code (or any successor provision) with respect to such Additional Obligations, (iii) payments required to be made by the County pursuant to Section 3.3(b)(iv) or similar provisions with respect to any documents authorizing Additional Obligations for deposit into the Debt Service Reserve Account or a debt service reserve account with respect to Additional Obligations, and (iv) the Rebate Requirement determined pursuant to Section 2.4 and any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Code with respect to any Additional Obligations.

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

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

(i) 2010 Obligations previously cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) 2010 Obligations that are deemed paid and no longer Outstanding as provided in the Indenture, including as a result of irrevocable instructions being provided by the County for the redemption thereof;

(iii) 2010 Obligations in lieu of which other 2010 Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to 2010 Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such 2010 Obligation is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken under the Indenture or the Purchase Agreement by the Holders of a specified percentage in principal amount of 2010 Obligations, 2010 Obligations held by or for the account of the County, or any Person controlling, controlled by, or under common control with the County; and

"Parity Lien Test Debt Service" means the highest aggregate Principal Requirement and Interest Requirement of all 2010 Obligations and Additional Obligations then Outstanding to fall due and payable in the current or any future Bond Year.

"Paying Agent" means the banks or trust companies and their successors from time to time designated by the County as the paying agencies or places of payment for the 2010 Obligations. The Trustee is designated as the initial Paying Agent for the 2010 Obligations.

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

1. Defeasance Obligations;

2. Federal Housing Administration debentures;

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

A. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
-Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
-Senior debt obligations

B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
-Consolidated system-wide bonds and notes

C. Federal Home Loan Banks (FHL Banks)
-Consolidated debt obligations

D. Federal National Mortgage Association (FNMA or "Fannie Mae")
-Senior debt obligations
-Mortgage-backed securities (excluded are stripped mortgage securities that are purchased at prices exceeding the portion of their unpaid principal amounts)

E. Student Loan Marketing Association (SLMA or "Sallie Mae")
-Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

F. Financing Corporation (FICO)
-Debt obligations

G. Resolution Funding Corp. (REFCORP)
-Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P or the highest rating category of Moody's or are fully insured by the Dederal Deposit Insurance Corporation (FDIC).

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

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

7. Money market mutual funds rated "AAm" or "AAm-G" or higher by S&P or having a rating in the highest investment category granted thereby from Moody's.

8. "State Obligations", which means:

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

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

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

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

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

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

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

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

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

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

10. Repurchase or reverse repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

C. The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase or reverse repurchase agreements shall be met;

E. The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the County or the Trustee, within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the County or Trustee.

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

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

A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2010 Obligations;

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

E. the investment agreement shall provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee, within ten days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and

F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee, be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically

be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

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

"Person" includes an individual, an unincorporated association, a corporation, a partnership, a government agency or a political subdivision.

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

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

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

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

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

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

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

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

(iii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Holders of the 2010 Obligations, by a bank may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the

requirements of the Purchase Agreement if the issuer thereof is rated at least "AA" by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the 2010 Obligations. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the County and the Trustee, not later than 24 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

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

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (iii) shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the 2010 Obligations (or any other account party under the letter of credit).

The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the 2010 Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Account, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Account. The Qualified Reserve Fund Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Fund Instrument to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Account to an amount equal to the difference between the full original amount available under the Qualified Reserve Fund Instrument and the amount then available for

further draws or claims. If (A) the issuer of a Qualified Reserve Fund Instrument becomes insolvent or (B) the issuer of a Qualified Reserve Fund Instrument defaults in its payment obligations thereunder or (C) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AA" or a Moody's "Aa2" or (D) the rating of the issuer of the letter of credit falls below a S&P "AA," the obligation to reimburse the issuer of the Qualified Reserve Fund Instrument shall be subordinate to the cash replenishment of the Debt Service Reserve Account.

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

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

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

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

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

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the County is provided a Special Counsel's Opinion to the effect that such action will not cause the interest on any 2010 Obligations to become includible in gross income for purposes of federal income taxes.

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

"Reserve Requirement" means $_____.

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

"Senior Resolution" means Resolution No. 1991-138 passed and adopted by the Board of Supervisors of the County on June 18, 1991, as amended by Resolution No. 1991-182 passed and adopted by the Board of Supervisors of the County on August 6, 1991, as thereafter supplemented and amended, pursuant to which the Prior Obligations were issued.

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

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

"Special Counsel's Opinion" means an opinion signed by Special Counsel.

"State" means the State of Arizona.

"Variable Rate Obligations" means any Additional Obligations that may, in the future, bear interest at rates that cannot be determined with specificity on their original incurrence.

The Purchase Agreement

* * * * *

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

Section 2.2. Improvements Fund.

(a) The County shall establish and maintain a separate fund known as the "Improvements Fund," that shall be funded from amounts transferred to the County by the Trustee pursuant to the Indenture. Moneys in the Improvements Fund shall be disbursed by the County for the following purposes and for no other purposes:

(i) costs and expenses relating to the sale, credit enhancement and execution and delivery of the 2010 Obligations, including, but not limited to "out of pocket" expenses and charges, fees and disbursements of counsel, printing expenses and other expenses reasonably incurred by the Trustee in connection with the Purchase Agreement;

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

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

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

(b) Before any of the foregoing payments may be made, the County shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Improvements Fund, (ii) each item for which payment is proposed to be made is or was necessary in connection with the 2010 Projects and (iii) each item for which payment is proposed is for a purpose permitted by the Purchase Agreement.

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.3 and 2.4, the County may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

(d) The County shall notify the Trustee of the completion date of the 2010 Projects by delivery of a certificate signed by the County Representative stating that (i) acquisition, construction and improvement of the Series 2010 Property has been completed and (ii) all obligations and costs in connection with the Series 2010 Property and payable out of the Improvements Fund have been paid and discharged, except for amounts retained by the County for payment of costs of the Series 2010 Property not yet due and payable. Any moneys held in the Improvements Fund upon delivery of such certificate that are not needed to pay costs of the 2010 Projects shall be transferred by the County to the Trustee for deposit to the Interest Account or the Principal Account as indicated in such certificate.

* * * * *

Section 3.3. County Series 2010 Obligations Fund; Amounts of Purchase Price Payable Upon Execution and Delivery of the 2010 Obligations.

(a) Upon the issuance of the 2010 Obligations, the County shall establish and maintain a separate fund known as the "County Series 2010 Obligations Fund," which shall be held in trust for the Holders of the 2010 Obligations. On or before the 10th day of each month, the County shall transfer Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement into the County Series 2010 Obligations Fund as follows:

(i) Commencing July 10, 2010, one-sixth (1/6) of the interest on the 2010 Obligations falling due on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(ii) below.

(ii) Commencing July 10, 2010, one-twelfth (1/12) of the principal due or subject to mandatory redemption on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(iii) below.

(b) After providing for certain amounts due to the federal government as rebate of excess earnings, the Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement (whether held by the County in the County Series 2010 Obligations fund or otherwise) shall be paid for the following purposes and in the following order of priority:

(i) On the dates necessary therefor, fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.

(ii) Not later than one Business Day prior to the date on which due, the interest on the 2010 Obligations falling due on the next succeeding Obligation Payment Date for deposit to the Interest Account.

(iii) Not later than one Business Day prior to the date on which due, the principal of the 2010 Obligations due or subject to mandatory redemption on the next succeeding Obligation Payment Date for deposit to the Principal Account.

(iv) After a determination of the Trustee that the amount on deposit in the Debt Service Reserve Account is less than the Reserve Requirement, on or before the 10th day of each month, an amount equal to one-twelfth (1/12) of the amount that, when added to the balance in the Debt Service Reserve Account, will be equal to the amount then required to be on deposit therein for deposit to the Debt Service Reserve Account.

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

* * * * *

Section 4.1. Limitation of Source of County Payments.

(a) The Purchase Agreement is a limited, special obligation of the County, payable solely and secured as to the payment in accordance with the terms and the provisions of the Purchase Agreement.

(b) All amounts to be paid by the County pursuant to Section 3.3 of the Purchase Agreement (or under any other section of the Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the County, in the sole and absolute discretion of the Board, from paying such amounts from other moneys of the County; provided, however, under no circumstances shall amounts paid under the Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the County under the Purchase Agreement shall never constitute a general obligation of the County or a pledge of ad valorem property taxes by the County.

(c) The County pledges and shall raise and apply the Pledged Revenues in such amounts and in such manner as required to make the payments required to be made by the County under the Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the 2010 Obligations. All of the Pledged Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere in the Purchase Agreement to incur the Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under the Purchase Agreement or under the Indenture. After the application of the Pledged Revenues for the purposes in the Purchase Agreement, they may be used for any lawful purpose.

* * * * *

Section 5.1. Utilities; Maintenance of the System in Good Condition. All maintenance and repair of the Series 2010 Property and utilities therefor shall be the responsibility of the County. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Series 2010 Property.) The County shall (a) maintain the System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

Section 5.2. Insurance. The County shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the 2010 Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the County), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies, except public liability policies, is pledged by the County as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received. Self-insurance may be maintained for the

System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the County; provided that (a) any such program has been adopted by the County and (b) an independent insurance or actuarial consultant appointed by the County annually reviews and reports to the County in writing that any such program is adequate and actuarially sound.

Section 5.3. No Sale; Lease or Encumbrance Exceptions.

(a) The County shall not sell, lease, encumber or in any manner dispose of the System as a whole until all of the 2010 Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The County may sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the System, (b) such property is not useful in the operation of the System, (c) such property is not profitable in the operation of the System or (d) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Holders of the 2010 Obligations. In addition, the County may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the System if there is filed with the Finance Director a certificate executed by the Consultant showing that, in opinion of such Consultant, the proposed sale will not reduce the Pledged Revenues to be received in the full Bond Year next succeeding such sale to an amount less than 120 percent of the Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of 2010 Obligations then Outstanding.

(c) The County may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the Finance Director, the County's obligations under the Purchase Agreement; provided that there shall be first filed with the Finance Director (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the 2010 Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the 2010 Obligations (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the County under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Bond Year next succeeding such transfer the Pledged Revenues will be less than 120 percent of the Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency.

(d) Notwithstanding the above provisions, the County may sell or lease all or any part of the System in connection with the issuance of Additional Obligations to finance additional improvements to the System or refinance the 2010 Obligations or Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the County, of such portion of the System.

* * * * *

Section 5.6. Disconnection of Service for Non-Payment; No Free Service.

(a) The County shall diligently enforce payment of all bills for sewer services supplied by the System. If a bill becomes delinquent and remains so for a period to be determined in accordance with County policy from time to time, the County shall discontinue sewer service in accordance with the laws of the State to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until all delinquent charges with penalties shall have been paid in full or provisions for payment satisfactory to the County shall have been made. The County shall do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the System.

(b) No free sewer service shall be furnished by the System to the County or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in the Purchase Agreement. The reasonable cost and value of all service rendered to the County and its various departments by the System shall be charged against the County and will be paid for as the service occurs from the County's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in the Purchase Agreement for the application of the Revenues of the System.

Section 5.7. No Competing System. The County shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing sewer system within, in whole or in part, the service areas of the System.

* * * * *

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

(a) The County shall fail to make any payment when due under Section 3.3(b)(ii) or (iii) of the Purchase Agreement; or

(b) The County shall fail to make any payment under Section 3.3(b)(i) or (iv) of the Purchase Agreement for a period of 30 days after notice of such failure shall have been given in writing to the County by the Seller or by the Trustee; or

(c) The County shall fail to perform any other covenant in the Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the County by the Seller or the Trustee, provided that if such failure is a type that it cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the County diligently tries to remedy the same; or

(d) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the federal bankruptcy statutes, as amended, or under any similar acts that may be enacted after execution of the Purchase Agreement.

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

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Section 9.12. Certain Statutory Notices.

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

employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

Article 10. Senior Resolution. The terms and provisions of the Senior Resolution will control in all respects to the extent the Senior Resolution is inconsistent with the Purchase Agreement, including, but not limited, with respect to definitions; priority of pledge, lien and security for the bonds issued under the Senior Resolution and credit enhancement for such bonds; flow of, and deposit to, funds; covenants regarding the System; defaults and remedies; etc. For purposes of the Purchase Agreement, the County waives its rights to amounts held pursuant to the "System Development Fund" established by the Senior Resolution. See "Appendix G – "SENIOR RESOLUTION SUMMARY."

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

This Article shall be applicable only until Prior Obligations are no longer "Outstanding" pursuant to the Senior Resolution. The County shall not amend or otherwise modify the Senior Resolution in any manner that adversely affects the rights of the Holders of the 2010 Obligations.

The Indenture

Granting Clauses. Pursuant to the Indenture, the Trustee has been granted a security interest in and the following described property has been released, assigned, transferred, pledged mortgaged, granted and conveyed to the Trustee:

A. All rights and interests of the Seller in, under and pursuant to the Purchase Agreement as assigned, mortgaged, hypothecated and pledged to the Trustee pursuant to the Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,

B. Amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture and

C. Any and all other real or personal property of any kind from time to time after execution of the Indenture by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Indenture for the 2010 Obligations, by the County or by anyone on its behalf or with its written consent, in favor of the Trustee.

* * * * *

Section 1.3. All 2010 Obligations Equally and Ratably Secured; 2010 Obligations Not General Obligations of the County. All of the 2010 Obligations executed and delivered under the Indenture and at any time Outstanding shall in all respects be equally and ratably secured by the Indenture, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the 2010 Obligations, so that all 2010 Obligations at any time Outstanding under the Indenture shall have the same right, lien and preference under the Indenture. The 2010 Obligations shall be payable solely out of the revenues and other security pledged by the Indenture and shall not constitute an indebtedness or general obligation of the County within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the County or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

* * * * *

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

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(b)(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(B) of the Indenture shall also be deposited into the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(b)(iii) of the Purchase Agreement as well as the total of any amounts received for any redemption of 2010 Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(B) of the Indenture shall also be deposited in the Principal Account.)

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

Section 5.4. Flow of Funds out of the Obligation Fund. Amounts in the following accounts shall be applied in the following manner:

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

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

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

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

Section 5.5. Investment of Moneys Held by Trustee.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the County Representative; provided that the maturity

date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the County, then the Trustee shall invest moneys in investments described in paragraph 2 of the definition of Defeasance Obligations.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

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

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

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

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

(d) If the County defaults in the due and punctual performance of any other covenant, condition, agreement or provision on its part to be performed as provided in the Indenture or in the Series 2010 Obligations and such default continues for 30 days after the Trustee gives the County written notice specifying such default, unless within such 30 days the County commences and diligently pursues in good faith appropriate corrective action to the satisfaction of the Trustee; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the 2010 Obligations then Outstanding; or

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

Section 7.2. Remedies and Enforcement of Remedies.

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

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

sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of 2010 Obligations not making such request.

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

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

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

First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the 2010 Obligations); and

Second: To the payment of the unpaid Principal Installments or redemption price of any 2010 Obligations that shall have become due, whether at maturity or by call for redemption, in the order of their due dates.

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

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

* * * * *

Section 7.7. Individual Holder Action Restricted.

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

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

(ii) Such Holders have offered to indemnify the Trustee as provided in the Indenture; and

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

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

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

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

* * * * *

Section 7.9. Waiver of Indenture Event of Default.

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

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

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

* * * * *

Section 8.1. Certain Duties and Responsibilities of Trustee.

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

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

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which are required by any provision of the Indenture or the Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture or the Purchase Agreement on their face.

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

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

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

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

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

(iv) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the County for all reasonable costs, expenses, attorneys' and other fees and expenses, and all other reasonable disbursements, including its own fees and expenses, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

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

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

* * * * *

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

* * * * *

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the County and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the 2010 Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the County and any Paying Agents and signed by (i) the County Representative or (ii) by or on behalf of the Holders of not less than a majority in

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

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

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

* * * * *

Section 8.8. Trustee's Fees and Expenses.

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

* * * * *

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

(i) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that is inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture provided such action shall, in the opinion of counsel delivered to the Trustee, not materially adversely affect the interests of the Holders;

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

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

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

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

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

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

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

Section 9.2. Supplements Requiring Consent of Holders.

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

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

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

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

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

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

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

* * * * *

Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the County in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument so long as any payments with regard to the new Qualified Reserve Fund Instrument are paid no sooner, or in an amount greater, than amounts required to be paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement; (iv) to amend the description of the Series 2010 Projects; (v) to preserve the exclusion of the interest on the 2010 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the County to continue to incur bonds or other obligations (specifically not limited to the 2010 Obligations authorized by the Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel stating that such amendment is authorized or permitted under the Indenture and under the Purchase Agreement.

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

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

* * * * *

Section 10.1. Discharge of Indenture.

(a) If payment of all principal of and premium, if any, and interest on all of the 2010 Obligations in accordance with their terms and as provided in the Indenture is made, or is provided for in accordance with Article 10 of the Indenture, and if all other sums, if any, payable under the Indenture shall be paid, then the liens, estates and security interests granted by the Indenture shall cease. Thereupon, upon the request of the County, and upon receipt by the Trustee of an Opinion of Counsel addressed to the County and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture and the Trustee shall transfer all property held by it under the Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the 2010 Obligations, to the County or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Indenture.

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

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the 2010 Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally

recognized certified public accountant or firm of such accountants, to pay when due the principal or redemption price of and interest on such 2010 Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such 2010 Obligations solely for the purpose of paying the principal or redemption price of and interest on such 2010 Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such 2010 Obligations are to be redeemed prior to their respective dates.

* * * * *

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

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

(e) No 2010 Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such 2010 Obligation is made, the interest payable on any 2010 Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the County may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any 2010 Obligations.

* * * * *

Section 11.10 Certain Statutory Notices.

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

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APPENDIX I

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the sale and execution and delivery of $165,000,000* Sewer System Revenue Obligations, Series 2010 Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "Obligations").

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

1. Definitions. In addition to the terms defined above, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

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

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

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

"Commission" means the Securities and Exchange Commission.

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

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

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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* Preliminary, subject to change.

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

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

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

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

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

5. Material Events Disclosure. Subject to Section 8 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to the MSRB through EMMA, in a format prescribed by the MSRB.

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

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

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

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

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

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

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

9. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Obligations or the Rule no longer

applies to the Obligations. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

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

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

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

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

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

PIMA COUNTY, ARIZONA

By:_____
Thomas Burke
Finance and Risk Management Director

Dated: [Closing Date]

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND
AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix A in the tables entitled "SUMMARY OF WASTEWATER USER FEES," "SUMMARY OF USER FEES REVENUES," "CONNECTION FEE REVENUES," "REVENUES FROM OTHER FEES AND CHARGES" and "PIMA COUNTY REGIONAL WASTEWATER RECLAMATION ENTERPRISE FUND COMPARATIVE STATEMENTS OF SYSTEM GROSS REVENUES, OPERATION AND MAINTENANCE EXPENDITURES AND PROJECTED PLEDGED REVENUES AVAILABLE FOR DEBT SERVICE" but only, in each case, as it relates to the most recently completed fiscal year of the County.

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

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

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

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE
OF MATERIAL EVENTS IS REQUIRED

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

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APPENDIX J

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OFFICIAL STATEMENT

NEW ISSUE - BOOK-ENTRY-ONLY **RATINGS: See "Ratings" herein**

In the opinion of Greenberg Traurig, LLP, Special Counsel, assuming compliance with certain tax covenants, the portion of each installment payment made by the County pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement with respect to the 2010 Obligations (the "Interest Portion") received by the Holders of 2010 Obligations will be excludable from gross income for federal income tax purposes, will not be an item of tax preference for purposes of the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, and will not be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The Interest Portion received by the Holders of 2010 Obligations will also be exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excluded from gross income for federal income tax purposes. See "TAX MATTERS" herein for a description of certain federal tax consequences of ownership of the 2010 Obligations.

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

Dated: Date of Initial Delivery **Due: July 1, as shown on inside cover**

The $165,000,000 Sewer System Revenue Obligations, Series 2010 (the "2010 Obligations") are being executed and delivered pursuant to a Series 2010 Obligation Indenture, to be dated as of June 1, 2010, between the Pima County, Arizona (the "County"), and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest on the 2010 Obligations will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2011. The 2010 Obligations will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), for purposes of the book-entry-only system described herein and will be available to ultimate purchasers in the amounts of $5,000 of principal represented by the 2010 Obligations due on a specific maturity date, or any integral multiple thereof, pursuant to the book-entry-only system maintained by DTC. Payments of principal and interest with respect to the 2010 Obligations will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the 2010 Obligations. See Appendix J - "BOOK-ENTRY-ONLY SYSTEM."

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

MATURITY SCHEDULE AND ADDITIONAL INFORMATION ON INSIDE FRONT COVER PAGE

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

The scheduled payment of principal and interest with respect to the 2010 Obligations when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2010 Obligations by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.).

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

The 2010 Obligations are offered when, as and if executed and delivered by the Trustee and received by the underwriter identified below (the "Underwriter"), subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the 2010 Obligations and tax-exemption. Certain legal matters will be passed upon for the Underwriter by its counsel, Squire, Sanders & Dempsey L.L.P. It is expected that the 2010 Obligations will be available for delivery through the facilities of DTC on or about June 17, 2010.

This cover page contains only a brief description of the 2010 Obligations and the security therefor. It is not intended to be a summary of material information with respect to the 2010 Obligations. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

RBC Capital Markets

Dated: June 2, 2010

MATURITY SCHEDULE

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

Principal Payment Date (July 1)	Principal Amount	Interest Rate	Yield
2014	$2,000,000	4.00%	1.95%
2015	1,600,000	2.50	2.30
2015	400,000	4.00	2.30
2016	1,000,000	3.00	2.77
2016	1,000,000	4.00	2.77
2017	2,300,000	3.25	3.10
2017	12,225,000	4.50	3.10
2018	775,000	3.50	3.35
2018	14,375,000	5.00	3.35
2019	250,000	3.75	3.57
2019	15,645,000	5.00	3.57
2020	1,365,000	4.00	3.75
2020	15,320,000	5.00	3.75
2021	17,510,000	5.00	3.93*
2022	18,385,000	5.00	4.04*
2023	19,300,000	5.00	4.14*
2024	20,270,000	5.00	4.23*
2025	21,280,000	5.00	4.29*

* Yield to the first optional redemption date of July 1, 2020.

PIMA COUNTY, ARIZONA
BOARD OF SUPERVISORS

Ramón Valadez, *Chairman*

Sharon Bronson

Ray Carroll

Ann Day

Richard Eliás

COUNTY ADMINISTRATIVE OFFICIALS

ELECTED OFFICIALS

Bill Staples
County Assessor

Beth Ford
County Treasurer

Barbara La Wall
County Attorney

APPOINTED OFFICIALS

C. H. Huckelberry
County Administrator

Thomas Burke
Finance and Risk Management Director

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

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

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

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

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

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

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

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the 2010 Obligations or the advisability of investing in the 2010 Obligations. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "OBLIGATION INSURANCE" and APPENDIX K – "Specimen Municipal Obligation Insurance Policy."

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

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices hereto, is to provide information in connection with the sale and execution and delivery of the $165,000,000 Sewer System Revenue Obligations, Series 2010 (the "2010 Obligations"), evidencing proportionate interests of the holders thereof in certain installment payments (the "Purchase Payments" and collectively, the "Purchase Price") to be paid by Pima County, Arizona (the "County") pursuant to a Series 2010 Purchase Agreement, to be dated as of June 1, 2010 (the "Purchase Agreement"), between The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), in its separate capacity as seller, and the County. The 2010 Obligations will be executed and delivered pursuant to a Series 2010 Obligation Indenture, to be dated as of June 1, 2010 (the "Indenture"), between the County and the Trustee in its separate capacity as trustee thereunder.

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

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

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

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

THE 2010 OBLIGATIONS

Authorization and Purpose

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

The 2010 Obligations are being executed and delivered for the purpose of (i) financing the herein-described 2010 Projects, constituting improvements and extensions to the entire sewer system of the County (the "System"), (ii) providing for a deposit to the Debt Service Reserve Account equal to the Reserve Requirement, and (iii) paying

costs incurred in connection with the execution and delivery of the 2010 Obligations. See "THE 2010 PROJECTS" and "SOURCES AND USES OF FUNDS" herein.

General Provisions

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

Redemption Provisions

Optional Redemption. The 2010 Obligations maturing on or prior to July 1, 2020, will not be subject to redemption prior to maturity. The 2010 Obligations maturing on and after July 1, 2021, will be subject to redemption, in whole or in part on any date on or after July 1, 2020, in increments of $5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the County, and by lot within a maturity by payment of the principal amount of each 2010 Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

Notice of and Procedure for Redemption

Notice of redemption will be provided by electronic media not less than 30 nor more than 60 days prior to the date fixed for redemption to DTC. See Appendix J – "BOOK-ENTRY-ONLY SYSTEM."

Any notice of redemption given as described in the preceding paragraph will also contain a statement that on the redemption date, the redemption price of such 2010 Obligations called for redemption will become due and payable and that, from and after such date, the 2010 Obligations being redeemed will cease to accrue interest; provided, that in the case of an optional redemption of any 2010 Obligation, such redemption notice may also state that the call for optional redemption is conditioned upon the deposit with the Trustee of an amount sufficient to pay the principal of and premium (if any) due on the 2010 Obligations on the redemption date.

SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS

General

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

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

Purchase Agreement - Purchase Events of Default" and "- Remedies on Default by County." For information concerning the System, see Appendix A - "PIMA COUNTY, ARIZONA – REGIONAL WASTEWATER RECLAMATION DEPARTMENT."

Source of Purchase Payments

The obligation of the County to make the Purchase Payments under the Purchase Agreement will be payable from and secured by a lien on, pledge of, and security interest in the Pledged Revenues. "Pledged Revenues" are Revenues (including any unrestricted cash balances of the System) remaining after deducting Operating Expenses subject to certain additions or subtractions under certain circumstances as provided in the Purchase Agreement. "Revenues" are all income, moneys and receipts derived by the County from the ownership, use and operation of the System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System, but excluding (i) any amounts received that the County is contractually required to pay out as reimbursement for acquisition, construction or installation of the System, (ii) the proceeds of the 2010 Obligations or any Additional Obligations or the interest received on any proceeds of Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any 2010 Obligations or Additional Obligations, or (iii) any non-cash capital contributions received by the County for the use and operation of the System. "Operating Expenses," when used with regard to the 2010 Obligations and the Additional Obligations, are the reasonable and necessary costs of operation, maintenance and repair of the System, including salaries, wages, cost of materials and supplies, and insurance, but excluding (i) non-cash transactions, including depreciation or loss on disposal or transfer of assets, (ii) principal and interest requirements on the 2010 Obligations and Additional Obligations, (iii) payments required to be made by the County for deposit into the Debt Service Reserve Account or a debt service reserve account with respect to Additional Obligations, and (iv) the Rebate Requirement and any payments required to be made to satisfy the rebate requirements of Section 148(f) of the Code with respect to any Additional Obligations.

Such lien on, pledge of and security interest in the Pledged Revenues is (a) subject to the prior pledge thereof and lien thereon for $242,292,980 outstanding principal amount of Prior Obligations, which were authorized and issued or incurred pursuant to Resolution No. 1991-138, adopted by the Board on June 18, 1991, as supplemented and amended (collectively, the "Senior Resolution"), and (b) on a parity with any Additional Obligations subsequently issued or incurred under separate documentation in accordance with the Purchase Agreement.

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

See Appendix G - "SENIOR RESOLUTION SUMMARY" and Appendix H - "2010 OBLIGATIONS DOCUMENTS SUMMARIES.

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

Debt Service Reserve Account

The Indenture establishes the Debt Service Reserve Account within the Obligation Fund for the benefit of the 2010 Obligations, but not Additional Obligations that may be subsequently issued. The County will fund the Debt Service Reserve Account with proceeds from the 2010 Obligations, in an amount equal to the Reserve Requirement (an amount equal to one-half of maximum annual debt service on the 2010 Obligations or $11,173,750). The Indenture permits the County to substitute a surety bond for any cash on deposit in the Debt Service Reserve Account at any time and vice versa. See Appendix H – "2010 OBLIGATIONS DOCUMENTS SUMMARIES – The Indenture – Flow of Funds Into the Obligation Fund" and "– Flow of Funds Out of the Obligation Fund." *No amounts held in debt service reserve funds or accounts established in the future in connection with the issuance or incurrence of any series of Additional Obligations will secure payment of debt service on the 2010 Obligations.*

Rate Covenant

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

Outstanding Prior Obligations; No Future or Additional Prior Obligations

As noted above, the County currently has $242,292,980 principal amount of Prior Obligations outstanding which were issued or incurred pursuant to the Senior Resolution and are payable from and secured by a pledge of and a lien on Net Revenues (being that portion of the Revenues after payment of the Prior Obligation's Operating Expenses) which is prior and senior to the claim of the 2010 Obligations and any Additional Obligations issued or incurred in accordance with the Purchase Agreement. For further information on the Prior Obligations, see APPENDIX C – "PIMA COUNTY, ARIZONA –Financial Information – Sewer Revenue Debt Outstanding."

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

Additional Obligations

Pursuant to the provisions of the Purchase Agreement, the County may, in the future, incur Additional Obligations if there is not any Indenture Event of Default or Purchase Event of Default upon the incurrence thereof and the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to 120 percent of the Parity Lien Test Debt Service including such Additional Obligations to be issued and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year that, net of the aggregate amounts required to be deposited to the Bond Fund established for the Prior Obligations and the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to Policy Costs and any Credit Facility, respectively, due and owing in such Fiscal Year. "Parity Lien Test Debt Service" is the highest aggregate Principal Requirement and Interest Requirement of all 2010

Obligations and Additional Obligations then Outstanding, including the Additional Obligations to be issued, and principal and interest requirement for the Prior Obligations to fall due and payable in the current or any future Bond Year. For Additional Obligations Outstanding or proposed to be issued, that were or are to be issued as designated "Build America Bonds" under federal law, the Interest Requirement is to be computed by netting the amount of any federal interest credit payments against the interest on such Additional Obligations.

OBLIGATION INSURANCE

Obligation Insurance Policy

Concurrently with the issuance of the 2010 Obligations, AGM (also referred to as the "2010 Insurer") will issue its Municipal Bond Insurance Policy (the "Policy" or the "2010 Policy") for the 2010 Obligations. The Policy guarantees the scheduled payment of principal of and interest on 2010 Obligations when due as set forth in the form of the Policy included as APPENDIX K to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia SA ("Dexia"). In connection with such acquisition, Holdings' financial products operations were separated from its financial guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on July 8, 2009.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGM. At the same time, S&P continued its negative outlook on AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the SEC on March 1, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act").

Capitalization of AGM

At March 31, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,220,015,145 and its total net unearned premium reserve was approximately $2,228,912,193 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010); and

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the 2010 Obligations shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "OBLIGATION INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the 2010 Obligations or the advisability of investing in the 2010 Obligations. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or

disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "OBLIGATION INSURANCE".

OBLIGATION INSURANCE RISK FACTORS

There are certain risk factors related to any applicable bond insurance policy. In the event of default in the payment of principal or interest with respect to all or a portion of the 2010 Obligations when due, any Holder of the 2010 Obligations will have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure the payment of any applicable redemption premium. The payment of principal and interest in connection with mandatory or optional redemption of the 2010 Obligations which is recovered from a Holder as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the issuer of the Policy (the "2010 Insurer") at such time and in such amounts as would have been due absent such redemption unless the 2010 Insurer chooses to pay such amounts at an earlier date.

The 2010 Insurer may direct, and must consent to, any remedies that the Trustee exercises and the 2010 Insurer's consent may be required in connection with amendments to the Indenture or the Purchase Agreement.

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

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

The 2010 Obligations are general obligations of the 2010 Insurer and in an event of default by the 2010 Insurer, the remedies available to the Trustee may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the County, Special Counsel, the Underwriter or counsel to the Underwriter has made any independent investigation of the claims paying ability of the 2010 Insurer and no assurance or representation regarding the financial strength or projected financial strength of the 2010 Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to pay principal and interest on the 2010 Obligations and the claims paying ability of the 2010 Insurer, particularly over the life of the investment.

THE 2010 PROJECTS

The proceeds of the 2010 Obligations will be used primarily to pay a portion of the costs of the 2010 Projects (the "Series 2010 Property") which consists of the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System, including the Ina Road and Roger Road Wastewater Reclamation Facilities.

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

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Proceeds of 2010 Obligations	$165,000,000.00
Reoffering Premium	13,210,653.70
Total Sources	$178,210,653.70
Uses of Funds:	
Series 2010 Property	$164,496,625.56
Debt Service Reserve Fund	11,173,750.00
Delivery Costs [(a)]	2,540,278.14
Total Uses	$178,210,653.70

[(a)] Costs related to the execution and delivery of the 2010 Obligations, including Policy premium and Underwriter's compensation.

DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE

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

Pima County, Arizona
Schedule of Annual Sewer Revenue Obligation Debt Service Requirements
and Projected Debt Service Coverage [a]

Fiscal Year Ending	Projected Pledged Revenues [b]	Prior Obligations Debt Service Requirements	2010 Obligations		Prior Obligations & 2010 Obligations Debt Service Requirements	Prior Obligations & 2010 Obligations Debt Service Coverage
			Principal	Interest		
2010	$57,791,944	$26,811,547				2.16x
2011	91,122,733	25,915,468		$8,338,356	$26,811,547	2.66
2012	111,443,527	24,675,591		8,026,225	34,253,824	3.41
2013	137,434,678	24,733,353		8,026,225	32,701,816	4.20
2014	162,253,094	25,913,370	$2,000,000	8,026,225	32,759,578	4.51
2015		25,924,256	2,000,000	7,946,225	35,939,595	
2016		23,498,267	2,000,000	7,890,225	35,870,481	
2017		17,737,729	14,525,000	7,820,225	33,388,492	
2018		17,830,004	15,150,000	7,195,350	40,082,954	
2019		17,952,761	15,895,000	6,449,475	40,175,354	
2020		18,073,423	16,685,000	5,657,850	40,297,236	
2021		18,121,373	17,510,000	4,837,250	40,416,273	
2022		18,253,004	18,385,000	3,961,750	40,468,623	
2023		18,380,561	19,300,000	3,042,500	40,599,754	
2024		7,828,829	20,270,000	2,077,500	40,723,061	
2025		3,841,200	21,280,000	1,064,000	30,176,329	
2026		3,879,200			26,185,200	

[a] Amounts may not add due to rounding.
[b] Reflects projected Pledged Revenues as estimated by the County's Finance and Risk Management Department.

LITIGATION

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

On October 17, 2007, the Town of Marana, Arizona (the "Town"), filed a lawsuit against the County following failed negotiations over the transfer to the Town of the sewer treatment facilities and conveyance system within the Town. The Town later rescinded its 1979 agreement with the County, under which the County operated and supplied sewer services to the Town. On June 11, 2008, the Superior Court of Maricopa County, Arizona ruled that the County does not have the right to provide sewer service within the Town without the Town's permission. An evidentiary hearing on the extent of the Town's ownership interest in sewer facilities was held in November, 2009, resulting in a decision that the Town is entitled to certain sewers located within its boundaries, but also that the County retains ownership of all sewers it has identified as "flow-through" sewers. A trial was held in March, 2010, regarding the issue of ownership of the Marana Wastewater Reclamation Facility, currently operated by the County. A decision on that issue is expected by early July, 2010. The liability and future outcome of this litigation is unknown at this time. However, the sewer treatment facilities which are the subject of the dispute currently constitute only 700,000 gallons per day of capacity, which represents approximately 0.8% of the entire System. Therefore, the impact of the lawsuit on System revenues is not expected to be material.

Seaboard Surety Company filed suit against the County in 2007 alleging that the County breached a surety agreement with Seaboard by overpaying the contractor for work done on the Ina Road Wastewater Reclamation Facility Expansion Project, and by paying the contractor for work that was defective and had to be redone when the contractor defaulted and Seaboard took over the project. It alleges $4,273,257.56 in damages for this claim, which the County is actively opposing, both in terms of Seaboard's entitlement and the amount. Seaboard also alleges that it is the proper recipient of $4,038,000.69 in retained funds held by the County and has demanded that the County release these funds to Seaboard. The County asserts that the retained funds properly belong to it due to liquidated damage claims against the principal contractor and the contractor's assignee and has filed a counterclaim to that effect. A trial date has been set for October 4, 2010. The attorneys for the County do not believe it is likely that Seaboard, even if its claims are upheld by a court, will be successful in obtaining an award of the full amount of both claims. Therefore, it is not expected that this lawsuit will have a materially adverse impact on the financial status of the System.

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

TAX MATTERS

General

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

The Code prescribes a number of qualifications and conditions for the Interest Portion to be and remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the County to the federal government, require future or continuing compliance after delivery of the 2010 Obligations in order for the Interest Portion to be and to remain so excluded from the date of execution and delivery. Such opinion on such tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain continuing covenants of the County contained in documents which are part of the transcript of proceedings for the 2010 Obligations and that are intended to evidence and assure that the Interest Portion will remain excluded from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of the certifications and representations, or compliance with the covenants, made by the County. Noncompliance with these requirements could cause the Interest Portion to be included in gross income for federal income tax purposes and to be subject to federal and State of Arizona income taxation retroactive to the date of execution and delivery of the 2010 Obligations. The County has covenanted in the Purchase Agreement to take all such actions that may be required of it for the Interest Portion to be and remain excluded from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion.

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

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

Amortizable Premium

The difference between the stated principal amounts of the 2010 Obligations maturing in each year, (referred to in this section as the "Premium Obligations"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Obligations of the same maturity was sold constitutes to an initial purchaser amortizable premium that is not deductible from gross income for federal income tax purposes. The amount of amortizable premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Obligation. For purposes of determining gain or loss on the sale or other disposition of a Premium Obligation, a purchaser who acquires such Premium Obligation in the initial offering to the public at the initial offering price thereof as set forth on the inside front cover page of this Official Statement is required to decrease such purchaser's adjusted basis in such Premium Obligation annually by the amount of amortizable premium for the taxable year. The amortization of premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Obligations. Prospective purchasers of the Premium Obligations should consult their own tax advisors with respect to the tax consequences of owning and disposing of the Premium Obligations.

LEGAL MATTERS

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

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

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

RATINGS

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

UNDERWRITING

RBC Capital Markets Corporation (the "Underwriter") has agreed to purchase the 2010 Obligations, subject to certain conditions, at a purchase price of $176,890,653.70. If the 2010 Obligations are sold to produce the yields shown on the inside front cover page hereof, the Underwriter's compensation will be $1,320,000.00. The Underwriter will be obligated to accept delivery and pay for all of the 2010 Obligations if any are delivered. The Underwriter may offer and sell the 2010 Obligations to certain dealers (including dealers depositing 2010 Obligations into unit investment trusts) and others at prices lower than the public offering prices reflected on the inside front cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the County's Finance and Risk Management Director, the descriptions and statements contained in this Official Statement relating to the County and its operation and properties were at the time of the sale of the 2010 Obligations, and are at the time of the delivery thereof, true, correct and complete in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended prior to the date of delivery of the 2010 Obligations, the foregoing confirmation will also encompass such supplements or amendments. All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show certain historic information, and is not intended to indicate future or continuing

trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

CONTINUING SECONDARY MARKET DISCLOSURE

The County has covenanted for the benefit of holders of the 2010 Obligations to provide certain financial information and operating data relating to the County by not later than February 1 in each year commencing February 1, 2011 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if material (the "Notices of Material Events"). The Annual Reports and the Notices of Material Events will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system ("EMMA") as described in Appendix I - "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The specific nature of the information to be contained in the Annual Reports and the Notices of Material Events is set forth in Appendix I – "FORM OF CONTINUING DISCLOSURE UNDERTAKING."

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

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

FINANCIAL STATEMENTS

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

ADDITIONAL INFORMATION

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

CONCLUDING STATEMENT

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

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

PIMA COUNTY, ARIZONA

By: */s/ Ramón Valadez*
Chairman, Board of Supervisors

By: */s/ C. H. Huckelberry*
County Administrator

APPENDIX A

PIMA COUNTY, ARIZONA
REGIONAL WASTEWATER RECLAMATION DEPARTMENT

Organization and Administration

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

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

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

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

Wastewater Fees and Revenues

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

User Fees

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

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

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

SUMMARY OF WASTEWATER USER FEES

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

(a) The dates shown reflect the date the User Fee increases were adopted by the Board and does not directly correspond to the effective date of the various increases.

(b) Indicates the range of user fee rates applied to various commercial/industrial users whose sewage flow contributions are in excess of normal, domestic strength sewage.

(c) During the fiscal year 2006-07, two rate increases were approved. The first 6% rate increase was effective on August 11, 2006 and the second 6% rate increase was effective on January 1, 2007.

(d) At the Board of Supervisors meeting on December 11, 2007, two rate increases were approved. The first rate increase of 9% was effective January 1, 2008 and the second rate increase of 9.5% was effective beginning July 1, 2008.

(e) At the Board of Supervisors meeting on February 17, 2009, three rate increases were approved. The first rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates was effective March 20, 2009; the second rate increase of 12.75% for user fee rates was effective July 1, 2009; and the third rate increase of $1.50 for the monthly service charge and 12.75% for user fee rates was effective January 1, 2010.

(f) At the Board of Supervisors meeting on March 9, 2010, four rate increases were approved. The first rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2010; the second rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2011; the third rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2012; and the fourth rate increase of 6.5% for the monthly service charge and 10% for user fee rates will be effective July 1, 2013.

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

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

SUMMARY OF PERCENTAGE INCREASES IN RESIDENTIAL USER FEE RATES

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

(a) The 12% rate increase represents two 6% rate increases that occurred during the fiscal year.

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

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

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

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

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

SUMMARY OF USER FEE REVENUES

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

* Changes in Total Billed User Fee Revenue.

Source: Wastewater Department

Connection Fees

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

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

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

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

CONNECTION FEE REVENUES

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

Source: Wastewater Department

Other Fees and Charges

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

REVENUES FROM OTHER FEES AND CHARGES

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

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

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

Source: Wastewater Department

Accounting and Billing

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

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

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

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

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

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

Source: Wastewater Department

Litigation and Administrative Actions

On October 17, 2007, the Town of Marana, Arizona (the "Town"), filed a lawsuit against the County following failed negotiations over the transfer to the Town of the sewer treatment facilities and conveyance system within the Town. The Town later rescinded its 1979 agreement with the County, under which the County operated and supplied sewer services to the Town. On June 11, 2008, the Superior Court of Maricopa County, Arizona ruled that the County does not have the right to provide sewer service within the Town without the Town's permission.

An evidentiary hearing on the extent of the Town's ownership interest in sewer facilities was held in November, 2009, resulting in a decision that the Town is entitled to certain sewers located within its boundaries, but also that the County retains ownership of all sewers it has identified as "flow-through" sewers. A trial was held in March, 2010, regarding the issue of ownership of the Marana Wastewater Reclamation Facility, currently operated by the County. A decision on that issue is expected by early July, 2010. The liability and future outcome of this litigation is unknown at this time. However, the sewer treatment facilities which are the subject of the dispute currently constitute only 700,000 gallons per day of capacity, which represents approximately 0.8% of the entire System. Therefore, the impact of the lawsuit on System revenues is not expected to be material.

Seaboard Surety Company filed suit against the County in 2007 alleging that the County breached a surety agreement with Seaboard by overpaying the contractor for work done on the Ina Road Wastewater Reclamation Facility Expansion Project, and by paying the contractor for work that was defective and had to be redone when the contractor defaulted and Seaboard took over the project. It alleges $4,273,257.56 in damages for this claim, which the County is actively opposing, both in terms of Seaboard's entitlement and the amount. Seaboard also alleges that it is the proper recipient of $4,038,000.69 in retained funds held by the County and has demanded that the County release these funds to Seaboard. The County asserts that the retained funds properly belong to it due to liquidated damage claims against the principal contractor and the contractor's assignee and has filed a counterclaim to that effect. A trial date has been set for October 4, 2010. The attorneys for the County do not believe it is likely that Seaboard, even if its claims are upheld by a court, will be successful in obtaining an award of the full amount of both claims. Therefore, it is not expected that this lawsuit will have a materially adverse impact on the financial status of the System.

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

Capital Improvements

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

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

The Wastewater Department has budgeted approximately $87.0 million for the CIP for fiscal year 2009-10, $170.0 million for the CIP for fiscal year 2010-11 and has a 5-year plan totaling $805.0 million. Highlights of the CIP projects under construction and planning efforts underway include:

- Ina Road ROMP Project – This project consists of the design and construction of new facilities and modifications to the existing wastewater treatment system at the Ina Road wastewater facility for nutrient removal and biosolids improvements and to add 12.5 MGD capacity. The modifications to the treatment system will accommodate a future biological phosphorus removal system and will upgrade the effluent disinfection process. Approximately $115.0 million is expected to be spent on this project in fiscal year 2010-11.

- Plant Interconnect (Santa Cruz Interceptor Phase III) – The project is the final phase of the Santa Cruz Interceptor projects to offload the Northwest Interceptor, which often is surcharged, and also to reduce wastewater flows in the Santa Cruz Central and the Santa Cruz East interceptors. The project includes replacement of existing sluice gates and construction of a new, large diameter gravity interceptor sewer. Approximately $11.0 million is expected to be spent on this project in fiscal year 2010-11.

- ROMP Plant Interconnect – The Plant Interconnect will provide the ability to divert part of the flow normally treated at the Roger Road Facility to the Ina Road Facility and vice-versa. This will allow de-activation of parts of either plant for repairs or maintenance and allow the balancing of treatment demand with available plant capacity. Approximately $6.0 million is expected to be spent on this project in fiscal year 2010-11.

- Roger Road 32MGD Reclamation Campus – This project consists of the design and construction of a 32 MGD facility in the vicinity of the existing Roger Road wastewater treatment plant to achieve nutrient removal. The wastewater treatment system will accommodate a future biological phosphorus removal system. Approximately $12.5 million is expected to be spent on this project in fiscal year 2010-11.

Financial Data

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

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

	Fiscal Year Ended June 30			
	2005-2006	**2006-2007**	**2007-2008**	**2008-09**
REVENUES:				
Sewer Utility Service	$ 61,735,147	$ 69,294,198	$ 74,636,355	$ 86,738,469
Sewer Connection Revenue	42,219,962	30,756,891	31,036,931	18,283,654
Engineering Review & Inspection Fees	29,005	80,912	65,769	91,822
Other Income [(a)]	1,843,295	3,826,947	3,525,367	873,247
Gross Revenues	105,827,409	103,958,948	109,264,422	105,987,192
MAINTENANCE AND OPERATIONS COSTS:				
Employees Compensation	27,541,776	29,627,566	34,526,659	33,947,157
Consultants and Outside Services	5,113,446	6,788,680	9,515,947	6,943,746
Treatment Supplies and Chemicals	7,616,054	10,221,597	9,789,655	9,845,204
Repairs & Maintenance	4,291,962	5,610,027	3,877,604	5,478,004
General and Administrative	11,735,333	14,943,334	18,123,891	15,892,212
Capital Expenses	1,072,669	2,405,380	2,687,020	1,079,718
Maintenance and Operations Cost	57,371,240	69,596,584	78,520,776	73,186,041
Net Revenues	48,456,169	34,362,364	30,743,646	32,801,151
PRIOR OBLIGATIONS DEBT SERVICE:				
Debt Service Payments	15,668,431	20,292,785	20,545,429	23,676,183
Debt Service Coverage	3.09X	1.69X	1.50X	1.39X
Net Revenue Remaining After Debt Service	$ 32,787,738	$ 14,069,579	$ 10,198,217	$ 9,124,968

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

Source: Fiscal year 2005-06 through 2008-09: Annual audited financial statements for the Pima County Regional Wastewater Reclamation Enterprise Fund, excluding all grant activity.

The following table depicts the County's projected financial data for the System, based on the Financial Plan which was approved by the Board of Supervisors on March 9, 2010, for the current and next four fiscal years. **The information presented constitutes "forward looking statements" which must be read with an abundance of caution and may not be realized or may not occur in the future.**

Pima County Regional Wastewater Reclamation Enterprise Fund
Comparative Statements of System Gross Revenues, Operation and Maintenance Expenditures and Projected Pledged Revenues Available for Debt Service

	Fiscal Year Ended June 30				
	Projected [(a)] 2009-10	**2010-2011**	**2011-2012**	**2012-2013**	**2013-2014**
System Revenues:					
Sewer Utility Service	$111,506,522	$125,673,394	$137,806,733	$153,358,557	$170,763,385
Sewer Connection Revenue	17,001,500	20,235,000	21,550,275	23,382,048	25,369,522
Engineering Review & Inspection Fees	20,000	91,822	91,822	91,822	91,822
Other Income	682,750	3,213,492	4,285,656	4,436,781	4,601,959
Total Revenues	129,210,772	149,213,708	163,734,486	181,269,208	200,826,688
Operations And Maintenance Costs:					
Employees Compensation	33,637,301	36,620,059	37,297,962	38,593,022	39,957,912
Other Operation and Maintenance Costs	41,334,871	41,928,263	43,444,841	45,023,534	47,789,532
Capital Expenses	3,880,046	4,356,353	4,497,934	4,644,117	4,795,051
Operations and Maintenance Costs	78,852,218	82,904,675	85,240,738	88,260,673	92,542,495
Net Revenues (b)	50,358,554	66,309,033	78,493,748	93,008,535	108,284,193
Cash Balances Remaining After Reserves	7,433,390	24,813,700	32,949,778	44,426,143	53,968,900
Pledged Revenues	57,791,944	91,122,733	111,443,527	137,434,678	162,253,094
Debt Service Payments on Prior Obligations	26,811,546	25,915,468	24,675,591	24,733,353	25,913,370
Debt Service on Obligations (c)	-	13,043,250	23,791,500	36,031,500	66,493,235
Total Debt Service Payments	26,811,546	38,958,718	48,467,091	60,764,853	92,406,605
Debt Service Coverage for Prior Obligations (d)	2.16	2.56	3.18	3.76	4.18
Debt Service Coverage for Obligations and Prior Obligations (e)	2.16	2.34	2.30	2.26	1.76

(a) As estimated by the County's Finance and Risk Management Department based on actual revenues and expenses through February 28, 2010.
(b) Reflects Net Revenues as defined for the Prior Obligations.
(c) Reflects 2010 Obligations and County's anticipated Additional Obligations of $632 million issued through fiscal year 2014.
(d) Reflects ratio of Net Revenues (as defined for Prior Obligations) to debt service on Prior Obligations.
(e) Reflects ratio of Pledged Revenues to debt service on the 2010 Obligations, anticipated Additional Obligations and the Prior Obligations.

Source: County Finance and Risk Management Department.

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APPENDIX B

PIMA COUNTY, ARIZONA
General Economic and Demographic Information

General Information

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

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

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

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

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

Organization

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

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

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

County's Real Property Services and from 1994 to 1998 also served as the County's Superintendent of Streets overseeing special taxing districts. During 1998 to 2000, he was a partner in an Arizona law firm representing local governments. Prior to his work with Pima County, Mr. Burke was an attorney with a Tucson law firm from 1983 to 1989 and was a Certified Public Accountant with Ernst & Whinney from 1976 to 1980. Mr. Burke holds a Bachelor of Science in Business Administration with a major in Accounting and a Juris Doctor, both from the University of Arizona, and is licensed as an attorney in the State of Arizona.

Transportation

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

Economy

The economy of the County is based largely on a variety of service industries, trade, and government employment. Figures from the Arizona Department of Commerce indicate that 361,900 persons were employed, on average (not including the agricultural industry), in the County in 2009. The following table presents the County's average annual total employment by industry for the periods indicated. During the recent recession, employment has decreased in the County as reflected in the information shown below for 2008 through 2010 year-to-date.

TABLE 2
Pima County
Average Annual Employment
Number of Persons Employed 2005-2010

Industry	2005	2006	2007	2008	2009	2010 (a)
Goods Producing						
Natural Resources and Mining	1,400	1,600	1,800	1,900	1,700	1,700
Construction	25,700	27,900	26,500	22,800	16,500	14,000
Manufacturing	28,300	28,100	27,500	27,200	25,100	24,300
Service Providing						
Trade, Transportation and Utilities	59,600	62,700	64,300	62,700	58,200	57,100
Information	7,200	6,800	5,900	5,300	4,800	4,500
Financial Activities	16,500	17,600	18,200	17,200	17,400	17,400
Professional and Business Services	45,900	49,700	52,600	51,400	47,300	47,200
Education and Health Services	50,500	52,600	54,700	57,100	58,600	59,200
Leisure and Hospitality	39,800	40,600	40,200	40,400	38,700	38,800
Other Services	14,700	15,800	15,800	15,700	14,700	14,200
Government	77,100	76,300	77,900	79,800	78,900	78,700
Total Wage & Salary Employment	366,700	379,700	385,400	381,500	361,900	357,100

(a) Through March 2010.

Source: Arizona Department of Commerce.

The average unemployment rate for the County in 2009 was 8.3%. The average annual unemployment rate for 2008 and 2007 was 5.1% and 3.6%, respectively. The table below shows comparative unemployment rates for the County, the State and the United States for the periods indicated. As reflected for the United States as a whole, the unemployment rate for Arizona and for the County has seen significant increases in the last two years.

TABLE 3
Pima County
Comparative Employment Statistics

	Pima County		Unemployment Rate		
Calendar Year	Average Employment	Average Unemployment	Pima County	Arizona	U.S.
2010 (a)	448,600	43,400	8.8%	9.6%	9.7%
2009	448,700	40,500	8.3%	9.0%	9.3%
2008	454,122	24,565	5.1%	5.9%	5.8%
2007	442,498	16,774	3.6%	3.8%	4.6%
2006	431,585	17,773	4.0%	4.1%	4.6%
2005	419,846	19,519	4.4%	4.7%	5.1%
2004	417,753	20,278	4.6%	5.0%	5.5%

(a) Through March 2010.

Source: Arizona Department of Commerce.

The following table indicates the major employers in southern Arizona, which includes Pima County, as reported in March, 2010.

TABLE 4
Southern Arizona
Major Employers

Company	Type of Business	Approximate Number of Full-Time Equivalents
Raytheon Missile Systems	Military and Defense	12,140
University of Arizona	Higher Education	10,363
State of Arizona	Government	8,708
Davis-Monthan Air Force Base	Military and Defense	7,755
Wal-Mart Stores Inc.	Retailers	7,192
Tucson Unified School District	Education	7,012
U.S. Army Intelligence Center and Fort Huachuca	Military and Defense	6,236
City of Tucson	Government	5,399
Carondelet Health Network	Health Care	4,566
Tohono O'odham Nation	Government	4,353
Freeport-McMoRan Copper & Gold Inc.	Mining and Agriculture	3,997
University Medical Center Corp.	Health Care	3,542
U.S. Border Patrol	Military and Defense	3,530
Fry's Food Stores	Restaurants & Food Distribution	3,109
TMC HealthCare	Health Care	3,050
Corrections Corp. of America	Other	2,512
Citi	Financial Services	2,500
Pinal County	Government	2,455
Pima Community College	Higher Education	2,309

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2010).

Non-Governmental Employment

Average overall wage and salary employment in the County, excluding government employment, increased in each of the calendar years from 2004 through 2008. For calendar year 2009, average employment across all categories with the exception of education and health services declined compared to average employment levels in calendar year 2008, and that general trend has continued for 2010 year-to-date. Overall, the decrease in average non-governmental employment in the County fell by approximately 18,700 jobs, or approximately 5.1%, with non-governmental employment levels on average returning to pre-2005 employment levels. The most significant decline for this period occurred in construction employment which decreased by 27.6% between calendar year 2008 and 2009.

The average annual employment in service-providing categories in 2009 was 239,700. It is anticipated that as the County continues to grow in population and economic activity, service-providing employment will continue to provide the primary source of jobs in the County. As detailed in Table 2, employment in the Education and Health Services and Trade, Transportation and Utilities have been the primary areas of employment in the service-providing industry.

Government

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

Manufacturing

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

Average annual employment in the manufacturing sector within the County in 2009 was 25,100, representing 6.9% of the County's total wage and salary employment base. Manufacturing employment in the County has decreased every year since 2006, with employment during 2008 and 2007 averaging 27,200 and 27,500, respectively.

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

TABLE 5
Southern Arizona
Major Manufacturers

Company	Type of Business	Approximate 2010 Employment
Raytheon Missile Systems	Missile Manufacturing	12,140
IBM	Business & Technology Products	1,400
Ventana Medical Systems Inc.	Medical Equipment	965
Honeywell Aerospace	Aircraft Electronic Systems	695
Bombardier Aerospace	Aircraft Maintenance	591
Northrop Grumman Corp.	Military Aircraft Modification	500
B/E Aerospace	Aircraft Passenger Cabin Interior Products	360
Texas Instruments	Operation Amplifiers	350
Universal Avionics Systems Corp.	Avionics Systems	255

Source: *The Star 200 Directory*, published by *The Arizona Daily Star* (March 2010).

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

Tourism

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

According to the Arizona Hospitality Research & Resource Center, nearly $1.8 billion was spent by tourists in the County in 2009, a slight decrease from estimated tourism-related expenditures in calendar year 2008. These figures include the estimated tourist portion of amusement, bar and restaurant, hotel and motel, and retail gross sales. Shown below are tourist dollars expended in the County and State economies between 2004 and 2009.

Total Tourist Expenditures
($ in millions)

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

Source: Arizona Hospitality Research & Resources Center.

Education

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

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

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

Wholesale and Retail Trade

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

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

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

TABLE 6
Pima County Retail Sales (a)

Year	Amount	% Change
2010 (b)	$1,768,199,383	N/A
2009	6,547,084,057	(9.86%)
2008	7,263,583,414	(7.14%)
2007	7,822,497,932	1.05%
2006	7,740,869,293	7.49%
2005	7,201,701,654	9.21%
2004	6,594,312,765	6.08%

(a) Excludes food and gasoline sales.
(b) Through March 2010.

Source: Arizona Department of Revenue.

Financial Institutions

The Federal Deposit Insurance Corporation (FDIC) collects deposit balances for commercial and savings banks as of June 30 of each year. The following table illustrates the summary of bank deposits of all FDIC-insured institutions within the County for the past five fiscal years. As of June 30, 2009, there were 21 institutions with 196 offices in the County, with a deposit balance of $11.5 billion.

TABLE 7
Pima County
Bank Deposits

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

Source: Federal Deposit Insurance Corporation.

Mining

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

Agriculture

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

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

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

Source: *Arizona Agricultural Statistics,* September 2009.

Building Permits

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

The information provided through year end 2009 in each of the following tables is the most current data available. The County's expectation is that the value of building permits and number of new housing starts for 2010 will continue to show declines from prior years.

TABLE 9

Pima County
Value of Building Permits

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

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

TABLE 10

Pima County
New Housing Starts

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

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

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

APPENDIX C

PIMA COUNTY, ARIZONA
Financial Information

Introduction

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

Expenditure Limitation

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

The County's expenditure limitation for the 2008-09 fiscal year was $489,886,802. The County's expenditures for the 2008-09 fiscal year were under the limit. The County's 2009-10 fiscal year expenditure limitation is $506,866,953 and the County anticipates that its expenditures for such year will be under the limit.

Ad Valorem Taxes

General

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

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

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

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

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

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

Tax Procedures

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

Property Tax Assessment Ratios
2005-06 through 2009-10

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

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

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

Delinquent Tax Procedures

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

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

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

Property Valuations

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

Valuations for Fiscal Year 2009-10	
Estimated Actual Valuation (a)	$80,653,625,457
Net Secondary Assessed Valuation	9,860,980,900
Net Primary Assessed Valuation	8,985,711,830

Valuations for 2010-11 Fiscal Year (b)	
Net Secondary Assessed Valuation	$9,345,594,118
Net Primary Assessed Valuation	8,939,623,680

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

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

Net Secondary Assessed Valuation Comparisons and Trends

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

Net Secondary Assessed Value and Estimated Actual Cash Value Comparison

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

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

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

Net Secondary Assessed Valuation Comparisons

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

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

Net Secondary Assessed Valuations of Major Taxpayers

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

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

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

Source: Pima County Assessor.

Record of Real and Secured Personal Property Taxes Levied and Collected

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

Fiscal Year	Real and Secured Personal Property Tax Levy	Fiscal Year Collections (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2009-10	$353,593,620	(c)	N/A	$269,657,530	76.26%
2008-09	322,901,974	$309,375,563	95.81%	321,714,321	99.63%
2007-08	305,699,225	294,220,625	96.25	304,660,163	99.66%
2006-07	283,253,437	273,299,741	96.49	282,616,116	99.77%
2005-06	267,378,750	258,490,790	96.68	266,960,200	99.84%
2004-05	252,420,350	244,086,254	96.70	252,262,810	99.94%

(a) Reflects collections made through June 30th, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due the first day of October and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment

becomes due the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.

(b) Reflects collections made through April 30, 2010 against the current and prior levies.

(c) In the process of collection.

Source: Pima County Treasurer.

Tax Rate Data

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

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

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

Debt Limitation

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

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

General Obligation Bonded Debt Outstanding

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

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

Estimated Annual Debt Service Requirements of General Obligation Bonded Debt Outstanding

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

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

Net Direct and Overlapping General Obligation Bonded Debt

The chart below reflects the property valuation and outstanding general obligation debt for jurisdictions that overlap the County's boundaries. The overlapping bonded debt figures were compiled from information obtained from the County Treasurer's Office and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net secondary assessed valuation and combined tax rate per $100 assessed valuation follows.

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

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

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

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

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

(b) The County's total tax rate shown includes the County's primary and secondary debt service tax rates, the State equalization tax rate of $0.3306, the $0.2643 tax rate of the Free Library District, the $0.1000 tax rate of the Central Arizona Project and the $0.0406 tax rate of the Fire District Assistance Tax.

(c) The boundaries of the Pima County Flood Control District are coterminous with those of Pima County; however, the Flood Control District only levies taxes on real property.

(d) The tax rate shown is a weighted average based on each jurisdiction's proportionate amount of secondary assessed valuation.

(e) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which is based on the primary assessed valuation of the municipality or school district.

(f) The following table lists general obligation bonds authorized but unissued for the County and jurisdictions within the County.

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

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

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

Net Direct and Overlapping General Obligation Bonded Debt Ratios

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

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

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

Street and Highway Revenue Bonded Debt Outstanding

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

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

Sewer Revenue Debt Outstanding

The following chart lists the outstanding sewer revenue obligations (the "Prior Obligations") of the County.

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

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

Lease, Lease-Purchase and Purchase Agreements

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

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

Source: Pima County Finance and Risk Management Department.

Certificates of Participation

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

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

Retirement Plans

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

Other Post Employment Benefits

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

The County has, in the past, offered its retired employees, their spouses and survivors continuing access to health care insurance through the County's health plan until they reach an age covered by Medicare, a benefit that has been discontinued effective July 1, 2010. Participating retirees were required to pay 100% of applicable health care insurance premiums. The County makes no payments for OPEB costs for such retirees, but for fiscal year 2007-08 the County reported an implicit rate subsidy described in Note 10 of the 2007-08 Comprehensive Annual Financial Report. For fiscal year 2008-09, the County did not report any OPEB liability because the County determined that, to the degree GASB 45 applied, any OPEB liability would not be material. Because the program has been discontinued as of July 1, 2010, the County will have no OPEB costs for fiscal year 2009-10 or for future years unless the program is reinstituted.

Management Commentary on Financial Condition

The County projects that its revenues from County sources for fiscal year 2009-10 will be near budgeted amounts. As of February 2010, however, the County is projecting a decrease in State-shared sales revenues of approximately $6.2 million, or seven percent. While projected State-shared revenues are anticipated to be lower for fiscal year 2009-10, the County's mandated payments to the State for such fiscal year of $14.3 million for the Arizona Long-Term Care System ("ALTCS") were eliminated. In addition, the County received an $11.0 million refund from the State for ALTCS payments for the previous fiscal year. This additional revenue and decrease in budgeted expenditures increased the County's General Fund balance by approximately $25 million.

In March 2010, the State of Arizona adopted the State's fiscal year 2010-11 budget that includes significant impacts on the County through a combination of cost shifting and revenue reductions. The County anticipated such action and has, over the past several years, initiated ongoing expenditure reductions and hiring restrictions to mitigate the impact of the State's budget. The County Administrator has prepared a recommended budget for the Board of Supervisors consideration for fiscal year 2010-11 to address the impacts to the County of the State's budget. The County's recommended budget includes additional expenditure reductions with the County's General Fund departments. With this recommended budget, the County expects to continue to provide services while

maintaining its policy of funding a General Fund balance at the level of five percent of budgeted revenues ($24 million for fiscal year 2010-11

Depending on State revenue receipts, additional measures may be enacted by the Legislature for the current and subsequent fiscal years. In past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The County cannot determine whether any such provisions will be enacted or how they may affect the County or its financial position.

The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the 2009-10 fiscal year, and a 2% budget reduction for fiscal year 2010-11, that are designed to address any additional reduction in State-shared revenues and any potential increased cost shifting from the State to cities, towns and counties. The County budgeted for an ending General Fund balance for fiscal year 2009-10 of at least five percent of annual General Fund revenues of the County ($24.5 million). Due to the change in ALTCS payments, the County projects an ending General Fund balance for fiscal year 2009-10 of in excess of $50 million.

In 2004, the County closed the County-operated Kino Community Hospital and leased the hospital grounds and buildings to University Physicians Healthcare (UPH), a private nonprofit corporation, which opened a privately-owned and operated hospital on the site. The original lease agreement between the County and UPH required $127 million of fees to be paid to UPH by the County over the first 10 years of the lease, in decreasing amounts, for the transition to a new hospital. At the request of UPH, the County amended its contract with UPH to accelerate, but not increase, the payments required by the lease. UPH is continuing efforts to make the hospital financially self sufficient including a potential arrangement with the University of Arizona College of Medicine (UACOM) for integrating the hospital into the UACOM system. To date, the County has paid UPH $120.5 million of the total $127 million pledged and is scheduled to pay $6.5 million in fiscal year 2010-11. UPH has requested the County to provide additional long-term funding for its operations due to ongoing operating deficits. In the County's fiscal year 2009-10 budget, the County set aside an additional $15 million, contingent on reaching an agreement with UPH with respect to the use of the additional funds. On April 13, 2010, the Board of Supervisors directed County staff to continue discussions with UPH, UACOM, and University Medical Center Corporation (a quasi-public nonprofit corporation, which runs the University Medical Center (UMC), UACOM's teaching hospital) to develop an agreement among the Arizona Board of Regents, the County, and a new corporation to be created as a "parent" of UPH and UMCC. Pursuant to this agreement, if one is reached, the County would provide funding to be used for the operation of an integrated two-hospital medical education program utilizing both UMC and the hospital on the Kino campus. The proposal is for the County to provide the $15 million set aside in the fiscal year 2010-11 budget; $20 million in fiscal year 2010-11 (this amount includes the remaining $6.5 million due under the existing UPH Lease); and $15 million in fiscal year 2011-12. This proposal is still in the discussion stages. Any future decision by the County to continue to provide funding at any level will be made with full consideration of the impact such funding would have on other operations of the County and the need for the County to continue to maintain a balanced budget.

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

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

Source: Pima County Finance and Risk Management Department.

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

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

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

Source: Pima County Finance and Risk Management Department.

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

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

	Actual				
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Revenues by Source:					
Taxes	$225,959	$242,948	$252,350	$268,493	$281,749
Licenses and Permits	2,350	2,536	2,795	2,971	2,747
Intergovernmental	125,203	143,982	152,271	148,158	131,966
Charges for Services	24,905	27,102	33,604	32,307	35,330
Fines and Forfeits	5,035	5,786	5,526	5,020	4,720
Interest Income	1357	2,491	3,321	3,343	1,084
Miscellaneous	4,435	4,935	6,828	8,314	7,099
Total Revenues	389,244	429,780	456,695	468,606	464,695
Expenditures:					
Current					
General Government	160,378	168,394	181,329	192,839	184,434
Public Safety	84,694	96,687	106,825	118,623	121,704
Sanitation	0	0	0	0	0
Health	2,189	2,401	2,526	2,906	2,767
Welfare	96,996	102,496	96,684	106,502	115,481
Culture & Recreation	11,236	13,104	14,694	16,325	15,580
Education & Econ. Opport.	14,637	16,682	16,407	17,418	16,368
Debt Service:					
Principal	1,440	1,750	1,785	3,115	3,510
Interest	1,324	1,292	1,230	2,805	2,426
Miscellaneous	5	5	6	4	6
Total Expenditures	372,899	402,811	421,486	460,537	462,276
Excess of Revenues Over (Under) Expenditures	16,345	26,969	35,209	8,069	2,419
Other Financing Sources (Uses):					
Sale of General Fixed Assets	8	22	0	0	371
Operating Transfers In (Out)	(11,822)	(12,643)	(29,224)	4,760	(33,013)
Total Other Financing Sources (Uses):	(11,814)	(12,621)	(29,224)	4,760	(32,642)
Net Change in Fund Balance	4,531	14,348	5,985	12,829	(30,223)
Beginning Fund Balance, as restated	32,696	37,227	51,575	57,560	70,389
Ending Fund Balance	$37,227	$51,575	$57,560	$70,389	$40,166

Source: Pima County Finance and Risk Management Department.

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

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APPENDIX D

FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

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

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

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the above-referenced Obligations (the "*Obligations*") in the aggregate principal amount of $165,000,000 and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance the costs of certain improvements to the sewer system (the "*System*") serving Pima County, Arizona (the "*County*").

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

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

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

1. The Indenture, the Purchase Agreement and the Obligations are valid and binding and enforceable in accordance with their terms. The rights of the owners of the Obligations and the enforceability of those rights pursuant to the Obligations as well as the Indenture and the Purchase Agreement may, however, be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights, and the enforcement of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity. The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

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

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

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

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

Respectfully submitted,

GREENBERG TRAURIG, LLP

APPENDIX E

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

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2009

Regional Wastewater Reclamation

Enterprise Fund

Pima County, Arizona

For the Fiscal Year Ended June 30, 2009

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
June 30, 2009

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Tucson, Arizona 85704
Tel (520) 742-2611
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INDEPENDENT AUDITORS' REPORT

The Board of Supervisors
of Pima County, Arizona

We have audited the accompanying financial statements of the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the Regional Wastewater Reclamation Enterprise Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Regional Wastewater Reclamation Enterprise Fund are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities and the major fund of Pima County, Arizona that is attributable to the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona. They do not purport to, and do not, present fairly the financial position of Pima County, Arizona, as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona, as of June 30, 2009, and the respective changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2009 on our consideration of the Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heinfeld, Meech & Co. P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 26, 2009

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Net Assets
June 30, 2009

Assets

Current assets:	
Cash and cash equivalents	$ 30,163,077
Restricted cash and cash equivalents	41,487,239
Interest receivable	240,794
Accounts receivable, net	13,667,823
Due from other Pima County funds	3,098,392
Inventory of materials and supplies	3,634,751
Prepaid expenses	275,608
Total current assets	92,567,684
Noncurrent assets:	
Restricted cash and cash equivalents:	
Held in escrow as construction contract retentions	2,291,282
Capital assets, net of accumulated depreciation where applicable:	
Land and other improvements	11,252,984
Intangibles - easements	573,524
Conveyance systems, net	399,093,604
Treatment facilities, net	223,522,587
Equipment, net	87,987,380
Construction in progress	43,208,573
Total capital assets, net	765,638,652
Deferred financing costs	2,679,087
Total noncurrent assets	770,609,021
Total assets	$ 863,176,705

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Net Assets
June 30, 2009

(continued)

Liabilities

Current liabilities:		
Accounts payable	$	12,327,710
Accrued payroll and employee benefits		3,980,449
Due to other Pima County funds		3,229,659
Interest payable		4,859,401
Current portion of sewer revenue bonds payable		7,870,000
Current portion of wastewater loans payable		6,316,650
Deferred revenue		1,240,129
Total current liabilities		39,823,998
Noncurrent liabilities:		
Construction contract retentions payable		6,481,142
Sewer revenue bonds payable, less current portion		176,010,000
Wastewater loans payable, less current portion		58,280,597
Deferred interest expense and bond discount		(600,044)
Total noncurrent liabilities		240,171,695
Total liabilities		279,995,693

Net Assets

Invested in capital assets, net of related debt		532,240,445
Restricted for:		
Debt service		818,611
Capital Projects		14,478,998
Operation and maintenance		5,882,837
Unrestricted		29,760,120
Total net assets	$	583,181,012

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

Operating revenues:	
Sewer utility service	$ 86,738,469
Engineering review and inspection fees	91,822
Permits and fines	27,162
Other income	56,413
Total operating revenues	86,913,866
Operating expenses:	
Employee compensation	33,947,157
Operating supplies	8,360,462
Utilities	6,601,088
Sludge and refuse disposal	1,484,742
Repairs and maintenance	5,478,004
General and administrative	9,291,124
Consultants and professional services	6,943,746
Depreciation	26,911,578
Total operating expenses	99,017,901
Operating loss	(12,104,035)
Nonoperating revenues (expenses):	
Intergovernmental revenue	12,437
Interest income	1,164,397
Sewer connection revenue	18,283,654
Loss on disposal of equipment	(327,332)
Interest expense	(6,046,335)
Amortization of deferred charges	(226,975)
Total nonoperating revenues (expenses)	12,859,846
Income before capital contributions and transfers	755,811
Capital contributions	14,915,911
Transfers in	25,570,082
Transfers out	(26,081,729)
Increase in net assets	15,160,075
Net assets—July 1, 2008	568,020,936
Net assets—June 30, 2009	$ 583,181,011

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009

Cash flows from operating activities:	
Receipts from customers	$ 83,078,118
Miscellaneous receipts	56,413
Payments to suppliers for goods and services	(29,695,087)
Payments to other Pima County Funds for goods and services	(8,357,283)
Payments to employees	(34,665,073)
Net cash provided by operating activities	10,417,088
Cash flows from noncapital financing activities:	
Intergovernmental receipts	12,437
Repayment of interfund borrowings	(2,335,532)
Net cash used by noncapital financing activities	(2,323,095)
Cash flows from capital and related financing activities:	
Sewer connection receipts from customers	18,008,238
Intergovernmental contract receipts	(356,316)
Purchase and construction of capital assets	(74,223,259)
Proceeds from issuance of sewer revenue bonds	18,940,000
Principal payments on revenue bonds and loans	(5,974,466)
Interest payments on revenue bonds and loans	(2,172,650)
Net cash used by capital and related financing activities	(45,778,453)
Cash flows from investing activities:	
Interest received on investments	1,209,300
Net cash provided by investing activities	1,209,300
Net decrease in cash and cash equivalents	(36,475,160)
Cash and cash equivalents, July 1, 2008	110,416,758
Cash and cash equivalents, June 30, 2009	$ 73,941,598

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2009

(continued)

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	$	(12,104,035)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		26,911,578
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable		(3,807,373)
Due from other governments		28,038
Inventory of materials and supplies		(15,129)
Prepaid expenses		(97,124)
Increase (decrease) in liabilities:		
Accounts payable		307,063
Due to other governments		(88,014)
Accrued payroll and employee benefits		(717,916)
Net cash provided by operating activities	$	10,417,088

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2009:

Developers conveyed capital assets with an estimated fair value of $15,380,903. This transaction was recorded as capital contributions.

Pima County Board of Supervisors approved Connection Fee Flow-Through Sewer Credit Agreements totaling $465,799. This transaction was recorded as an increase to deferred revenue and a decrease in capital contributions.

The Fund disposed of capital assets with a net book value of $327,333.

The Fund retired expired Sewer Credit Agreements totaling $807. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

See accompanying notes to financial statements

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Pima County (County) and its Regional Wastewater Reclamation Enterprise Fund (Fund), formerly known as the Wastewater Management Enterprise Fund, conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies affecting the Fund follows.

The Fund adopted early implementation of the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* GASB statement No. 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets.

A. Reporting Entity

The Fund is accounted for as an enterprise fund of Pima County, Arizona, however, the ultimate financial accountability for the Fund remains with Pima County. The Fund's management is responsible for operating all wastewater conveyance and treatment systems and water pollution control programs throughout Pima County.

The financial statements present only the Regional Wastewater Reclamation Enterprise Fund as one of the enterprise funds of Pima County and are not intended to present the balances and activity of Pima County in its entirety.

B. Fund Accounting

The Fund's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

The Fund's financial transactions are recorded and reported as an enterprise fund because its operations are financed and operated in a manner similar to private business enterprises. It is the intent of the Board of Supervisors that the costs (expenses, including depreciation) of goods or services provided by the Fund on a continuing basis be financed or recovered primarily through user charges.

C. Basis of Accounting

Basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the Fund are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. When both restricted and unrestricted net assets are available to finance Fund expenses, restricted resources are used before unrestricted resources. Interfund transactions that would be treated as revenues or expenses if they involved parties external to the County are recorded in the appropriate revenue or expense accounts. Intrafund transactions within the fund are eliminated for the consolidated financial statement presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Unless in conflict with GASB pronouncements, the Fund follows Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research bulletins. The Fund has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

D. Basis of Presentation

The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows. A statement of net assets provides information about the assets, liabilities, and net assets of the Fund at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external restrictions or availability of assets to satisfy the Fund's obligations. Invested in capital assets net of related debt represents the cost of capital assets, net of accumulated depreciation, less any outstanding debt incurred to acquire or construct the assets. Restricted net assets represent grants, contracts, and other resources that have been externally restricted for specific purposes. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in fund net assets provides information about the Fund's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net assets are reported, including capital contributions and transfers. Generally, charges for services and fees generated from providing wastewater treatment services and sewer utility service fees are considered to be operating. Other revenues, such as sewer connection revenues and interest income, are not generated from operations and are considered to be nonoperating revenues. Operating expenses include the costs of providing sewer services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense on debt, are considered to be nonoperating expenses.

A statement of cash flows provides information about the Fund's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer, investments with the State Treasurer, and deposits held in escrow accounts from both restricted and unrestricted sources. Unrestricted cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer in an investment pool, and investments with the State Treasurer. Restricted cash and cash equivalents consist of cash and investments held by the Pima County Treasurer in an investment pool, and deposits held in escrow accounts. All investments are stated at fair value.

F. Accounts Receivable

Accounts receivable consist primarily of amount due from customers for services provided. These balances are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through charge to earnings and credit to a valuations allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Note 1 – Summary of Significant Accounting Policies (continued)

G. Inventory

Inventories consist of operating supplies and are recorded as assets when purchased and expensed when consumed. These inventories are stated at the lower of cost or market. Cost is determined using the moving average method.

H. Capital Assets

Purchased capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. The Fund capitalizes all land and developer contributions regardless of cost; sewage conveyance system, buildings and improvements, infrastructure and intangible software costing $100,000 or more, and equipment costing $5,000 or more. Costs for internally constructed capital assets include material, direct labor, engineering, interest, and allocated portions of other indirect costs related to the construction projects. Depreciation of such assets is charged as an expense against operations. All assets other than land and construction in progress are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Treatment facilities and equipment	4 to 30 years
Conveyance systems	50 years

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate a limited number of sick leave (1,920) hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability.

J. Construction Contract Retentions

The Fund has numerous construction projects in process. The Fund retains a percentage of each progress payment until the project's successful completion. In some instances, contract retentions are deposited in escrow accounts so contractors may earn interest during the construction period.

K. Deferred Interest Expense

For advance refundings resulting in defeasance of debt, the difference between the reacquisition price and net carrying amount of the old debt is deferred and amortized as a component of interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. This deferred amount is reported as a deduction from the new debt liability on the statement of net assets.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Revenues

Sewer utility billings are based on the content and volume of wastewater discharged and a minimum service charge.

Land developers contribute capital and aid in the construction of certain portions of the conveyance systems. Contributions are recorded as contributed capital at their estimated fair value. In those instances when a developer makes enhancements that exceed the requirements for the conveyance systems, the Fund establishes reduced fees and credits that can be used to offset future fees charged to developers for each new connection to the conveyance systems. These credits are recorded as deferred sewer connection revenue and recognized as income when connection permits are issued.

Sewer connection fees are assessed to land developers based on the type and number of fixtures attached to the conveyance systems. Fees are established at a level to provide for the recovery of the Fund's operating expenses that are not recovered by the sewer utility service fees. Accordingly, fees collected are classified as nonoperating revenues.

Note 2 – Cash and Investments

Cash and cash equivalents consisted of the following amounts:

Current	
Cash on hand	$ 2,600
Cash and cash equivalents	30,160,477
Restricted cash and cash equivalents;	
Construction	14,478,998
Debt service	21,125,404
Operation and maintenance	5,882,837
Total restricted cash	41,487,239
Total current cash and cash equivalents	71,650,316
Noncurrent	
Restricted cash and cash equivalents;	
Deposits held in escrow accounts	2,291,282
Total cash and cash equivalents	$ 73,941,598

Current restricted cash and cash equivalents represents cash received for capital projects, anticipated debt service payments, and an estimated one-twelfth of annual operating expenses. In prior years, only one-twelfth of the annual debt principal and interest was restricted. However, because the Water Infrastructure Finance Authority debt payment, and debt service payment to Bank of New York for bonded debt is paid July 1, the entire amount of the payment is now included as restricted cash for debt service.

Note 2 – Cash and Investments (continued)

Noncurrent restricted cash and cash equivalents are deposits held in escrow pending completion of capital projects.

The Fund's cash and investments in the Pima County Treasurer's investment pool represent a portion of the County Treasurer's investment pool portfolio. There is no oversight provided for the County Treasurer's investment pool, and the pool's structure does not provide for shares. The Fund's portion in the pool is not identified with specific investments and is not subject to custodial credit risk.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. The Pima County Treasurer's investment pool is unrated.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk. The Pima County Treasurer's investment pool had a weighted average maturity of 289 days at June 30, 2009.

Legal Provisions – Arizona Revised Statutes authorize counties to invest public monies in the State Treasurer's investment pool: obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk - Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors' service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors' service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk - Statutes do not include any requirements for concentration of credit risk.

Interest rate risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - Statutes do not allow foreign investments.

Note 3– Capital Asset Activity

Capital asset activity for the year ended June 30, 2009, is presented in the following schedule:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land and other improvements	$ 8,735,249	$ 2,517,735		$ 11,252,984
Intangibles - easements		573,524		573,524
Construction in progress	72,060,008	34,598,454	$ 63,449,889	43,208,573
Total capital assets not being depreciated	80,795,257	37,689,713	63,449,889	55,035,081
Capital assets being depreciated:				
Conveyance systems	580,096,380	40,997,120	16,859	621,076,641
Treatment facitlites	347,847,060	6,131,541	324,997	353,653,604
Equipment	35,614,097	64,885,834	869,539	99,630,392
Total capital assets being depreciated	963,557,537	112,014,495	1,211,395	1,074,360,637
Less accumulated depreciation for:				
Conveyance systems	210,582,745	11,417,151	16,859	221,983,037
Treatment facilities	118,756,922	11,616,175	242,080	130,131,017
Equipment	8,389,884	3,878,251	625,123	11,643,012
Total accumulated depreciation	337,729,551	26,911,577	884,062	363,757,066
Total capital assets being depreciated, net	625,827,986	85,102,918	327,333	710,603,571
Capital assets, net	$ 706,623,243	$ 122,792,631	$ 63,777,222	$ 765,638,652

Note 4 – Claims, Judgments, and Risk Management

The Fund is a participant in Pima County's self-insurance program. The County's self-insurance program covers the Fund for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In the opinion of the Fund's management, any unfavorable outcomes from these types of risks would be covered by that self-insurance program. Accordingly, the Fund has no risk of loss beyond adjustments to future years' premium payments to Pima County's self-insurance program. All estimated losses for unsettled claims and actions of Pima County are determined on an actuarial basis and are included in the *Pima County Comprehensive Annual Financial Report.*

Risks of loss arising from contractual breaches are not covered by the County's self-insurance program or commercial insurance. The Fund's management does not believe that these types of losses would be material to the financial statements; therefore, no accrual of losses has been reported in the financial statements. At June 30, 2009, there were no material lawsuits related to contractual breaches.

Note 5 – Long-Term Liabilities

The following schedule details the Fund's long-term liability and obligation activity for the year ended June 30, 2009:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Due Within 1 year
Sewer revenue bonds	$ 164,940,000	$ 18,940,000		$ 183,880,000	$ 7,870,000
Less unamortized deferred amounts	1,239,293	412,702	$ 335,844	490,747	
Total sewer revenue bonds payable	163,700,707			183,389,253	7,870,000
Wastewater loans payable	70,571,713		5,974,466	64,597,247	6,316,650
Less unamortized deferred amounts	145,729		36,432	109,297	
Total wastewater loans payable	70,425,984			64,487,950	6,316,650
Construction contract retention payable	5,842,091	3,181,509	2,542,458	6,481,142	
Total long-term liabilities	$ 239,968,782	$ 22,534,211	$ 8,144,648	$ 254,358,345	$ 14,186,650

Sewer Revenue Bonds Payable—The Fund has issued several series of sewer revenue bonds (Series 1998, Refunding 2001, Refunding 2004, Series 2007, Series 2008, and Series 2009) to provide funds for the defeasance of prior sewer revenue bonds, the construction of a sewage treatment plant, and the construction of improvements to the sewer system. The bonds are callable at various prices depending on the date of call. Interest on the bonds is payable semiannually. Of the total amount originally authorized, the entire amount of the May 20, 1997 election has been issued, while $10,002,383 from the May 18, 2004 bond election remain unissued.

Wastewater Loans Payable—The Fund has entered into four loan agreements/amendments with the Water Infrastructure Financing Authority of Arizona (1996, 1997, 2000, and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding.

In May 2009, the County issued for the Fund $18,940,000 in Sewer Revenue Bonds Series 2009. The net proceeds of the issuance were used to provide monies for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

Debt Covenants—All revenue bonds were issued and the loan agreements were executed with a first lien on the pledge of the Fund's net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the Fund to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies equal to the average annual debt service payment. At June 30, 2009, the Fund had a surety bond to meet the requirements of the debt covenants. The County is also authorized to issue for the Fund additional parity bonds if certain conditions are met, primarily that net revenues for the fiscal year immediately preceding issuance of the parity bonds exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

Note 5 – Long-Term Liabilities (continued)

Bonds and loans outstanding at June 30, 2009, were as follows:

Description	Interest Rates	Maturity Dates	Outstanding Principal
*Series 1998	4.0-4.5%	2009-15	$ 13,355,000
*Refunding 2001	4.25-5.38%	2009-15	12,655,000
*Refunding 2004	3.5-5.5%	2009-15	18,145,000
*Series 2007	3.75-5.0%	2009-26	45,785,000
*Series 2008	4.0-5.0%	2009-23	75,000,000
Series 2009	3.25-4.25%	2009-24	18,940,000
Total sewer revenue bonds payable			$ 183,880,000
1996 loan payable	3.19%	2009-12	$ 4,775,425
1997 loan payable	2.95%	2009-11	1,914,924
2000 loan payable	2.20%	2009-16	39,644,825
2004 loan payable	1.81%	2009-24	18,262,073
Total wastewater loans payable			$ 64,597,247

** The U.S. government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-2009.*

Revenue bond debt service and loan payment requirements to maturity, are as follows:

	Revenue Bond Debt Service		Loan Payment Requirements	
	Principal	Interest	Principal	Interest
Year ending June 30,				
2010	$ 7,870,000	$ 7,456,622	$ 6,316,650	$ 2,199,815
2011	8,900,000	7,334,383	7,604,514	1,947,422
2012	8,425,000	6,961,145	7,891,095	1,666,141
2013	8,795,000	6,578,816	6,936,540	1,396,498
2014	10,405,000	6,148,356	6,032,549	1,160,417
2015-2019	58,400,000	23,080,125	21,845,369	2,710,635
2020-2024	68,595,000	10,060,938	7,970,530	814,969
2025-2027	12,490,000	692,481		
Total	$183,880,000	$ 68,312,866	$ 64,597,247	$ 11,895,897

Note 5 – Long-Term Liabilities (continued)

The Fund has pledged future user charges, net of specified operating expenses, to repay $ 183,880,000 in sewer revenue bonds issued between 1998 and 2009, and 64,597,247 in sewer revenue loans issued between 1996 and 2004. Proceeds from the bonds and loans provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds and loans are payable from net sewer revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 28 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 19 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $ 252,192,866. Total principal and interest to be paid on the loans is $ 76,493,144. Principal and interest paid for bonds were $ 3,587,679, principal and interest paid on loans in the current year were $ 8,377,230, and total customer net revenues were $ 34,444,905. Principal and interest paid in the current year does not include amounts paid effective July 1, which in prior years were reported for the period ending June 30th.

Construction Contract Retentions Payable—State laws and regulations require the Fund to withhold a portion of progress payments made on construction contracts until the successful completion of the construction project.

Note 6 – Due To Other Pima County Funds

Due to other Pima County funds represents payables to other County funds for goods or services. At June 30, 2009, the payables included $13,105 due to the General Fund, $3,098,392 due to Debt Service Fund, $228 due to Parking Garages and $117,933 due to the Capital Projects Fund.

Note 7 – Related Party Transactions

Administrative and Fiscal Services—The Fund incurred expenses from Pima County for a variety of administrative and fiscal services, including $2,475,621 for the allocation of overhead; $1,678,371 for self-insurance premiums; $640,218 for interdepartmental supplies and services charges; $2,104,522 for motor pool charges; $25,905 for professional charges; $809,458 for repair and maintenance charges; a credit of $2,676 in printing charges; and $661,789 for miscellaneous other charges.

Public Works Center- The Fund occupies a portion of the Public Works Center and pays rent based on a pro rata share of the building expenses. The Fund's rent totaled $293,715 for the year ended June 30, 2009.

Note 8 – Construction and Other Significant Commitments

At June 30, 2009, the Fund had construction contractual commitments of $44,508,051 and other contractual commitments related to service contracts of $7,245,467. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Note 9 – Intergovernmental Agreement

The City of Tucson, Metropolitan Domestic Water Improvement District (MDWID), Town of Marana Water, and Oro Valley Water provide sewer utility billing and collection services, certain computer services, accounting information, and statistical data to the Fund. During the year ended June 30, 2009, the Fund paid fees totaling $2,271,558, $148,916, $33,463, and $166,916, respectively, for such services. As part of its agreement, the City of Tucson invests cash collected from utility customers and held for remittance to the Fund. Interest earnings on such investments are remitted to the Fund. The MDWID, Town of Marana Water and Oro Valley Water submit cash receipts to the Fund regularly. However, cash collections are not invested, therefore, MDWID, Town of Marana Water, and Oro Valley Water do not remit interest to the Fund.

Note 10 – Retirement Plan

Plan Description—The Fund contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the Arizona State Retirement System (ASRS) that covers employees of the State of Arizona and employees of participating subdivisions and school districts. Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her spouse. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910, by calling (602) 240-2000, or on-line at http://www.ASRS.state.az.us/web/Aboutus.do.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members' and the Fund's contribution rates. For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and health insurance benefit, and 0.50 percent long-term disability) of the members' annual covered payroll, and the Fund was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

Year ended June 30th	Retirement Fund	Health Benefit Supplemental Fund	Long-Term Disability Fund
2009	$2,074,550	$249,257	$129,822
2008	1,990,805	259,670	123,652
2007	1,679,980	233,640	111,257

Note 11 – Subsequent Event

WIFA Loan agreement – On October 9th, 2009 the Fund entered into a loan agreement with Water Infrastructure Authority of Arizona (WIFA) in the amount of $10,002,383 to provide funds for the construction of approximately 5 miles of system improvements to interconnect the Roger Road and the Ina Road treatment facilities to one another, as approved by Pima County Board of Supervisors' Resolution No. 2009-58 on April 14th, 2009.

Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. Principal payments to maturity are subject to change based upon total amounts drawn down. Payments will be made from user charges received in the Regional Wastewater Reclamation Enterprise Fund.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Supervisors
of Pima County, Arizona

Members of the Board:

We have audited the financial statements of the Regional Wastewater Reclamation Enterprise Fund, an enterprise fund of Pima County, Arizona as of and for the year ended June 30, 2009, and have issued our report thereon dated October 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Wastewater Reclamation Enterprise Fund's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Wastewater Reclamation Enterprise Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Supervisors, others within the entity and governmental agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

October 26, 2009

APPENDIX F

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

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

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, one major fund, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
Government-Wide Statements				
Governmental Activities:				
Stadium District	0.26%	0.05%	0.93%	0.47%
School Reserve Fund	0.11%	0.03%	0.48%	0.59%
Self Insurance Trust	2.40%	4.88%	0.07%	0.27%
Business-Type Activities:				
Regional Wastewater Reclamation Department	94.91%	91.44%	30.17%	30.90%
Development Services	0.43%	0.25%	1.70%	2.95%
Self Insurance Trust	0.00%	0.00%	0.00%	0.18%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
Fund Statements				
Major Fund:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.93%	0.28%	2.63%	1.36%
School Reserve Fund	0.40%	0.15%	1.36%	1.74%
Development Services	0.70%	0.57%	2.09%	4.04%
Self Insurance Trust	8.55%	27.95%	6.37%	8.26%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 11 through 28, the Budgetary Comparison Schedule on pages 75 and 76, and the Schedule of Retirement Plans' Funding Progress on page 77 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

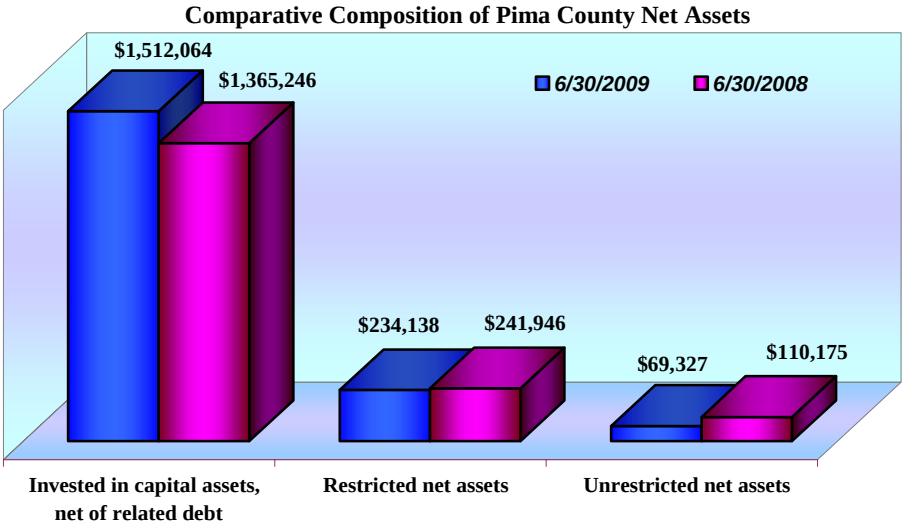
December 21, 2009

Management's Discussion and Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2009, and should be read in conjunction with the County's basic financial statements in the following sections. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

FINANCIAL HIGHLIGHTS

- At June 30, 2009, the assets of the County exceeded its liabilities (*net* assets) by $1,815,529, an increase of 5.7% from the prior year. Of this amount, $69,327 is available for general government expenditures (*unrestricted net assets)*, $234,138 is restricted for specific purposes (*restricted net assets)*, and $1,512,064 is invested in capital assets, net of related debt and accumulated depreciation. The chart below presents the composition of net assets for the current and prior years:



- Unrestricted net assets for the County dropped $40,848 (or 37.1%), from $110,175 to $69,327 this fiscal year. Of this amount, $35,803 is unreserved and undesignated in the General Fund. This balance represents approximately 7.7% of the County's General Fund expenditures and 3.9% of total governmental funds expenditures.

- County revenues dropped 7.7% (or $97,224), from $1,266,195 last year to $1,168,971 in fiscal year 2008-09. The loss of the Ambulatory contract with the Arizona Health Care Cost Containment System (AHCCCS) comprised 78% of the lost revenue. In addition, the state-shared sales taxes have dropped 14% this fiscal year because of the continuing downturn in the economy.

- To offset the shortfalls in the revenues and ensure that the budget remains balanced at the close of the fiscal year, the County initiated several cost cutting measures during the year including mid-year budget expenditure reductions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information (4) is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Regional Wastewater Reclamation Department, Development Services and the County's downtown parking garages.

A discretely presented component unit is included in the basic financial statements and consists of a legally separate entity for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit.

The government-wide financial statements can be found on pages 29-31 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable State statutes and federal Office of Management and Budget budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds,* (2) *proprietary funds,* and (3) *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects and Debt Service funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 32-35 of this report.

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for certain health care services, including medical and long-term health care, sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management, automotive fleet maintenance and operations, printing services, telecommunications, wireless and IT network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, most of the assets and liabilities of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Regional Wastewater Reclamation Department and Pima Health System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 36-39 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 40-41 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 42-73 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 75-77 of this report.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 80-110 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

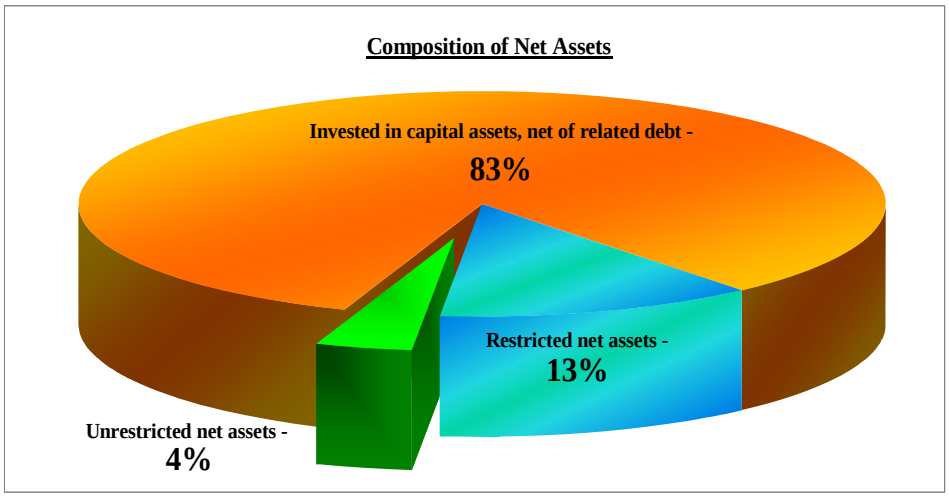
As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by $1,815,529 at June 30, 2009. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

Table 1

Schedule of Assets, Liabilities, and Net Assets
At June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	$452,751	$460,995	$133,963	$189,217	$586,714	$650,212
Capital assets (net):						
Land, buildings, equipment, infrastructure & other assets	1,526,774	1,413,881	773,117	714,548	2,299,891	2,128,429
Total assets	1,979,525	1,874,876	907,080	903,765	2,886,605	2,778,641
Current and other liabilities	86,278	87,975	48,328	63,919	134,606	151,894
Long-term liabilities	682,111	667,157	254,359	242,223	936,470	909,380
Total liabilities	768,389	755,132	302,687	306,142	1,071,076	1,061,274
Net assets :						
Invested in capital assets, net of related debt	972,346	882,424	539,718	482,822	1,512,064	1,365,246
Restricted	203,940	183,542	30,198	58,404	234,138	241,946
Unrestricted	34,850	53,778	34,477	56,397	69,327	110,175
Total net assets	$1,211,136	$1,119,744	$604,393	$597,623	$1,815,529	$1,717,367

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2009, investment in capital assets totaled $1,512,064, comprising approximately 83.3% of total net assets. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. The $146,818 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2009, restricted net assets totaled $234,138 and comprised approximately 12.9% of total net assets. This represents a $7,808 decrease in restricted net assets from the $241,946 balance of the prior fiscal year.

The remaining balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2009, unrestricted net assets totaled $69,327 and comprised approximately 3.8% of total net assets.

Governmental activities

The change in net assets for governmental activities was $91,392, an increase of $47,681 from the prior year. The following table shows details of the changes in net assets for governmental activities:

Table 2

Governmental Activities Schedule of Changes in Net Assets For the Years Ended June 30, 2009 and 2008				
			Variance	
	2009	2008	Amount	Percent
Program revenues:				
Charges for services	$ 59,886	$ 64,010	$ (4,124)	-6.4%
Operating grants and contributions	131,361	144,479	(13,118)	-9.1%
Capital grants and contributions	68,535	48,672	19,863	40.8%
Total program revenues	259,782	257,161	2,621	1.0%
General revenues:				
Property taxes	393,255	377,809	15,446	4.1%
State-shared taxes	115,046	130,337	(15,291)	-11.7%
Investment earnings	5,875	16,326	(10,451)	-64.0%
Other general revenues	42,452	39,657	2,795	7.0%
Total general revenues	556,628	564,129	(7,501)	-1.3%
Total revenues	816,410	821,290	(4,880)	-0.6%
Expenses:				
General government	212,196	239,398	(27,202)	-11.4%
Public safety	149,253	165,715	(16,462)	-9.9%
Highways and streets	79,251	88,488	(9,237)	-10.4%
Sanitation	7,434	9,658	(2,224)	-23.0%
Health	31,541	36,977	(5,436)	-14.7%
Welfare	115,513	106,546	8,967	8.4%
Culture and recreation	60,520	60,616	(96)	-0.2%
Education and economic opportunity	46,770	47,296	(526)	-1.1%
Amortization	(235)	138	(373)	-270.3%
Interest on long-term debt	26,780	22,860	3,920	17.1%
Total expenses	729,023	777,692	(48,669)	-6.3%
Excess before contributions and transfers	87,387	43,598	43,789	100.4%
Transfers in	4,005	113	3,892	3444.2%
Change in net assets	91,392	43,711	47,681	109.1%
Ending net assets	$ 1,211,136	$ 1,119,744	$ 91,392	8.2%

Factors affecting the $4,880 decrease in revenues from governmental activities:

- Decrease in operating grants of $13,118 is due primarily to various state revenues that were cut by the State due to its budgetary constraints. This includes $1,091 decrease in Vehicle License Taxes, $2,851 decrease in HURF, $3,800 funding cut for the County Hold Harmless program, and $1,807 in Juvenile Court state grants. A $2,000 final payment from the City of Tucson for the transfer of the City libraries and a $1,500 one time grant from the US Department of Homeland Security (USDHS) for the purchase of a Sheriff helicopter were both received last fiscal year.

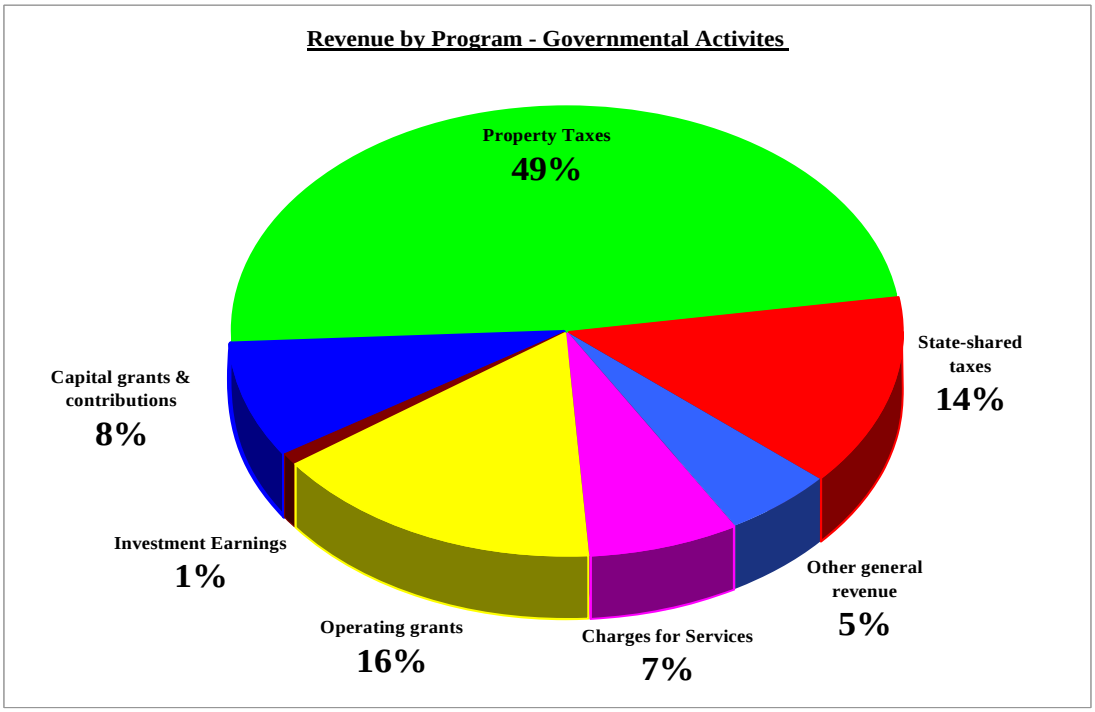
- Revenue from capital grants and contributions increased by $19,863 primarily due to a $10,279 increase in the Regional Transportation Authority (RTA) funding and a $2,439 state grant for the acquisition of Tumamoc Hill. Additionally, several donations were received by the County including the $4,100 library facility on Wilmot Road from the City of Tucson and other donations from developer for roadway projects.

- Property taxes increased $15,446 as a result of an increase in property valuations for primary and secondary taxes that was partially offset by a decrease in the primary tax rate.

- Decrease in state-shared taxes is a reflection of the current downturn in the economy. State sales tax has recorded a 13.6% drop or $13,994 and the unrestricted share of the VLT decreased by $1,297 as compared to last fiscal year.

- Decrease in investment income is due primarily from the 54.8% or 2 points dropped in the interest rate, from 4.2% average down to 1.9% this fiscal year, the lowest recorded average rate since fiscal year 2004-05. Additionally, losses from State Treasurer investments with Lehman Brothers for $2,260 were written off during the fiscal year.

The charts below present the Revenue by program and Expenses by function for governmental activities:

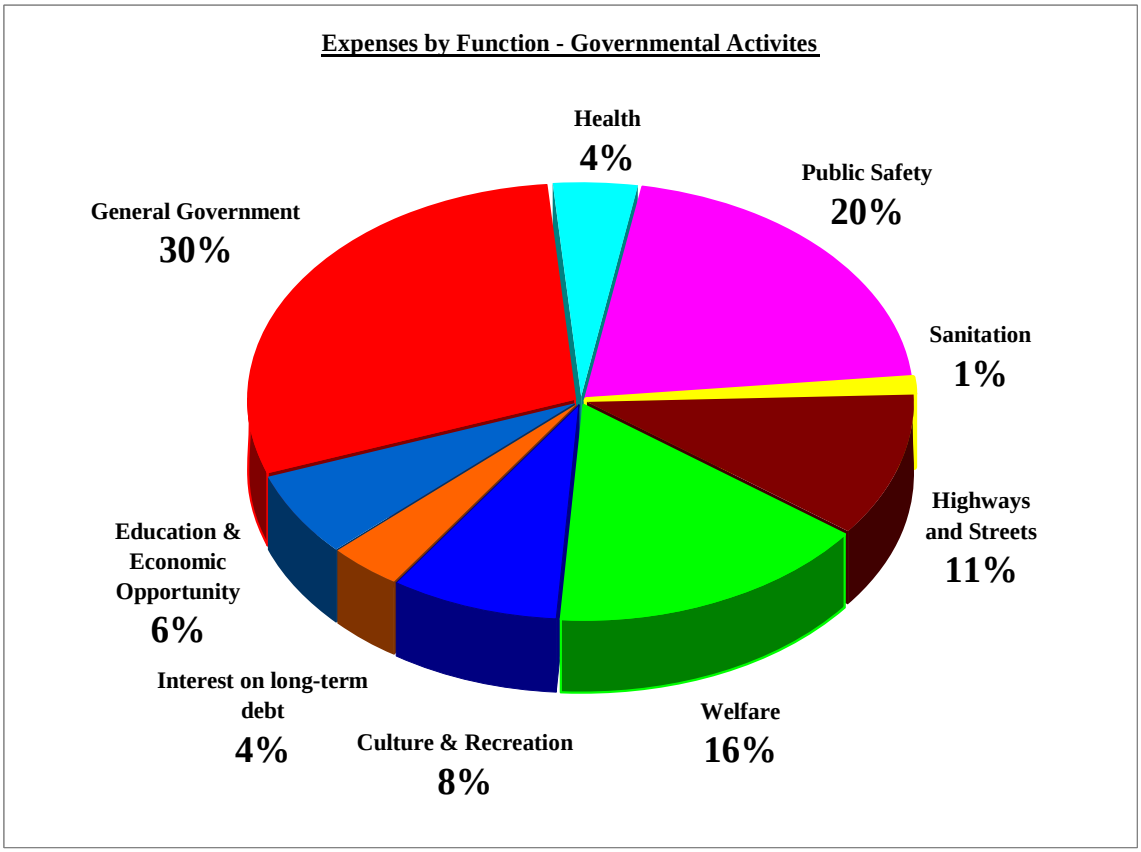


Total expenses of governmental activities were $729,023, down $6.3% or $48,669 compared to the previous year's total of $777,692. Factors contributing to the decrease in expenses:

- Public Safety expenses decreased $16,462, a 9.9% drop compared to last fiscal year. This is due primarily to a decrease of $8,448 in capital projects which were mainly flood control projects and another $4,119 in Flood Control District expenditures. In addition, the Counter Narcotics Alliance (CNA) antiracketeering expenditures last year for $2,623 which was previously processed by the Sheriff department have been transferred to the City of Tucson.

- Highways and Streets expenses decreased 10.4%, or $9,237 due primarily to the county-wide reductions in spending implemented within the fiscal year.

- Welfare expenses increased 8.4% or $8,967 primarily due to the mandated payments to AHCCCS. These include the $3,794 mandated contribution to the budget neutrality compliance fund and $1,828 for clinical teaching program. In addition there was increased spending in healthcare services for the adult detention center ($1,900) and for outside hospitals and psychiatrics clinics ($2,200).



Business-type activities

Business-type activities, which is composed exclusively of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. Change in net assets for business-type activities added $6,770, or 6.9%, to the County's $98,162 change in total net assets for the year ended June 30, 2009. The following table shows changes in net assets for business-type activities:

Table 3

Business-type Activities Schedule of Changes in Net Assets For the Years Ended June 30, 2009 and 2008				
			Variance	
	2009	2008	Amount	Percent
Program revenues:				
Charges for services	$ 328,600	$ 409,140	$ (80,540)	-19.7%
Operating grants and contributions	4,626	4,806	(180)	-3.7%
Capital grants and contributions	14,916	22,952	(8,036)	-35.0%
Total program revenues	348,142	436,898	(88,756)	-20.3%
General revenues:				
Investment earnings	2,025	6,721	(4,696)	-69.9%
Other general revenues	2,394	1,286	1,108	86.2%
Total general revenues	4,419	8,007	(3,588)	-44.8%
Total revenues	352,561	444,905	(92,344)	-20.8%
Expenses:				
Regional Wastewater Reclamation	105,139	106,803	(1,664)	-1.6%
Pima Health System & Services	224,959	295,494	(70,535)	-23.9%
Development Services	9,992	14,750	(4,758)	-32.3%
Parking Garages	1,696	1,877	(181)	-9.6%
Total expenses	341,786	418,924	(77,138)	-18.4%
Excess before contributions and transfers	10,775	25,981	(15,206)	-58.5%
Transfers in (out)	(4,005)	(113)	(3,892)	3444.2%
Change in net assets	6,770	25,868	(19,098)	-73.8%
Beginning net assets	597,623	571,755	25,868	4.5%
Ending net assets	$ 604,393	$ 597,623	$ 6,770	1.1%

Key elements of the change in net assets from business-type activities include:

- The Regional Wastewater Reclamation fund has reported a $15,160 increase in net assets, down 41% from last year's $25,700. Although the economic slowdown resulted in a 41.1% drop (or $12,753) in sewer connection service fees, this was offset by the 9% rate increase in sewer user fee for a total increase of $12,129 or 16.2%. Another revenue stream affected by the downturn in the economy is the capital grants and contribution which dropped $7,922 (or 34.7%) as compared to last year.

- Pima Health Systems and Services (PHS&S) reported a $4,620 decrease in net assets, down 203.5% from last year's net asset increase of $4,465. Of the total decrease in charges for services revenues in business-type activities, $75,665 is reported within PHS&S due to the loss of the Ambulatory contract with the AHCCCS. PHS&S retained approximately 2,700 ambulatory members under a capped agreement contract that were either dual-eligible (Medicaid and Medicare) or family members of PHS&S ALTCS members. As a result, expenses related to medical claims decreased $69,403 or 23.9% compared to fiscal year 2007-08.

- Development Services reported a decrease in net assets of $4,101, compared to the $5,236 decrease in net assets last fiscal year. Charges for services for Development Services dropped $3,338 due to the continuing downturn in the residential construction market.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The County's general government functions are accounted for in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library and Stadium Districts). The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Governmental Funds

General Fund
The General Fund is the chief operating fund of the County. At June 30, 2009, unreserved, undesignated fund balance of the General Fund was $35,803 while total fund balance was $40,166. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 7.7% of total General Fund expenditures, while total fund balance represents 8.7% of that same amount.

Total fund balance for the General Fund decreased $30,223 compared to the prior fiscal year. Revenues decreased by $3,911 and reflect the following changes:

- An increase of $13,256 for property taxes was primarily due to higher assessed property valuations that were partially offset by lower tax rates.

- Intergovernmental revenue dropped 10.9% or $16,192 primarily as a result of the $13,501 decrease in State Sales Tax and a $3,818 funding cut by the State to the Proposition 204 County Hold Harmless program.

A slight increase in expenditures of $1,739 was reported within the General Fund for the fiscal year as a result of the following changes:

- $8,979 increase in welfare expenditures is primarily attributed to the $5,622 contribution to the AHCCCS. In addition, increases in mandated hospital care and adult detention healthcare expenditures were $2,191, and $1,950, respectively.

- The above increases were offset by the $8,405 decrease in general government expenditures as a result of cost-cutting measures implemented during the year. In the prior year, expenditures included a one-time settlement of $1,822 from the state-wide tax lawsuit filed by Qwest.

The excess of revenues over expenditures was $2,419, which is further decreased by net operating transfers out of $33,013. During fiscal year 2008-09, funds to be used for the repayment of the COPS Series 2008 were transferred out to the Debt Service Fund.

Budget to Actual Comparison for the General Fund

Overall, actual revenues were less than budgeted revenues by $16,639 and actual expenditures were less than budgeted expenditures by $39,137. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Capital Projects Fund
Total fund balance for the Capital Projects Fund decreased $25,780 compared to the prior fiscal year. Revenue decreased by $3,072 and is due to the $5,187 drop in charges for services, $3,054 in investment earnings, and $2,844 in miscellaneous revenues offset by an increase of $8,013 in intergovernmental revenues. Significant factors affecting revenue changes:

- Intergovernmental revenue increased by $8,013 due primarily to the construction of RTA-funded roadway projects and a State grant for the acquisition of Tumamoc Hill in the Cultural Resources projects.

- Charges for services revenue is predominately a reflection of developer fees collected for a number of benefit areas. Fiscal year 2008-09 revenues decreased 58.7% or $5,187. This would be the third straight year that this revenue source has declined, as home construction activity continues to be depressed. Benefit areas of Canada del Oro, San Xavier and Santa Cruz Valley have major decreases at a rate of 34%, 17%, and 14%, respectively.

Capital project expenditures increased by $6,795 in fiscal year 2008-09 compared to the prior year. The 5% increase came from the acquisition of Marley ranch for $20,106 offset by the reduced spending this fiscal year as several projects reached their completion.

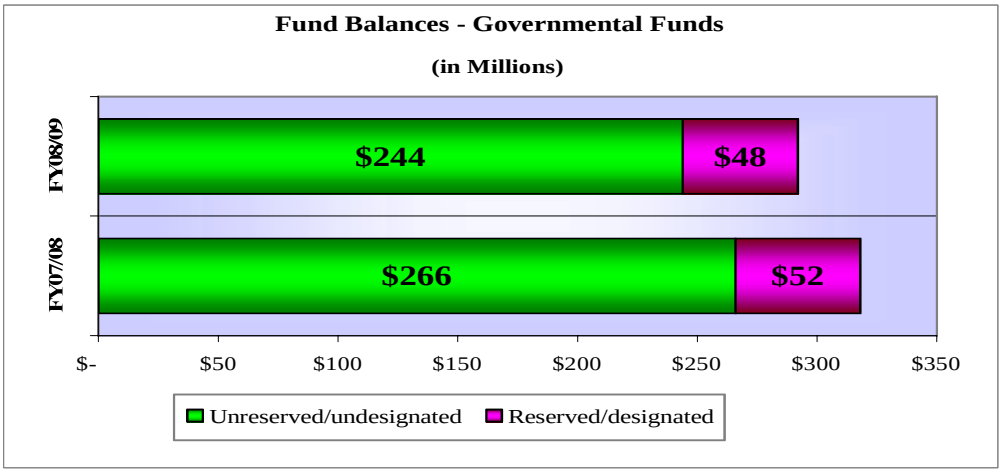
The fund reported a $115,565 deficiency of revenues under expenditures. The issuance of bonds for $109,400 and the net transfer out amounting to $19,615 further decreased the net change in the fund balance to $25,780 for the Capital Projects Fund.

Debt Service Fund
The fund accounts for the accumulation of resources for and the payment of principal and interest of the general long-term debt. It is considered a major fund this year due to an increased cash balance at year end and structured financing to meet the County's current fiscal requirements. At June 30, 2009, the fund balance increased by $21,449, up 173.1% compared to last fiscal year. This increase resulted from departmental transfers for the repayment of Certificate of Participation (COPS) Series 2008 and, due to a change in business practice within the payment processor, certain general obligation and street and highway revenue bonds had debt service payments that changed from a funding date of June 30th to July 1st. The change in funding dates provided the debt service fund with a significant amount of cash on June 30th. The County will return to a June 30th funding date in fiscal year 2009-10.

Revenue increased by $566, mainly from the tax levy and due to the growth in property valuations. Expenditures increased $44,549 from last year as a result of the $40,000 principal payment to the 2008 COPS. The payment is comprised of $20,000 current year's loan maturity and another $20,000 to defease next year's payment in order to maximize collateral requirements.

Overview of all governmental funds

At June 30, 2009, the County's governmental funds reported combined fund balances of $292,247, a decrease of $25,330 from the prior year. Approximately 83% of the combined fund balances, or $243,820, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs.



The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to the following: $33,870 for debt service on various bond and other debt instruments; $5,605 to reflect

inventories and prepaid amount; $2,851 for specified programs; $1,078 to reflect a loan receivable; $98 for capital repairs and refurbishments; and $4,925 for the Stadium District.

Revenues for governmental functions totaled approximately $785,285 in fiscal year 2008-09, which represents a decrease of $18,817 (2.3%) from the previous year. The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4

Governmental Funds
Revenues Classified by Source
For the Years Ended June 30, 2009 and 2008

	2009		2008		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Taxes	$ 396,241	50.4%	$ 381,862	47.5%	$ 14,379	3.8%
Special assessments	441	0.1%	556	0.1%	(115)	-20.7%
Licenses and permits	6,989	0.9%	7,710	0.9%	(721)	-9.4%
Intergovernmental	292,236	37.2%	312,634	38.9%	(20,398)	-6.5%
Charges for services	55,346	7.0%	58,890	7.3%	(3,544)	-6.0%
Fines and forfeits	6,283	0.8%	6,480	0.8%	(197)	-3.0%
Interest	5,335	0.7%	14,218	1.8%	(8,883)	-62.5%
Miscellaneous	22,414	2.9%	21,752	2.7%	662	3.0%
Total revenues	$ 785,285	100.0%	$ 804,102	100.0%	$ (18,817)	-2.3%

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Taxes - Revenues from property taxes increased $14,379 reflecting higher primary tax revenues of $13,256 and secondary tax revenues of $1,123. Increased property tax revenue resulted from higher property valuations that were partially offset by a decrease in the primary tax rate. The County is expecting a decrease or flattening of property tax valuations in the future.

- Intergovernmental - The $20,398 decrease in intergovernmental revenue was due primarily to a $13,501 decrease in the State shared sales tax attributable to the decline in consumer spending. Other intergovernmental revenue decreases include: $2,851 in Highway User Revenue; $2,387 in Vehicle License tax; $4,583 in state grant funding; $3,800 funding cut for the County Hold Harmless program; offset by a $5,947 increase in Regional Transportation Authority (RTA) funded projects and a $2,439 increase in grants funding for the Tumamoc Hill open space acquisition within the Capital Projects Fund. Additionally, the final payment from the City of Tucson for the transition of the Library System declined by $2,000 from last year's amount.

- Interest – The $8,883 decrease in interest revenue is mainly due to the decline in the interest rates and losses from investments with Lehman Brothers, as discussed previously.

The following table presents expenditures by function compared to prior year amounts:

Table 5

Governmental Funds Expenditures by Function For the Years Ended June 30, 2009 and 2008						
	2009		2008		Variance	
Government Function	Amount	Percent	Amount	Percent	Amount	Percent
General government	$ 222,309	24.0%	$ 237,640	26.6%	$ (15,331)	-6.5%
Public safety	144,617	15.6%	149,475	16.7%	(4,858)	-3.3%
Highways and streets	38,132	4.1%	43,741	4.9%	(5,609)	-12.8%
Sanitation	6,666	0.7%	8,310	0.9%	(1,644)	-19.8%
Health	31,626	3.4%	34,352	3.8%	(2,726)	-7.9%
Welfare	115,481	12.5%	106,607	11.9%	8,874	8.3%
Culture and recreation	51,657	5.6%	50,509	5.6%	1,148	2.3%
Education and economic opportunity	42,299	4.6%	42,286	4.7%	13	0.0%
Capital outlay	146,334	15.8%	139,539	15.7%	6,795	4.9%
Debt service:						
- Principal	100,384	10.8%	59,719	6.7%	40,665	68.1%
- Interest	26,849	2.9%	22,639	2.5%	4,210	18.6%
- Miscellaneous	24	0.0%	330	0.0%	(306)	-92.7%
Total expenditures	$ 926,378	100.0%	$ 895,147	100.0%	$ 31,231	3.5%

Total expenditures in governmental funds increased during fiscal year 2008-09 by $31,231 due primarily from the retirement and defeasance of the COPS Series 2008 in the amount of $40,000. Other major changes in the governmental funds:

- General government expenditures decreased by $15,331. Of this amount, $8,405 (or 54.8%) occurred within the General Fund, which has been previously discussed. In addition, several projects have been completed within the Other Special Revenue funds contributing $4,765 and a $1,367 decline in the state funding for the Juvenile Courts' safe schools program. Lastly, there was a 2.5% budget expenditure reduction implemented in the second half of the fiscal year.

- Welfare expenditures increased by $8,874 due to mandated contributions to AHCCCS and other healthcare related services as previously discussed under the General Fund section.

- Capital outlay expenditures decreased by $6,795 as previously discussed under the Capital Projects Fund section.

- Debt service principal and interest costs increased $40,665 and $4,210, respectively. The significant increase in principal expenditures was the result of the $40,000 repayment of the 2008 COPS; $20,000 scheduled for the current year and another $20,000 to defease next year's payment. Accordingly, $3,214 of the increase in the interest cost was for the 2008 COPS.

Proprietary funds

The County's proprietary fund functions are contained in the enterprise and internal service funds. The enterprise funds of the County are PHS&S, Regional Wastewater Reclamation, Development Services and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

The following table presents a comparison of this year's enterprise fund activities with the prior year:

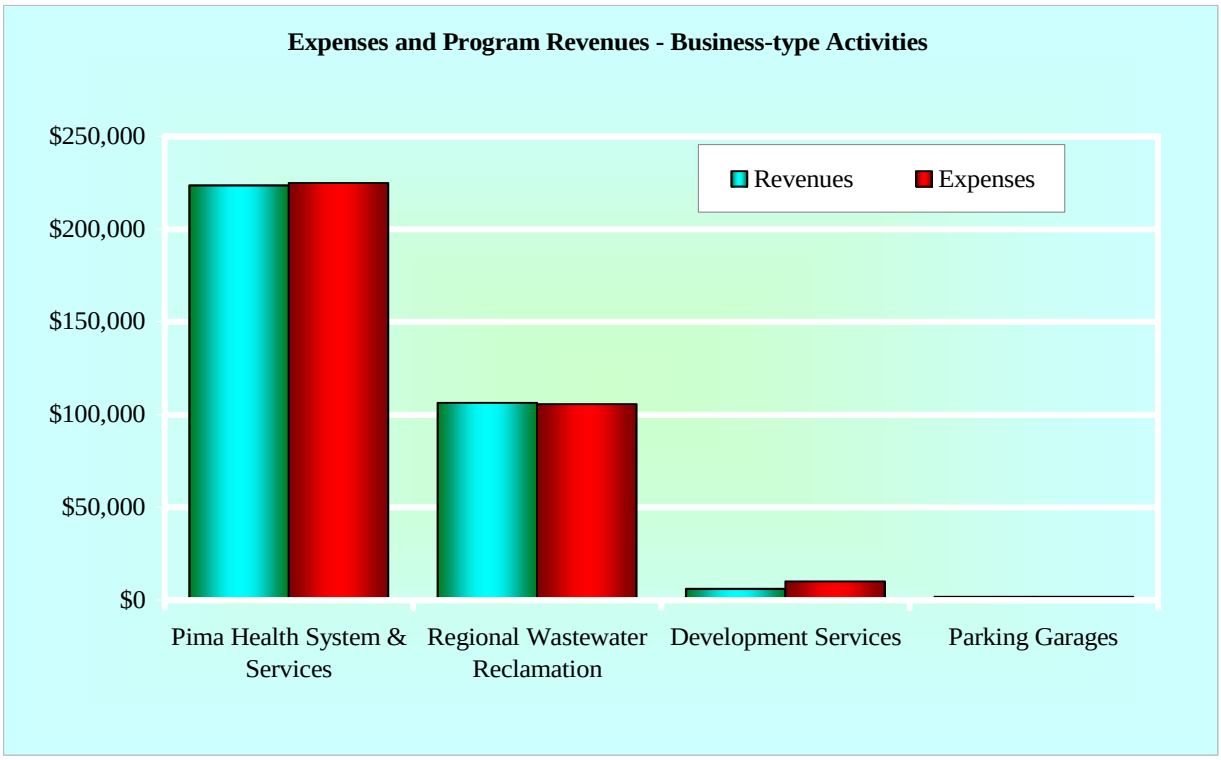
Table 6

Enterprise Funds
Schedule of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008

	2009	2008	Variance Amount	Variance Percent
Operating revenues:				
Net patient services	$ 213,986	$ 289,651	$ (75,665)	-26.1%
Charges for services	96,310	87,770	8,540	9.7%
Other	2,414	1,302	1,112	85.4%
Total net operating revenues	312,710	378,723	(66,013)	-17.4%
Operating expenses:				
Employee compensation	72,681	85,298	(12,617)	-14.8%
Medical claims	177,284	237,926	(60,642)	-25.5%
Operating supplies & services	9,534	10,078	(544)	-5.4%
Utilities	7,347	7,737	(390)	-5.0%
Sludge and refuse disposal	1,485	1,602	(117)	-7.3%
Repair and maintenance	5,989	4,498	1,491	33.1%
General and administrative	20,500	22,466	(1,966)	-8.8%
Consultants and professional services	8,668	11,911	(3,243)	-27.2%
Depreciation and amortization	27,689	25,288	2,401	9.5%
Total operating expenses	331,177	406,804	(75,627)	-18.6%
Operating loss	(18,467)	(28,081)	9,614	-34.2%
Nonoperating revenues (expenses):				
Intergovernmental revenue	4,626	5,514	(888)	-16.1%
Invesment earnings	2,039	6,822	(4,783)	-70.1%
Sewer connection fees	18,284	31,037	(12,753)	-41.1%
Interst expense	(6,060)	(6,653)	593	-8.9%
Loss on disposal of capital assets	(341)	(534)	193	-36.1%
Amortization of deferred charges	(227)	(136)	(91)	66.9%
Premium tax	(4,403)	(5,893)	1,490	-25.3%
Total nonoperating revenues	13,918	30,157	(16,239)	-53.8%
Income (loss) before contributions and transfers	(4,549)	2,076	(6,625)	-319.1%
Capital contributions	14,916	23,510	(8,594)	-36.6%
Transfers in	25,570	9,545	16,025	167.9%
Transfers (out)	(29,575)	(10,259)	(19,316)	188.3%
Change in net assets	$ 6,362	$ 24,872	$ (18,510)	-74.4%

The net operating revenues for the County's Enterprise Funds decreased 17.4% or $66,013 with a corresponding 18.6% or $75,627 decrease in operating expenses. This resulted in an operating loss of $18,467. Of this amount, $12,104 was reported in Regional Wastewater Reclamation, $2,144 in the PHS&S, $4,209 in Development Services, and $10 for Parking Garages.

The chart below presents the revenues and expenses for business-type activities:



Key activities within the enterprise funds for fiscal year 2008-09 include the following:

- Net patient services revenues decreased by $75,665 from fiscal year 2007-08. The loss of the Ambulatory contract with the state, effective October 2008, resulted in an $80,127 drop in this particular revenue stream. The County retained approximately 2,700 ambulatory members under a capped enrollment contract that were dual-eligible (Medicaid and Medicare) or family members of PHS&S ALTCS members.

- Employee compensation expenses decreased by $12,617 primarily as a result of these significant changes: $8,230 due to the loss of the Ambulatory contract with AHCCCS and $3,792 due to the persistent downturn in construction and permitting activities.

- Medical claims expense decreased by $60,642 due to the loss of the Ambulatory contract with AHCCCS as discussed previously.

- Investment earnings dropped 70.1% due to declining interest rates and decreasing cash balances which dropped 55% and 36%, respectively. In addition, losses from investments with Lehman Brothers amounting to $998 were written off this year.

- Sewer connection revenues dropped 41.1%, or $12,753 as the current economic slowdown continues to affect the construction activities. In addition to fewer permits issued this year, the square footage per home being built has also decreased which resulted in a lower number of fixture units and reduced connection revenues.

- Increase in transfers out represents the $3,400 equity transfer from PHS&S into the General Fund. The difference of transfers in and out reflects the movement of 2008 COPS funding for the Regional Wastewater Reclamation Fund.

Capital Assets and Debt Administration

Capital Assets

The County's total investment in capital assets as of June 30, 2009 amounted to $2,299,891 (net of accumulated depreciation), an increase of 8.1% (or $171,462). Of this amount, $112,893 (65.8%) came from governmental activities and $58,569 (34.2%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

Table 7

Governmental and Business-type Activities
Capital Assets
For the Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	$ 384,368	$ 303,646	$ 13,595	$ 10,596	$ 397,963	$ 314,242
Construction in progress	103,106	90,098	43,208	72,060	146,314	162,158
Buildings and improvements	380,798	366,370	228,198	234,142	608,996	600,512
Infrastructure	614,951	609,112	399,094	369,514	1,014,045	978,626
Equipment	43,551	44,655	89,022	28,236	132,573	72,891
Total	$ 1,526,774	$ 1,413,881	$ 773,117	$ 714,548	$ 2,299,891	$ 2,128,429

Major capital asset events during the current fiscal year included the following:

Governmental activities

- Land increased by $80,722 due primarily to the purchases of open spaces under the Conservation Acquisition Program. Open spaces acquisition consisted of: $20,106 for Marley ranch; $21,024 for Clyne ranch properties; $10,295 partial purchase for Sopori ranch east of Arivaca; and $4,541 for Tumamoc Hill. In addition, several land parcels were donated to the County for $15,847 towards roadway projects, $900 for the library at Wilmot Road and $3,380 towards the Camino del Cerro Road.

- Construction in progress increased $13,008 (or 14.4%) compared to last fiscal year. Current cost of major projects still in progress includes the $5,653 for Justice Court/Municipal Court building complex, the $2,820 towards the animal care center and various transportation roadways projects including the $5,178 La Cañada Drive from Ina Road to Calle Concordia projects.

- Building and improvement activities increased by $14,428 mainly due to the completion of these projects: $5,090 Southern Arizona Children's Advocacy Center; the $1,333 Jackson employment center at 400 E. 26th street; the $4,250 Green Valley Multi-media Performing Arts Center; and the $4,889 improvement to the Rillito River Linear Park from Alvernon to Craycroft road.

Business-type activities

- Construction in progress decreased by $28,852 mainly within the Regional Wastewater Reclamation fund. The decrease is due primarily to the capitalization of the $56 million expansion project of the Avra Valley Biological Nutrient Reduction Oxidation Ditch (BNROD) which posted $26,011 in expenses last fiscal year.

- Infrastructure increased by $29,580 due to the $25,616 rehabilitation and replacement of the Santa Cruz Sewer Interceptor project from Prince to Franklin and various contributions of developer-built sewer conveyance systems.

- Facilities and equipment increased by $60,786 from the completion of two sewer treatment facilities; the Avra Valley BNROD expansion project ($48,258) and the new Marana BNROD expansion project ($8,532).

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 4 of the financial statements on pages 53-54 of this report.

Long-term Debt

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

Table 8

Long-Term Debt For the Years Ended June 30, 2009 and 2008		
	2009	**2008**
Bonds issued (at face value):		
General obligation	$ 75,000	$ 100,000
Street and highway revenue		25,000
Sewer revenue	18,940	75,000
Certificate of Participation (COPs)	34,400	50,000
Capital leases		312
Total	$ 128,340	$ 250,312

During the fiscal year, the county received $75,000 in proceeds from the sale of general obligation bonds and $18,940 from the sale of sewer revenue bonds. As of June 30, 2009, remaining unspent bond proceeds from the general obligation (GO) bonds, transportation revenue (HURF) bond and sewer revenue bonds were $50,301, $6,173, and $7,519, respectively. The majority of the general obligation bonds were spent on projects for Facilities Management, Flood Control District, open space and parks and recreational facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold $34,400 in certificates of participation (COPS) Series 2009 to finance capital costs for public infrastructure as well as the expansion and upgrade to the County's sewer treatment system.

The most recent ratings for Pima County's bonds and COPs are:

Table 9

Credit Ratings						
	Moody's Investors Service		**Standard & Poor's**		**Fitch Ratings**	
	Rating	**Date**	**Rating**	**Date**	**Rating**	**Date**
Certificate of Participation (COPs)	A1	May-2009	A+	Oct-2009	A+	Nov-2009
General obligation	Aa3	Mar-2009	AA-	Oct-2009	AA-	Nov-2009
Street and highway revenue	A1	Feb-2008	AA	Oct-2009	AA-	Nov-2009
Sewer revenue	A2	Apr-2009	A+	Mar-2009	n/a	n/a

The State constitution limits the amount of general obligation debt a governmental entity may issue to 6% of its net assessed valuation without voter approval. However, Pima County has voter approval for general obligation debt up to 15%. The current debt limitation for Pima County is $1,439,229, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 6 of the financial statements on pages 57-65 of this report.

Economic Factors and Next Year's Budget

The State of Arizona had anticipated a budget deficit for fiscal year 2009-10 estimated at $2 to $3 billion because of lower than expected revenues. Although the State has not yet adopted specific proposals to address the entire deficit for fiscal year 2009-10, in past years when the State was facing budget difficulties, the State has shifted some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of state-shared revenues distributed to the cities, towns and counties.

The County's revenues for fiscal year 2009-10 are expected to be less than the budgeted or forecasted amounts largely due to lower revenues from residential building permits and state-shared tax revenues. The County is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures to address the anticipated reduction in state-shared revenues and any potential increased cost shifting from the State.

General Fund

General government revenues, excluding property tax revenues, are budgeted in fiscal year 2009-10 at $140.6 million, approximately $21.4 million less than the amounted budgeted for fiscal year 2008-09. The General Fund property tax revenues for fiscal year 2009-10 are projected to be $286,321 based upon the adopted tax levy of $297,724 and a collection rate of 96.17%. The primary tax rate dropped from $3.3913 to $3.3133 per $100 of assessed valuation. Another $14.7 million is projected to be collected from delinquent property taxes and associated interest and penalties.

Total state-shared sales tax and vehicle license tax revenues were budgeted at $113.7 million. The most current projections of state-shared and vehicle license taxes for fiscal year 2009-10 indicate $8.5 million less is expected to be received.

The adopted budget for fiscal year 2009-10 has expenditures for the General Fund decreasing by approximately $6.6 million primarily due to: the $5.3 million decrease from a 2.5% across-the-board base budget reduction; $0.7 million net reduction for cost of fuel for estimated motor pool charges; and $1.1 million decrease in state mandated contributions to the various state retirement systems.

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

Transportation

By the end of October 2009, the County is projecting that the Vehicle License Tax (VLT) revenues received for fiscal year 2009-10 will decrease by $2.4 million below the adopted amount. In an effort to reduce expenditures to deal with the revenue shortfall, the County has initiated cost saving measures within the Transportation department. Additionally, revenues from impact fees are substantially lower than budgeted for fiscal year 2009-10.

Development Services

Consistent with the slowdown in the housing industry for the last two fiscal years, the fiscal year 2009-10 budget for the Development Services department has been reduced to $6,074 from last year's budget of $10,934. By the end of October 2009, the County is projecting about $1,900 decrease in actual revenues. Part of the decrease is the

slowdown in commercial activity. The economic situation is not expected to improve in the near future. The County has therefore initiated cost saving measures within the Development Services department to reduce expenses.

Debt Management

In November 2009, the County issued $23.5 million in Series 2009 General Obligations (G.O.) Refunding Bonds to advance refund various G.O. bond obligations. The refunding component saved the County $1.3 million on a net present value basis or 5.6% when expressed as a percentage of the bonds that were refunded.

American Recovery and Reinvestment Act (ARRA)

Since signing of the American Recovery and Reinvestment Act on February 17, 2009, the County has been awarded 28 ARRA grants. Significant grants awarded to the County include $8.64 million towards transportation, $5.97 million towards workforce training, $4.47 million for criminal justice and public safety, and $3.37 million for emergency food and shelter/community services. Several County departments are still awaiting a final decision on another $52 million in outstanding ARRA grant requests.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Assets
June 30, 2009
(in thousands)

Exhibit A - 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
Assets				
Cash and cash equivalents	$ 375,479	$ 102,879	$ 478,358	$ 1,898
Property taxes receivable (net)	14,605		14,605	
Interest receivable	1,344	383	1,727	
Internal balances	829	(829)		
Due from other governments	44,822	1,040	45,862	
Accounts receivable (net)	3,074	21,443	24,517	24
Inventories	1,952	3,724	5,676	65
Prepaids	4,999	353	5,352	
Special assessments receivable	995		995	
Other assets	2,797	2,679	5,476	
Restricted assets:				
Cash and cash equivalents	777	2,291	3,068	
Loans receivable	1,078		1,078	
Capital assets not being depreciated:				
Land	384,368	13,595	397,963	
Construction in progress	103,106	43,208	146,314	
Capital assets being depreciated (net):				
Buildings and improvements	380,798	228,198	608,996	1,778
Sewage conveyance system		399,094	399,094	
Equipment	43,551	89,022	132,573	670
Infrastructure	614,951		614,951	
Total assets	1,979,525	907,080	2,886,605	4,435
Liabilities				
Accounts payable	39,280	13,361	52,641	214
Accrued medical and healthcare claims		18,078	18,078	
Interest payable	1,522	4,862	6,384	
Contract retentions	362		362	
Employee compensation	40,933	7,072	48,005	
Due to other governments	31	3,714	3,745	
Deposits and rebates	812		812	24
Deferred revenues	3,338	1,241	4,579	51
Noncurrent liabilities:				
Due within one year	99,210	14,187	113,397	
Due in more than one year	582,901	240,172	823,073	
Total liabilities	768,389	302,687	1,071,076	289
Net Assets				
Invested in capital assets, net of related debt	972,346	539,718	1,512,064	2,448
Restricted for:				
Facilities, justice, library, tax stabilization and community development	78,080		78,080	
Highways and streets	21,349		21,349	
Debt service	44,566	819	45,385	
Capital projects	59,945	14,479	74,424	
Regional wastewater		5,883	5,883	
Healthcare		9,017	9,017	
Unrestricted	34,850	34,477	69,327	1,698
Total net assets	$ 1,211,136	$ 604,393	$ 1,815,529	$ 4,146

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2009
(in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 212,196	$ 26,283	$ 27,643	$ 14
Public safety	149,253	10,386	10,303	1,016
Highways and streets	79,251	4,616	56,266	56,985
Sanitation	7,434	4,668	1,047	
Health	31,541	10,488	9,567	
Welfare	115,513		1,828	
Culture and recreation	60,520	2,754	2,856	10,207
Education and economic opportunity	46,770	691	21,851	313
Amortization - unallocated	(235)			
Interest on long-term debt	26,780			
Total governmental activities	729,023	59,886	131,361	68,535
Business-type activities:				
Regional Wastewater Reclamation	105,139	105,162	12	14,916
Pima Health System & Services	224,959	216,108	4,614	
Development Services	9,992	5,654		
Parking Garages	1,696	1,676		
Total business-type activities	341,786	328,600	4,626	14,916
Total primary government	$ 1,070,809	$ 388,486	$ 135,987	$ 83,451
Component unit:				
Southwestern Fair Commission	$ 4,609	$ 4,757	$ 120	
Total component units	$ 4,609	$ 4,757	$ 120	

General revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets

Transfers
Total general revenues and transfers
Change in net assets
Net assets at beginning of year
Net assets at end of year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission	Functions/Programs
				Primary government:
				Governmental activities:
$ (158,256)		$ (158,256)		General government
(127,548)		(127,548)		Public safety
38,616		38,616		Highways and streets
(1,719)		(1,719)		Sanitation
(11,486)		(11,486)		Health
(113,685)		(113,685)		Welfare
(44,703)		(44,703)		Culture and recreation
(23,915)		(23,915)		Education and economic opportunity
235		235		Amortization - unallocated
(26,780)		(26,780)		Interest on long-term debt
(469,241)		(469,241)		**Total governmental activities**
				Business-type activities:
	$ 14,951	14,951		Regional Wastewater Reclamation
	(4,237)	(4,237)		Pima Health System & Services
	(4,338)	(4,338)		Development Services
	(20)	(20)		Parking Garages
	6,356	6,356		**Total business-type activities**
(469,241)	6,356	(462,885)		**Total primary government**
				Component unit:
			$ 268	Southwestern Fair Commission
			$ 268	**Total component units**
				General revenues:
277,777		277,777		Property taxes, levied for general purposes
25,337		25,337		Property taxes, levied for regional flood control district
32,353		32,353		Property taxes, levied for library district
57,788		57,788		Property taxes, levied for debt service
6,591		6,591		Hotel/motel taxes, levied for sports facility and tourism
1,534		1,534		Other taxes, levied for stadium district
89,177		89,177		Unrestricted share of state sales tax
25,869		25,869		Unrestricted share of state vehicle license tax
5,741		5,741		Grants and contributions not restricted to specific programs
6,123		6,123		Interest and penalties on delinquent taxes
5,875	2,025	7,900		Investment earnings
21,323	2,394	23,717	132	Miscellaneous
1,140		1,140		Gain on sale of capital assets
4,005	(4,005)			Transfers
560,633	414	561,047	132	Total general revenues and transfers
91,392	6,770	98,162	400	Change in net assets
1,119,744	597,623	1,717,367	3,746	Net assets at beginning of year
$ 1,211,136	$ 604,393	$ 1,815,529	$ 4,146	Net assets at end of year

See accompanying notes to financial statements

Exhibit A - 3

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2009
(in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 36,317	$ 143,323	$ 41,028	$ 90,251	$ 310,919
Property taxes receivable (net)	9,888		2,377	2,340	14,605
Interest receivable	296	469	129	283	1,177
Due from other funds	2,481	118	3,099	851	6,549
Due from other governments	19,284	5,704	8	19,660	44,656
Accounts receivable	1,341	5		1,722	3,068
Inventory				1,551	1,551
Prepaid expenditures	3,237	42		775	4,054
Special assessments receivable				995	995
Loan receivable	1,078				1,078
Other assets	160	815		82	1,057
Restricted cash equivalents	107	670			777
Total assets	$ 74,189	$ 151,146	$ 46,641	$ 118,510	$ 390,486
Liabilities and fund balances					
Liabilities:					
Accounts payable	$ 7,706	$ 19,019		$ 10,917	$ 37,642
Interest payable	8	5	$ 1,508	1	1,522
Bonds payable			9,170		9,170
Contract retentions		362			362
Employee compensation	8,847	26		3,405	12,278
Due to other funds	257	3,098		2,486	5,841
Due to other governments	1	17		13	31
Deposits and rebates	142	670			812
Deferred revenues	17,062	1,086	2,121	10,312	30,581
Total liabilities	34,023	24,283	12,799	27,134	98,239
Fund balances:					
Reserved for:					
Inventory				1,551	1,551
Prepaid expenditures	3,237	42		775	4,054
Debt service			33,842	28	33,870
Capital repairs and refurbishments				98	98
Specified programs	48			2,803	2,851
Loan receivable	1,078				1,078
Unreserved, designated for:					
Special revenue				4,925	4,925
Unreserved, undesignated:					
General fund	35,803				35,803
Capital projects		126,821			126,821
Special revenue				81,196	81,196
Total fund balances	40,166	126,863	33,842	91,376	292,247
Total liabilities and fund balances	$ 74,189	$ 151,146	$ 46,641	$ 118,510	$ 390,486

See accompanying notes to financial statements

Exhibit A - 4

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2009
(in thousands)

Fund balances - total governmental funds		$ 292,247
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	$ 2,197,709	
Less accumulated depreciation	(690,498)	1,507,211
Some long term debt liabilities and their associated issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(519,270)	
Certificates of participation payable	(74,554)	
Loans and leases payable	(21,327)	
Unamortized deferred issuance costs reported as other assets	1,740	(613,411)
Some compensated absences are not due and payable shortly after June 30, 2009, and therefore are not reported in the governmental funds		
Employee compensation		(27,938)
Some liabilities are not due and payable shortly after June 30, 2009, and therefore are not reported in the governmental funds		
Landfill liability	(19,329)	
Pollution remediation liability	(1,467)	(20,796)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		27,243
Internal service funds are used by management to charge the costs of certain activities to individual funds. Most assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		46,580
Net assets of governmental activities		$ 1,211,136

See accompanying notes to financial statements

Exhibit A - 5

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009
(in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 281,749		$ 57,223	$ 57,269	$ 396,241
Special assessments				441	441
Licenses and permits	2,747			4,242	6,989
Intergovernmental	131,966	$ 25,036	17	135,217	292,236
Charges for services	35,330	3,652		16,364	55,346
Fines and forfeits	4,720			1,563	6,283
Investment earnings	1,084	1,758	946	1,547	5,335
Miscellaneous	7,099	323		14,992	22,414
Total revenues	464,695	30,769	58,186	231,635	785,285
Expenditures:					
Current:					
General government	184,434			37,875	222,309
Public safety	121,704			22,913	144,617
Highways and streets				38,132	38,132
Sanitation				6,666	6,666
Health	2,767			28,859	31,626
Welfare	115,481				115,481
Culture and recreation	15,580			36,077	51,657
Education and economic opportunity	16,368			25,931	42,299
Capital outlay		146,334			146,334
Debt service - principal	3,510		96,751	123	100,384
- interest	2,426		24,322	101	26,849
- miscellaneous	6		18		24
Total expenditures	462,276	146,334	121,091	196,677	926,378
Excess (deficiency) of revenues over (under) expenditures	2,419	(115,565)	(62,905)	34,958	(141,093)
Other financing sources (uses):					
Premium on bonds			675		675
Face amount of long-term debt		109,400			109,400
Proceeds from sale of capital assets	371			505	876
Transfers in	50,517	15,751	83,679	21,239	171,186
Transfers (out)	(83,530)	(35,366)		(47,423)	(166,319)
Total other financing sources (uses)	(32,642)	89,785	84,354	(25,679)	115,818
Net change in fund balances	(30,223)	(25,780)	21,449	9,279	(25,275)
Fund balances at beginning of year	70,389	152,643	12,393	82,152	317,577
Change in reserve for inventory				(55)	(55)
Fund balances at end of year	$ 40,166	$ 126,863	$ 33,842	$ 91,376	$ 292,247

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009
(in thousands)

Net change in fund balances - total governmental funds		$ (25,275)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense		
Expenditures for capital assets	$ 125,341	
Less current year depreciation	(54,596)	70,745
Transfers of capital assets between governmental activities and proprietary funds are not reported in the governmental funds but are recognized in the statement of activities		93
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		
Face amount of long-term debt	(109,400)	
Premium on bonds	(675)	
Debt service - principal payments	100,384	
Deferred issuance costs	251	
Amortization expense	235	(9,205)
Some revenues reported in the statement of activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds. Likewise, some revenues reported in the governmental funds are collections of current financial resources that related to other periods and therefore are not reported as revenues in the statement of activities.		
Donations of capital assets	42,396	
Property tax revenues	3,137	
Other	(2,024)	43,509
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Likewise, some expenditures and changes in fund balances reported in the governmental funds are uses of current financial resources that related to other periods and therefore are not reported as expenses in the statement of activities.		
Changes in payroll liabilities	7,799	
Change in landfill liability	(910)	
Change in pollution remediation liability	317	
Net book value of capital asset disposals	(303)	
Change in reservation of fund balances	(55)	6,848
Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net activity of the internal service funds is reported with governmental activities		4,677
Change in net assets of governmental activities		$ 91,392

See accompanying notes to financial statements

Exhibit A - 7

PIMA COUNTY, ARIZONA
Statement of Net Assets - Proprietary Fund
June 30, 2009
(in thousands)

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 25,234	$ 30,163	$ 5,995	$ 61,392	$ 64,560
Restricted cash and cash equivalents		41,487		41,487	
Interest receivable	117	241	25	383	167
Due from other funds		3,098	1	3,099	428
Due from other governments	1,040			1,040	166
Accounts receivable (net)	7,755	13,668	20	21,443	6
Inventory	89	3,635		3,724	401
Prepaid expense	11	276	66	353	945
Total current assets	34,246	92,568	6,107	132,921	66,673
Noncurrent assets:					
Restricted cash and cash equivalents		2,291		2,291	
Capital assets:					
Land and other improvements		11,827	1,768	13,595	592
Buildings and improvements	694	353,654	12,927	367,275	614
Sewage conveyance system		621,077		621,077	
Equipment	1,435	99,630	1,634	102,699	32,841
Less accumulated depreciation	(1,375)	(363,757)	(9,605)	(374,737)	(15,097)
Construction in progress		43,208		43,208	613
Total capital assets (net of accumulated depreciation)	754	765,639	6,724	773,117	19,563
Deferred financing costs		2,679		2,679	
Total noncurrent assets	754	770,609	6,724	778,087	19,563
Total assets	35,000	863,177	12,831	911,008	86,236
Liabilities					
Current liabilities:					
Accounts payable	677	12,328	356	13,361	1,638
Accrued medical and health care claims	18,078			18,078	
Employee compensation	2,346	3,980	746	7,072	717
Interest payable	3	4,859		4,862	
Due to other funds	1,003	3,230	1	4,234	1
Due to other governments	3,643		71	3,714	
Deferred revenues	1	1,240		1,241	
Current portion of sewer revenue bonds		7,870		7,870	
Current portion of wastewater loans payable		6,317		6,317	
Current portion of reported but unpaid losses					4,446
Current portion of incurred but not reported losses					2,218
Total current liabilities	25,751	39,824	1,174	66,749	9,020
Noncurrent liabilities:					
Contracts and notes		6,481		6,481	
Sewer revenue bonds		175,519		175,519	
Wastewater loans payable		58,172		58,172	
Reported but unpaid losses					20,089
Incurred but not reported losses					10,241
Total noncurrent liabilities		240,172		240,172	30,330
Total liabilities	25,751	279,996	1,174	306,921	39,350
Net assets					
Invested in capital assets, net of related debt	754	532,240	6,724	539,718	19,563
Restricted for:					
Debt service		819		819	
Capital projects		14,479		14,479	
Wastewater management		5,883		5,883	
Healthcare	9,017			9,017	
Unrestricted	(522)	29,760	4,933	34,171	27,323
Total net assets	$ 9,249	$ 583,181	$ 11,657	604,087	$ 46,886

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.	306
Net assets of business-type activities	$ 604,393

See accompanying notes to financial statements

Exhibit A - 8

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009
(in thousands)

	Business-type Activities Enterprise Funds				
	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating revenues:					
Net patient services	$ 213,986			$ 213,986	
Charges for services	2,122	$ 86,858	$ 7,330	96,310	$ 44,440
Other	2,136	56	222	2,414	2,169
Total net operating revenues	218,244	86,914	7,552	312,710	46,609
Operating expenses:					
Employee compensation	30,866	33,947	7,868	72,681	6,649
Medical claims	177,284			177,284	
Operating supplies and services	973	8,360	201	9,534	5,656
Utilities	423	6,601	323	7,347	1,071
Sludge and refuse disposal		1,485		1,485	
Repair and maintenance	347	5,478	164	5,989	3,567
Incurred losses					12,600
Insurance premiums					4,627
General and administrative	8,613	9,291	2,596	20,500	3,143
Consultants and professional services	1,648	6,944	76	8,668	574
Depreciation	234	26,912	543	27,689	2,840
Total operating expenses	220,388	99,018	11,771	331,177	40,727
Operating income (loss)	(2,144)	(12,104)	(4,219)	(18,467)	5,882
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,614	12		4,626	
Investment earnings	728	1,164	147	2,039	489
Sewer connection fees		18,284		18,284	
Interest expense	(14)	(6,046)		(6,060)	
Loss on disposal of capital assets	(1)	(327)	(13)	(341)	(329)
Amortization of deferred charges		(227)		(227)	
Premium tax	(4,403)			(4,403)	
Total nonoperating revenues	924	12,860	134	13,918	160
Income (loss) before contributions and transfers	(1,220)	756	(4,085)	(4,549)	6,042
Capital contributions		14,916		14,916	
Transfers in		25,570		25,570	1,029
Transfers (out)	(3,400)	(26,082)	(93)	(29,575)	(1,986)
Change in net assets	(4,620)	15,160	(4,178)	6,362	5,085
Net assets at beginning of year	13,869	568,021	15,835	597,725	41,801
Net assets at end of year	$ 9,249	$ 583,181	$ 11,657	604,087	$ 46,886

Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net activity of certain internal service funds is reported with business-type activities.	408
Change in net assets of business-type activities	$ 6,770

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(in thousands)

	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services	$ 358			$ 358	$ 44,440
Cash received from customers for goods and services	221,650	$ 83,078	$ 7,329	312,057	
Cash received from miscellaneous operations	1,778	56	216	2,050	2,324
Cash payments to suppliers for goods and services	(199,686)	(29,696)	(1,352)	(230,734)	(15,689)
Cash payments to other funds for goods and services	(5,262)	(8,357)	(3,244)	(16,863)	(3,979)
Cash payments for incurred losses					(6,667)
Cash payments to employees for services	(33,054)	(34,665)	(7,393)	(75,112)	(6,203)
Net cash provided by (used for) operating activities	(14,216)	10,416	(4,444)	(8,244)	14,226
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(16)			(16)	
Cash transfers in from other funds		25,570		25,570	1,028
Cash transfers out to other funds	(3,400)	(26,082)		(29,482)	(1,983)
Loans with other funds	(83)	(1,823)	2,633	727	147
Premium tax	(4,403)			(4,403)	
Intergovernmental revenues	4,360	(696)		3,664	
Net cash provided by (used for) noncapital financing activities	(3,542)	(3,031)	2,633	(3,940)	(808)
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		18,940		18,940	
Principal paid on bonds and loans		(5,975)		(5,975)	
Interest paid on bonds and loans		(2,172)		(2,172)	
Sewer connection fees		18,009		18,009	
Proceeds from sale or transfer of capital assets			16	16	294
Proceeds from intergovernmental contract		352		352	
Purchase of capital assets	(387)	(74,224)	(65)	(74,676)	(3,427)
Net cash used for capital and related financing activities	(387)	(45,070)	(49)	(45,506)	(3,133)
Cash flows from investing activities:					
Interest received on cash and investments	755	1,210	139	2,104	494
Net cash provided by investing activities	755	1,210	139	2,104	494
Net increase (decrease) in cash and cash equivalents	(17,390)	(36,475)	(1,721)	(55,586)	10,779
Cash and cash equivalents at beginning of year	42,624	110,416	7,716	160,756	53,781
Cash and cash equivalents at end of year	$ 25,234	$ 73,941	$ 5,995	$ 105,170	$ 64,560

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(in thousands)

(continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Pima Health System & Services	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating income (loss)	$ (2,144)	$ (12,104)	$ (4,219)	$ (18,467)	$ 5,882
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	234	26,912	543	27,689	2,840
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	3,635	(3,808)	(7)	(180)	141
Due from other governments	144	28		172	14
Inventory and other assets	(8)	(15)		(23)	157
Prepaid expenses	3	(98)	(59)	(154)	(248)
Increase (decrease) in liabilities:					
Accounts payable	(16,484)	307	1	(16,176)	(109)
Due to other governments	1,763	(88)	(33)	1,642	(5)
Reported but unpaid losses					5,113
Incurred but not reported losses					676
Other current liabilities	(1,359)	(718)	(670)	(2,747)	(235)
Net cash provided by (used for) operating activities	$ (14,216)	$ 10,416	$ (4,444)	$ (8,244)	$ 14,226

Noncash investing, capital and noncapital financing activities during the year ended June 30, 2009:

Pima Health System & Services retired equipment with a net book value of $1.

Regional Wastewater Reclamation disposed of capital assets with a net book value of $327.

Regional Wastewater Reclamation received contributed developer-built conveyance systems with estimated fair values totaling $15,381. These contributions were recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation recorded a Board of Supervisor approved connection fee credit agreement of $466. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Regional Wastewater Reclamation retired expired Sewer Credit Agreements totaling $1. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

Other Enterprise Funds disposed of capital assets with an original cost of $54 and accumulated depreciation of $43, resulting in a loss on disposal of $11.

Other Enterprise Funds transferred land with a book value of $93 to the County's general government.

Other Enterprise Funds retired capital assets with a book value of $18.

Internal Service Funds retired assets with a net book value of $6.

Internal Service Funds transferred in capital assets with a net book value of $1 from the County's general government.

Internal Service Funds transferred out capital assets with a net book value of $3 to the County's general government.

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2009
(in thousands)

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 271,397	$ 66,626
Interest receivable	788	
Total assets	272,185	$ 66,626
Liabilities		
Employee compensation		$ 3,931
Due to other governments		38,506
Deposits and rebates		24,189
Total liabilities		$ 66,626
Net assets		
Held in trust for pool participants	$ 272,185	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009
(in thousands)

	Investment Trust Funds
Additions	
Contributions from participants	$ 2,518,562
Total contributions	2,518,562
Investment earnings	5,832
Total investment earnings	5,832
Total additions	2,524,394
Deductions	
Distributions to participants	2,567,538
Total deductions	2,567,538
Change in net assets	(43,144)
Net assets held in trust July 1, 2008	315,329
Net assets held in trust June 30, 2009	$ 272,185

See accompanying notes to financial statements

Note 1: Summary of Significant Accounting Policies

The accounting policies of Pima County (County) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies follows.

During the year ended June 30, 2009, the County adopted early implementation of GASB Statement No. 51. The provisions for GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, require that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Historically, Pima County has reported intangible assets, primarily consisting of rights of way, easements and software. The County's implementation of GASB 51 generated a change of the policy for capitalization to specifically include intangible assets. The County's policy is to prospectively capitalize all intangible assets costing $100,000 or more. No restatement was necessary for intangible assets that were reported using a different capitalization threshold.

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the County's operations. Therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The County Board of Supervisors is the Board of Directors of the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Pima County Board of Supervisors is the Board of Directors of the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors for the Regional Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

Note 1: Summary of Significant Accounting Policies (continued)

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization:

The Industrial Authority of Pima County (Authority) is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the government funds to be available if the revenues are collected within 30 days after year-end. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting

Note 1: Summary of Significant Accounting Policies (continued)

Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

C. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities are financed primarily through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges for services (fines and forfeitures, licenses and permits, and special assessments)
- Operating grants and contributions
- Capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges received from users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (continued)

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The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The County reports the following major enterprise funds:

Pima Health System and Services (**PHS&S**) provides payment for health care services including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

Regional Wastewater Reclamation (**RWR**) accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for fleet maintenance and operation, insurance, graphic services and telecommunications services.

Investment Trust Funds account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Agency Funds account for the assets, held by the County as an agent, for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations.

D. Cash and Investments

Primary government:

For purposes of its statements of cash flows, the County considers only those highly liquid investments, with a maturity period of 3 months or less when purchased, to be cash equivalents. All investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

Discretely presented component unit:

Note 1: Summary of Significant Accounting Policies (continued)

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

E. Inventories and Prepaids

The County accounts for its inventories in the Health and Animal Care Fund using the purchase method. Inventories of the Health and Animal Care Fund consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method or average cost method.

Inventories of the Transportation Department are recorded as assets when purchased and expensed when used. Amounts on hand at year-end are shown on the balance sheet as an asset and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources". Inventories in Transportation are valued at lower of cost or market, cost being determined using the moving average method.

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

Inventories of Pima Health System and Services, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

Inventories of RWR, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of the Internal Service Funds, are valued at lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchase method.

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets are reported at actual cost, or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received.

Note 1: Summary of Significant Accounting Policies (continued)

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows (excluding component units):

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Land improvements (Reported in buildings and building improvements)	All	Straight Line	20 - 30 Years
Buildings and building improvements	$100	Straight Line	10 - 50 Years
Equipment	$5	Straight Line	4 - 25 Years
Fleet service vehicles (Reported in equipment)	$5	Units of Production based on number of hours or miles	5 - 15 Years
Infrastructure/Sewer conveyance systems	$100	Straight Line	10 - 50 Years
Intangible (Reported in land, equipment and infrastructure)	$100	Straight Line	Varies

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Investment Earnings

Investment earnings are composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at their year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements in Employee Compensation.

Employees may accumulate up to 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide and proprietary financial statements in Employee Compensation.

Note 2: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and bonds or other evidences of indebtedness of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States.

Credit risk—The State statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.

2. Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.

3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk—Statutes do not include any requirements for concentration of credit risk.

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum duration of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2009, the carrying amount of the County's deposits was $77,499 and the bank balance was $77,784.

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2009, $2,446 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 2: Cash and Investments (continued)

Investments—At June 30, 2009, the County's investments consisted of $268,901 invested in marketable securities and $472,996 invested in the State Treasurer's Investment Pool. Cash from the County and from external legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk.

At June 30, 2009, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
Commercial paper	A1/P1	S&P / Moody's	$ 39,037
Corporate bonds	A/A1	S&P / Moody's	77,727
Federal Farm Credit Bank	AAA/Aaa	S&P / Moody's	18,936
Federal Home Loan Bank	AAA/Aaa	S&P / Moody's	21,024
Fannie Mae (Federal National Mortgage Association	AAA/Aaa	S&P / Moody's	27,901
Freddie Mac (Federal Home Loan Mortgage Corp)	AAA/Aaa	S&P / Moody's	20,195
Money market mutual fund	AAA/Aaa	S&P / Moody's	1,959
State Treasurer Investment Pool 5	AAAf/S1+	S&P	343,284
State Treasurer Investment Pool 7	Unrated		129,712
Total			$ 679,775

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's $741,897 of investments, $266,942, consisting of the commercial paper, corporate bonds, Federal Farm Credit Bank, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes and U.S. Treasury notes, are uninsured and held by a counterparty in the County's name in book form.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County's exposure as of June 30, 2009 is less than 5% per issuer.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal investment policy with respect to interest rate risk.

Note 2: Cash and Investments (continued)

As of June 30, 2009, the County had the following investments:

Investment Type	Amount	Weighted Average Maturity (Years)
State Treasurer Investment Pool 5	$ 343,284	0.12
State Treasurer Investment Pool 7	129,712	0.03
Commercial paper	39,037	0.13
Corporate bonds	77,727	2.11
Federal Farm Credit Bank	18,936	1.61
Federal Home Loan Bank	21,024	1.05
Fannie Mae (Federal National Mortgage Association)	27,901	1.05
Freddie Mac (Federal Home Loan Mortgage Corp)	20,195	1.41
U.S. Treasury	62,122	2.52
Money market mutual fund	1,959	0.13
Total	$ 741,897	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

	Cash on Hand	Amount of Deposits	Amount of Investments	Total
Cash, deposits and investments:	$ 53	$ 77,499	$ 741,897	$ 819,449

	Governmental Activities	Business-type Activities	Investment Trust Funds	Agency Funds	Totals
Statement of Net Assets:					
Cash and cash equivalents	$ 375,479	$ 102,879	$ 271,397	$ 66,626	$ 816,381
Restricted cash and cash equivalents	777	2,291			3,068
Total	$ 376,256	$ 105,170	$ 271,397	$ 66,626	$ 819,449

County Treasurer's Investment Pool (Pool)—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

Note 2: Cash and Investments (continued)

The Pool's assets are substantially the same as the risks discussed above and consist of the following:

	Principal	Interest Rates	Maturities	Fair Value
Commercial paper	$38,900	0.1-1.3%	07/09-09/09	$ 39,037
Corporate bonds	76,103	2.1-6.8%	08/09-05/14	77,727
Federal Farm Credit Bank	17,500	5.0-5.4%	09/10-07/11	18,936
Federal Home Loan Bank	20,000	4.1-5.3%	06/10-08/10	21,024
Fannie Mae (Federal National Mortgage Association)	27,000	3.4-4.6%	08/09-05/11	27,901
Freddie Mac (Federal Home Loan Mortgage Corp)	19,200	3.3-4.1%	10/10-02/11	20,195
U.S. Treasury	60,200	0.9-4.8%	01/10-05/14	62,122
State Treasurer Investment Pool 5	205,378	N/A	N/A	205,378
Deposits	55,288	N/A	N/A	55,288
Interest Receivable	786	N/A	N/A	786
Total assets				$528,394

A condensed statement of the investment pool's net assets and changes in net assets follows:

Statement of Net Assets	
Assets held in trust for:	
Internal participants	$ 385,923
External participants	142,471
Total assets	528,394
Total liabilities	0
Total net assets held in trust	$ 528,394
Statement of Changes in Net Assets	
Total additions	$ 7,040,430
Total deductions	(7,132,253)
Net decrease	(91,823)
Net assets held in trust:	
July 1, 2008	620,217
June 30, 2009	$ 528,394

Discretely Presented Component Units

Southwestern Fair Commission—At June 30, 2009, the commission's cash and cash equivalents of $1,898 consisted of deposits with financial institutions. Of the total balance, $265 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:						
Grants and contributions	$ 235	$ 342		$ 8,894		$ 9,471
State of Arizona:						
Taxes and shared revenues	17,512	1,523		8,495		27,530
Grants and contributions				1,085	$ 10	1,095
City of Tucson:						
Reimbursement for services	1,392		$ 8	830		2,230
Other governments:						
Reimbursement for services	145	3,839		356	156	4,496
Total due from other governments fund based statements	$19,284	$ 5,704	$ 8	$ 19,660	$ 166	$ 44,822

Business-type activities:

	Total Business-type Activities Pima Health System & Services
Federal government:	
Reimbursement for services	$ 143
State of Arizona:	
Grants and contributions	897
Total due from other governments fund based statements	$ 1,040

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 303,646	$ 80,726	$ (4)	$ 384,368
Construction in progress	90,098	59,106	(46,098)	103,106
Total capital assets not being depreciated	393,744	139,832	(46,102)	487,474
Capital assets being depreciated:				
Buildings and improvements	499,224	26,818	(128)	525,914
Infrastructure	1,067,881	40,935	(501)	1,108,315
Equipment	107,243	9,769	(6,346)	110,666
Total capital assets being depreciated	1,674,348	77,522	(6,975)	1,744,895
Less accumulated depreciation for:				
Buildings and improvements	(132,854)	(12,339)	77	(145,116)
Infrastructure	(458,769)	(35,052)	457	(493,364)
Equipment	(62,588)	(10,045)	5,518	(67,115)
Total accumulated depreciation	(654,211)	(57,436)	6,052	(705,595)
Total capital assets being depreciated, net	1,020,137	20,086	(923)	1,039,300
Governmental activities capital assets, net	$ 1,413,881	$ 159,918	$ (47,025)	$ 1,526,774

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 10,596	$ 3,092	$ (93)	$ 13,595
Construction in progress	72,060	34,598	(63,450)	43,208
Total capital assets not being depreciated	82,656	37,690	(63,543)	56,803
Capital assets being depreciated:				
Buildings and improvements	361,468	6,132	(325)	367,275
Sewage conveyance system	580,096	40,997	(16)	621,077
Equipment	38,459	65,339	(1,099)	102,699
Total capital assets being depreciated	980,023	112,468	(1,440)	1,091,051
Less accumulated depreciation for:				
Buildings and improvements	(127,326)	(11,994)	243	(139,077)
Sewage conveyance system	(210,582)	(11,417)	16	(221,983)
Equipment	(10,223)	(4,278)	824	(13,677)
Total accumulated depreciation	(348,131)	(27,689)	1,083	(374,737)
Total capital assets being depreciated, net	631,892	84,779	(357)	716,314
Business-type activities capital assets, net	$ 714,548	$ 122,469	$ (63,900)	$ 773,117

Note 4: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:		
General government	$	7,099
Public safety		10,197
Highway and streets		30,381
Sanitation		318
Health		596
Welfare		17
Culture and recreation		5,281
Education and economic opportunity		707
Internal service funds		2,840
Total governmental activities depreciation expense	$	57,436
Business-type activities:		
Pima Health System & Services	$	234
Parking Garages		298
Regional Wastewater Reclamation		26,912
Development Services		245
Total business-type activities depreciation expense	$	27,689

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	$ 38		$ (38)	
Total capital assets not being depreciated	38		(38)	
Capital assets being depreciated:				
Buildings and improvements	4,019	$ 318	(7)	$ 4,330
Equipment	1,997	208	(15)	2,190
Total capital assets being depreciated	6,016	526	(22)	6,520
Less accumulated depreciation for:				
Buildings and improvements	(2,429)	(130)	7	(2,552)
Equipment	(1,403)	(132)	15	(1,520)
Total accumulated depreciation	(3,832)	(262)	22	(4,072)
Total capital assets being depreciated, net	2,184	264		2,448
SFC capital assets, net	$ 2,222	$ 264	$ (38)	$ 2,448

Note 5: Claims, Judgments and Risk Management

Risk Management and Claims Liability

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment and dental losses are reported at their present value using an expected future investment yield assumption of four percent.

The Fund is liable for any single general or automobile liability claim up to $2,000,000 per occurrence, any workers' compensation claim up to $750,000 per occurrence or any medical malpractice claims in aggregate up to $5,000,000 in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

Payment of unemployment and dental claims is fully self-funded. Payment of environmental claims is generally self-funded, although some claims filed could result in past insurers being liable for such losses.

All of the County's departments participate in the Fund. With the exception of environmental, dental and unemployment losses, charges are based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Charges for environmental losses are based on historical experience. Charges for dental and unemployment losses are based on actual claims paid.

The claims liability of $36,994 reported in the Fund at June 30, 2009, is based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

	2009	2008
Claims liability - beginning	$ 31,205	$ 32,857
Current-year claims and changes in estimates	12,600	10,227
Claims payment	(6,811)	(11,879)
Claims liability - ending	$ 36,994	$ 31,205

Litigation

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

Note 5: Claims, Judgments and Risk Management (continued)

Pollution Remediation - El Camino del Cerro Site

The County has estimated and reported an environmental liability of $1,467 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and north of El Camino del Cerro Road. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

In communication with the Arizona Department of Environmental Quality, the County has begun remediation efforts that will include a groundwater pump-and-treat system.

The estimated liability was calculated based upon the expected future outlays associated with the estimate of one pump-and-treat system for one year.

There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction wells, and/or changes in the estimated extent of contamination.

There are no estimated recoveries at this time.

Note 6: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2009.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Governmental activities:					
General obligation bonds	$ 348,335	$ 75,000	$ 36,490	$ 386,845	$ 51,750
Plus unamortized deferred amount	1,208	79	100	1,187	104
Total general obligation bonds	349,543	75,079	36,590	388,032	51,854
Flood control bonds	725			725	725
Transportation revenue bonds	149,655		10,090	139,565	15,145
Plus unamortized deferred amount	146		28	118	28
Total transportation revenue bonds	149,801		10,118	139,683	15,173
Certificates of participation	79,076	34,400	41,546	71,930	21,610
Plus unamortized deferred amount	2,536	596	508	2,624	699
Total certificates of participation	81,612	34,996	42,054	74,554	22,309
Loans and Leases:					
Transportation loans payable	1,000		1,000		
Capital leases payable:					
Jail capital lease	24,680		1,965	22,715	2,025
Less unamortized deferred amount	(1,723)		(192)	(1,531)	(191)
Other capital leases	266		123	143	107
Total capital leases	23,223		1,896	21,327	1,941
Total loans and leases	24,223		2,896	21,327	1,941
Reported but unpaid losses (Note 5)	19,422	11,924	6,811	24,535	4,446
Incurred but not reported losses (Note 5)	11,783	676		12,459	2,218
Landfill closure and post-closure care costs (Note 8)	18,419	910		19,329	
Pollution remediation (Note 5)	1,784		317	1,467	544
Payroll-related liabilities	9,845		9,845		
Total governmental activities long-term liabilities	$ 667,157	$123,585	$ 108,631	$ 682,111	$ 99,210

Note 6: Long-Term Liabilities (continued)

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Business-type activities:					
Sewer revenue bonds	$ 164,940	$ 18,940		$ 183,880	$ 7,870
Less unamortized deferred amount	(1,239)	413	(335)	(491)	
Total revenue bonds payable	163,701	19,353	(335)	183,389	7,870
Regional Wastewater Reclamation (RWR) loans payable	70,572		5,975	64,597	6,317
Less unamortized deferred amount	(146)		(38)	(108)	
Total loans payable	70,426		5,937	64,489	6,317
Contracts and notes	5,842	3,181	2,542	6,481	
Payroll-related liabilities	2,254		2,254		
Total business-type activities long-term liabilities	$ 242,223	$ 22,534	$ 10,398	$ 254,359	$ 14,187

GENERAL OBLIGATION BONDS OUTSTANDING
Governmental Activities
(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2009, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, $20,090 from the May 20, 1997, $232,061 from the May 18, 2004, and $51,655 from the May 16, 2006 bond election remain unissued.
The following table presents amounts outstanding by issue.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
*Series of 1998	$ 42,420	4.50 - 4.60%	2010-13	$ 11,720
Series of 1999	50,000	5.00%	2010	3,115
Series of 2000	50,000	4.00 - 5.00%	2010-14	15,000
*Series of 2001 Refunding	17,835	5.00%	2010	375
Series of 2002	20,000	4.25 - 4.50%	2010-16	6,000
*Series of 2003	50,000	3.50 - 4.25%	2010-17	33,850
Series of 2004	65,000	3.00 - 5.00%	2010-19	43,740
Series of 2005	65,000	3.50 - 5.00%	2010-20	46,080
Series of 2007	95,000	3.00 - 4.50%	2010-21	78,965
Series of 2008	100,000	3.00 - 4.00%	2010-22	82,000
Series of 2009	75,000	3.00 - 4.13%	2010-23	66,000
G.O. bonds outstanding				386,845
Plus unamortized deferred amount:				1,187
		Total G.O. bonds outstanding		$ 388,032

Note 6: Long-Term Liabilities (continued)

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 51,750	$ 16,454
2011	35,240	13,602
2012	29,105	12,118
2013	29,030	10,883
2014	27,400	9,645
2015 - 2019	134,755	31,162
2020 - 2023	79,565	6,868
Total	$ 386,845	$ 100,732

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

(Payments made from property tax revenues of the Debt Service Fund of the District)

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2009 is presented below.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
*Series of 2001 Refunding	$ 4,585	4.20%	2010	$ 725

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

The following schedule details flood control bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 725	$ 15
Total	$ 725	$ 15

Note 6: Long-Term Liabilities (continued)

TRANSPORTATION BONDS PAYABLE
Governmental Activities
(Payments made from street and highway revenues)

Pima County transportation revenue bonds were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, $122,800 from the November 4, 1997 bond election remains unissued.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
Series of 2002	$55,000	4.25 - 4.38%	2010-12	$ 19,055
*Series of 2003	35,000	3.38 - 4.38%	2010-18	27,600
Series of 2005	51,200	3.50 - 5.00%	2010-20	47,810
Series of 2007	21,000	3.25 - 4.75%	2010-22	20,250
Series of 2008	25,000	3.00 - 4.50%	2010-22	24,850
	Transportation bonds outstanding			139,565
	Plus unamortized deferred amount:			118
	Total transportation bonds outstanding			$ 139,683

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

The following schedule details transportation bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 15,145	$ 6,203
2011	13,430	5,091
2012	14,015	4,503
2013	9,970	3,912
2014	10,415	3,517
2015 - 2019	56,360	10,703
2020 - 2022	20,230	1,330
Total	$ 139,565	$ 35,259

Pima County has pledged future highway user revenues, net of specified operating expenses, to repay $139,565 in transportation revenue bonds issued between 2002 and 2008. Proceeds from the bonds provide financing for construction of various highways and streets within Pima County. The bonds are payable from net highway user revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require approximately 93 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $174,824. Principal and interest paid for bonds and loans in the current year and total highway user revenues were $15,686, $1,061 and $20,808, respectively.

Note 6: Long-Term Liabilities (continued)

CERTIFICATES OF PARTICIPATION
Governmental Activities
(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for $28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson. On June 26, 2008, the County issued Certificates of Participation Series 2008 for $50,000 to finance capital costs for public infrastructure of the County, including expansion and upgrades to the County's sewer treatment system and major road corridors. On June 10, 2009, the County issued Certificates of Participation Series 2009 for $34,400 to finance capital costs for public infrastructure of the County, including expansion and upgrades to the County's sewer treatment system.

The following schedule details outstanding Certificates of Participation payable at June 30, 2009.

Issue	Issue Amount	Interest Rates	Maturities	Outstanding June 30, 2009
Series of 2007A	$ 28,765	4.00 - 5.00%	2010-22	$ 27,530
Series of 2008	50,000	5.00%	2011	10,000
Series of 2009	34,400	3.00 - 4.00%	2010-12	34,400
	Certificates of participation outstanding			71,930
	Plus unamortized deferred amount:			2,624
	Total certificates of participation outstanding			$ 74,554

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 21,610	$ 2,445
2011	21,675	2,310
2012	6,140	1,343
2013	1,810	1,097
2014	1,890	1,021
2015 - 2019	10,880	3,667
2020 - 2022	7,925	805
	$ 71,930	$ 12,688

CAPITAL LEASES
Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for $34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima

Note 6: Long-Term Liabilities (continued)

County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement. The County has also entered into capital leases for computer equipment. The outstanding balance as of June 30, 2009, for these leases totaled $143. The net book value of assets acquired through capital leases consists of $18,000 of buildings and $63 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2009.

Governmental Activities:

	Buildings		Equipment	
Year Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**
2010	$ 2,025	$ 982	$ 107	$ 4
2011	2,125	878	36	1
2012	2,230	775		
2013	2,780	648		
2014	2,485	511		
2015 - 2018	11,070	935		
	$ 22,715	$ 4,729	$ 143	$ 5

SEWER REVENUE BONDS AND LOANS
Business-type Activities
(Payments made from user charges received in the Regional Wastewater Reclamation Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation system. Of the total amount originally authorized, $10,003 from the May 18, 2004 bond election remain unissued.

Issue	**Issue Amount**	**Interest Rates**	**Maturities**	**Outstanding June 30, 2009**
*Series of 1998	$ 29,185	4.00 - 4.50%	2009-15	$ 13,355
*Series of 2001 Refunding	19,440	4.25 - 5.38%	2009-15	12,655
*Series of 2004 Refunding	25,770	3.50 - 5.50%	2009-15	18,145
*Series of 2007	50,000	3.75 - 5.00%	2009-26	45,785
*Series of 2008	75,000	4.00 - 5.00%	2009-23	75,000
Series of 2009	18,940	3.25 - 4.25%	2009-24	18,940
		Sewer revenue bonds outstanding		183,880
		Less unamortized deferred amount:		(491)
		Total sewer revenue bonds outstanding		$ 183,389

** The U.S. Government has launched various economic stabilization programs, one of which was the Transaction Account Guarantee Program (TAGP). As a result of this initiative, the FDIC is assessing a 10 basis point surcharge to participating banks that carry a quarterly ending balance for noninterest-bearing transaction accounts. These charges will be passed down to customers with such accounts at these institutions. In order to avoid these surcharges, Pima County has chosen to submit debt service payments on the day they are due and not the day before, as has been customary. These debt issuances were paid on July 1, 2009 and not June 30th. The amount outstanding, therefore, has not changed for fiscal year 2008-09.*

Note 6: Long-Term Liabilities (continued)

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 7,870	$ 7,457
2011	8,900	7,334
2012	8,425	6,961
2013	8,795	6,579
2014	10,405	6,148
2015 - 2019	58,400	23,080
2020 - 2024	68,595	10,061
2025 - 2027	12,490	693
	$ 183,880	$ 68,313

The Regional Wastewater Reclamation Enterprise Fund entered into loan agreements (1996, 1997, 2000 and 2004 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

Issue	Issue Amount	Interest Rate	Maturities	Outstanding June 30, 2009
1996 Loans payable	$ 11,313	3.19%	2009-12	$ 4,775
1997 Loans payable	7,500	2.95%	2009-11	1,915
2000 Loans payable	61,180	2.20%	2009-16	39,645
2004 Loans payable	19,967	1.81%	2009-24	18,262
Loans payable				64,597
Less unamortized deferred amount				(108)
Total loans payable				$ 64,489

The following schedule details loans payable debt service requirements to maturity at June 30, 2009.

Year Ending June 30,	Principal	Interest
2010	$ 6,317	$ 2,200
2011	7,605	1,948
2012	7,891	1,667
2013	6,937	1,397
2014	6,032	1,160
2015 - 2019	21,845	2,710
2020 - 2024	6,547	791
2025 - 2029	1,423	23
	$ 64,597	$ 11,896

Pima County has pledged future user charges, net of specified operating expenses, to repay $183,880 in sewer revenue bonds issued between 1998 and 2009 and $64,597 in sewer revenue loans issued

Note 6: Long-Term Liabilities (continued)

between 1996 and 2004. Proceeds from the bonds and loans provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds and loans are payable from net sewer revenues and are payable through fiscal year 2026-27. Annual principal and interest payments on the bonds are expected to require approximately 28 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 19 percent of net revenues. Total principal and interest remaining to be paid on the bonds is $252,193. Total principal and interest remaining to be paid on the loans is $76,493. Principal and interest paid for bonds and loans in the current year and total customer net revenues were $3,588, $8,377 and $34,445, respectively.

CONTRACTS AND NOTES
Business-type Activities
(Payments made from restricted assets in the Regional Wastewater Reclamation Department Enterprise Fund)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

LEGAL DEBT MARGIN
County General Obligation Bonds

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, with voter approval, debt may be incurred up to 15 percent of the value of taxable property. Pima County has received voter approval for all general obligation debt. The legal debt margin at June 30, 2009, is as follows:

Net assessed valuation		$ 9,594,862
Debt Limit (15% of net assessed valuation):		1,439,229
Less amount of debt applicable to debt limit:		
General obligation bonds outstanding	$ 386,845	
Less net assets in debt service fund available for payment of general obligation bond principal	(10,523)	376,322
Legal debt margin available		$ 1,062,907

Note 6: Long-Term Liabilities (continued)

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2009, is as follows:

Net assessed valuation		$ 8,684,572
Debt Limit (5% of net assessed valuation):		434,229
Less amount of debt applicable to debt limit:		
Flood Control obligation bonds outstanding	$ 725	
Less net assets in debt service fund available for payment of flood control bond principal	(49)	676
Legal debt margin available		$ 433,553

Note 7: Short-term Debt

Line of Credit

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association to meet its short-term cash needs. At June 30, 2009, the County had an outstanding balance of $0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	July 1, 2008 Balance	Draws	Repayments	June 30, 2009 Balance
Line of credit	$0	$ 18,300	$ 18,300	$0

Note 8: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

State and federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The $19,329 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of $5,437 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2009; actual costs may change due to inflation, changes in technology, or changes in regulations.

Note 8: Landfill Liabilities (continued)

Landfill Site	Capacity Used June 30, 2009	Estimated Remaining Service Life
Ajo *	100%	0 Year
Sahuarita **	45%	41 Years
Tangerine ***	91%	12 Years

*Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion. A Type IV Modification application has been submitted to Arizona Department of Environmental Quality to increase capacity.

** Sahuarita's facility has incurred a decrease in annual solid waste tipping. This decrease has resulted in an increase in the expected life of the landfill.

*** Tangerine's facility has increased expected life due to decreased disposal activity and revised annual airspace consumption.

The County plans to fund the estimated closure and post-closure care costs with proceeds of general obligation bonds and with solid waste tipping fees.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately $9,727 when closure occurs and plans to fund the costs with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

Note 9: Retirement Plans

Pension Plan Descriptions

The County contributes to the Arizona State Retirement System **(ASRS),** the Corrections Officer Retirement Plan **(CORP),** the Public Safety Personnel Retirement System **(PSPRS),** consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan **(EORP).** The **EORP** and the **PSPRS** - Pima County, County Attorney Investigators, are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions, including general employees of the County, and school districts. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S.

Note 9: Retirement Plans (continued)

Title 38, Chapter 5, Article 2.

The **PSPRS** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers Pima County Sheriff's public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS**, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain employees of the State of Arizona's Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the applicable plan.

ASRS	**PSPRS and CORP**
3300 N. Central Ave Phoenix, AZ 85012 (602) 240-2000 or (800) 621-3778	3010 East Camelback Road Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for **ASRS**, **PSPRS** and **CORP.**

Cost-sharing plans

For the year ended June 30, 2009, active **ASRS** members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.50 percent for long-term disability) of the members' annual covered payroll. The County was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, .96 percent for health insurance premium, and 0.50 percent for long-term disability) of the members' annual covered payroll.

	ASRS Retirement Fund	**Health Benefit Supplement Fund**	**Long-term Disability Fund**
Year ended June 30,			
2009	$ 20,127	$ 2,418	$ 1,259
2008	20,981	2,737	1,303
2007	19,169	2,666	1,270

Note 9: Retirement Plans (continued)

Agent plans

For the year ended June 30, 2009, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 23.89 percent, the aggregate of which is the actuarially required amount. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. The health insurance premium portion of the contribution was set at 1.93 percent of covered payroll. Active **CORP** members were required by statute to contribute 7.96 percent of the members' annual covered payroll, except that, beginning in October 2008, all non-dispatcher members were required to contribute 8.41 percent, and the County was required to contribute at the actuarially determined rate of 9.42 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.10 percent of covered payroll.

Actuarial methods and assumptions

The contribution requirements for the year ended June 30, 2009 were established by the June 30, 2007 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2009 contribution requirements, are as follows:

	PSPRS	**CORP**
Actuarial valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.00%	5.00%
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	29 Years for unfunded actuarial accrued liability, 20 years for excess	29 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Note 9: Retirement Plans (continued)

Annual Pension and OPEB Cost

The County's pension/OPEB cost for the PSPRS and CORP agent plans for the year ended June 30, 2009, and related information follows:

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	$ 8,268	$ 627	$ 2,162	$ 236
Contibutions made	$ 8,268	$ 463	$ 2,162	$ 182

Trend Information

Annual pension cost information for the current and 2 preceding years follows for the PSPRS and CORP agent plans. Annual OPEB cost information for fiscal year 2009 and 2008 are as follows. Information about the other preceding year will be added in next year.

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	
PSPRS				
Pension	2009	$ 8,268	100%	
Health insurance	2009	$ 627	73.8%	$ 164
Pension	2008	$ 6,923	100%	
Health insurance	2008	$ 565	79%	$ 121
Pension & health insurance	2007	$ 5,422	100%	
CORP				
Pension	2009	$ 2,162	100%	
Health insurance	2009	$ 236	77.1%	$ 54
Pension	2008	$ 1,513	100%	
Health insurance	2008	$ 247	66%	$ 84
Pension & health insurance	2007	$ 1,224	100%	

Funded Status

The funded status of the plans, as of the most recent valuation date June 30, 2009, along with the actuarial assumptions and methods used in those valuations follow. Additionally, the required schedule of funding progress, presented as Exhibit B-2 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 9: Retirement Plans (continued)

	PSPRS		CORP	
	Pension Insurance	Health Insurance	Pension Insurance	Health Insurance
Actuarial accrued liability	$ 212,291	$ 7,088	$ 60,217	$ 3,095
Actuarial value of assets	$ 142,164	0	$ 48,740	0
Unfunded actuarial accrued liability (funding excess)	$ 70,127	$ 7,088	$ 11,477	$ 3,095
Funded ratio	67.0 %	0 %	80.90 %	0 %
Covered payroll	$ 33,557	$ 33,557	$ 20,411	$ 20,411
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	209.0 %	21.1 %	56.2 %	15.1 %

	PSPRS	CORP
Actuarial valuation date	June 30, 2009	June 30, 2009
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.50%	5.50%
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period	27 Years for unfunded actuarial accrued liability, 20 years for excess	27 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year Smoothed market value	7-year Smoothed market value

Note 10: Interfund Transactions

A. Interfund Assets/ Liabilities

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

Amounts recorded as due from:	Amounts recorded as due to: General	Capital Projects	Other Governmental	PHS & Services	RWR	Other Enterprise	Internal Service	Total
General			$ 1,463	$ 1,003	$ 13	$ 1	$ 1	$ 2,481
Capital Projects			-		118			118
Debt Service					3,099			3,099
Other Governmental	$ 256		595		-			851
RWR		$ 3,098						3,098
Other Enterprise	1							1
Internal Service			428					428
Total	$ 257	$ 3,098	$ 2,486	$ 1,003	$ 3,230	$ 1	$ 1	$ 10,076

Note 10: Interfund Transactions (continued)

B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

Amounts recorded as transfers out:

Amounts recorded as transfers in:	General	Capital Projects	Other Governmental	PHS & Services	RWR	Internal Services	Total
General		$ 20,594	$ 12,778	$ 3,400	$ 12,892	$ 853	$ 50,517
Capital Projects	$ 571		14,180			1,000	15,751
Debt Service	49,091	937	20,331		13,190	130	83,679
Other Governmental	19,553	1,552	134				21,239
RWR	13,462	12,108					25,570
Internal Service	853	175					1,028
Total	$ 83,530	$ 35,366	$ 47,423	$ 3,400	$ 26,082	$ 1,983	$ 197,784

The table above does not include transfers of capital assets from the proprietary funds to the governmental activities because these are not reported in the governmental funds. The following proprietary funds transferred capital assets with Governmental Activities:

Transfer from	Transfer to		Transfer from	Transfer to
		$ 93	Other enterprise funds	Government activities
		$ 3	Internal Services	Government activities
	Subtotal	$ 96		
Government activities	Internal Services	(1)		
	Total	$ 95		

Note 11: Construction and Other Significant Commitments

At June 30, 2009, Pima County had the following major contractual commitments related to Facilities Management, General Government, Natural Resources, Parks & Recreation, Pima Health Systems & Services, Regional Flood Control District, Regional Wastewater Reclamation and Transportation.

Facilities Management

At June 30, 2009, the Pima County Facilities Management Department had contractual commitments related to service contracts of $7,876. Funding for these expenditures will be provided from general fund revenues.

General Government

At June 30, 2009, Pima County had contractual commitments related to service contracts for Fleet Services of $3,733, Human Resources of $39,062, Institutional Health of $28,718 and Sheriff of $815. Funding for these expenditures will be provided from General Fund revenues. Real Property had contractual

Note 11: Construction and Other Significant Commitments (continued)

commitments related to land acquisitions of $23,511, for which the funding of these expenditures will be provided by general obligation bonds.

Natural Resources, Parks and Recreation
At June 30, 2009, Pima County had contractual commitments related to construction contracts for Natural Resources, Parks and Recreation of $11,141. Funding for these expenditures will be provided from general obligation bonds.

Pima Health Systems & Services
At June 30, 2009, Pima County had contractual commitments related to service contracts for Pima Health Systems & Services of $58,407. Funding for these expenditures will be primarily provided from federal and state funding sources.

Regional Flood Control District
At June 30, 2009, the Pima County Regional Flood Control District had construction contractual commitments of $3,719. Funding for these expenditures will be provided from tax levy revenues.

Regional Wastewater Reclamation
At June 30, 2009, the Regional Wastewater Reclamation Enterprise Fund had construction contractual commitments of $44,508 and other contractual commitments related to service contracts of $7,245. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

Transportation
At June 30, 2009, the Pima County Transportation Department had construction contractual commitments of $33,639 and other contractual commitments related to service contracts of $1,420. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

Note 12: Stewardship, Compliance, and Accountability (Deficit Fund Balances)

The Special Districts Fund (non-major governmental fund) had a deficit fund balance at June 30, 2009, of $952. This deficit can be eliminated in the future through normal operations.

Note 13: Subsequent Events

On October 9, 2009 the Regional Wastewater Reclamation Enterprise Fund entered into a loan agreement with the Water Infrastructure Financing Authority (WIFA) in the amount of $10,002 to provide funds for the construction of approximately 5 miles of system improvements to interconnect the Roger Road and the Ina Road treatment facilities to one another, as approved by Pima County Board of Supervisors' Resolution No 2009-58 on April 14, 2009.

Interest is payable semiannually beginning January 1, 2010 and is calculated based on the principal amount of the loan outstanding during such period. Principal payments to maturity are subject to change based upon total amounts drawn down. Payments will be made from user charges received in the Regional Wastewater Reclamation Enterprise Fund.

Note 13: Subsequent Events (continued)

On November 17, 2009, the County issued $23,535 in Series 2009 Refunding Bonds. The net proceeds of the refunding bonds issuance were placed in an irrevocable trust account with U. S. Bank to advance refund various General Obligation bonds as follows:

Series 1998	$	7,120
Series 2000		12,000
Series 2002		4,000
	$	23,120

The interest rate on the bonds range from 2.00% to 3.50%, and the maturity dates range from July 1, 2010 to 2016. Interest is payable semiannually beginning July 1, 2010.

On November 17, 2009, the County issued $90,000, Series 2009A G. O. Bonds, to fund various County capital projects. Interest rates on the bonds range from 2.00% to 4.00%, and the maturity date ranges from July 1, 2010 to 2024. Interest is payable semiannually beginning July 1, 2010.

On November 17, 2009, the County issued $8,400, Series 2009 Transportation Refunding Bonds to advance refund $8,300 of Series 2002 Transportation Bonds. The net proceeds were placed in an irrevocable trust with U. S. Bank. Interest rates on the bonds range from 3.00% to 4.00%, and maturity date ranges from July 1, 2013 to 2024. Interest is payable semiannually beginning July 1, 2010. Payments will be made from the revenues received by the County from highway user taxes.

On November 17, 2009, the County issued $15,020 in Series 2009 Transportation Bonds to provide funds for road construction. Interest rates on the bonds range from 3.00% to 4.00% and maturity dates range from July 1, 2013 to 2024. Interest is payable semiannually beginning on July 1, 2010. Payments will be made from the revenues received from highway user taxes.

On December 3, 2009, the County defeased $20,000 in Series 2009 Certificates of Participation, payable June 1, 2010, with an interest rate of 3.00%. These funds will be placed in irrevocable trust with U.S. Bank.

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APPENDIX G

SENIOR RESOLUTION SUMMARY

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

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

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

Definitions; Interpretation.

A. Senior Resolution Definitions.

"Agreement" - any Reserve Fund Guaranty Agreement.

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

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

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

"Drawdown" - any amount drawn under any Reserve Fund Guaranty.

"Drawdown Date" - the date of any Drawdown.

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

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

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

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

"Reserve Requirement" - when used with regard to Prior Obligations, the Average Annual Debt Service on all Outstanding Prior Obligations.

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

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

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

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

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

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

Source of Payment and Pledge of Revenues.

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

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

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

Creation of Funds; Application of Revenues.

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

1. The Revenue Fund.

2. The Operation and Maintenance Fund.

3. The Bond Fund.

4. The Reimbursement Fund.

5. The Reserve Fund containing separate accounts: the Capitalized Reserve Account and the Contributed Reserve Account.

6. The Rebate Fund.

7. The System Development Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equality of Lien; Prior Obligations.

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

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

Resolution Modification.

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

(1) To cure any ambiguity, formal defect, omission or inconsistency;

(2) To grant to such owners additional rights, remedies, powers or authority;

(3) To secure additional Revenues or provide additional security or reserves for Prior Obligation payment;

(4) To comply with any federal securities laws or the Trust Indenture Act of 1939, if and to the extent applicable to the Prior Obligations;

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

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

1. Change the maturity of any outstanding Prior Obligations.

2. Change the interest rate on any outstanding Prior Obligations.

3. Reduce the principal or redemption premium payable on any Prior Obligations.

4. Modify the principal, interest or redemption premium payment terms on any Prior Obligations or impose any adverse conditions on such payments.

5. Adversely affect the rights of the owners of less than all Prior Obligations then outstanding.

C. Any other provision to the contrary notwithstanding, no amendment to the Senior Resolution shall become effective unless and until it is approved by all Bond Insurers and Reserve Fund Guarantors applicable to the Prior Obligations.

Rights of Reserve Fund Guarantors. If any Prior Obligation's principal or interest shall be paid by a Reserve Fund Guarantor, the pledge of the Net Revenues and all of the County's obligations hereunder shall continue and such Reserve Fund Guarantor shall be fully subrogated to all rights of the owners of the Prior Obligations so paid.

Method of Valuation; Frequency. In computing the amount in any fund or account, permitted investments shall be valued at their market value exclusive of accrued interest. A valuation shall occur annually on the first Business Day of each Bond Year and immediately after a Reserve Fund withdrawal.

Defeasance. Payment of all or any part of the Prior Obligations may be provided for by the irrevocable deposit with a trustee of moneys or government obligations, or both. If the moneys and the maturing principal and interest income on such government obligations shall be sufficient, as evidenced by a certificate of an expert in the field, to pay when due the principal or redemption price of and interest on such Prior Obligations, such Prior Obligations shall no longer be deemed outstanding. The owners of Prior Obligations so provided for shall thereafter be entitled to payment only from the moneys or government obligations deposited with such trustee.

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APPENDIX H

2010 OBLIGATIONS DOCUMENTS SUMMARIES

The following summaries are supplemental to and should be read together with "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2010 OBLIGATIONS" herein. These summaries are a brief description of certain provisions of the Indenture and the Purchase Agreement and certain definitions therein not defined elsewhere in this Official Statement, should not be considered a full statement thereof and are qualified in their entirety by reference to the entire Indenture and Purchase Agreement, copies of which are available as set forth in this Official Statement under the heading "ADDITIONAL INFORMATION."

Certain Rights of 2010 Insurer

The 2010 Insurer will be treated as the Holder of all of the 2010 Obligations for purposes of demands, requests, consents, waivers or other actions by Holders of the 2010 Obligations to be taken under the Indenture; provided, however, the consent or approval of the 2010 Insurer shall not be required if the Policy is not in effect or the 2010 Insurer is in default or contesting its obligations thereunder.

Definitions

For the purposes hereof and in addition to those defined prior to the Appendices hereof, the following words and phrases will have the following meanings:

"Additional Obligation Documents" means any contract (including a resolution of the Board) or agreement of the County constituting or authorizing Additional Obligations.

"Additional Obligations" means obligations (including loans and bonds) or applicable interests therein that are incurred (i) by, or the payment of which is assumed by, the County subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share pro rata in payments to be made by the County from the Pledged Revenues, without priority one over the other or the Purchase Agreement, and (ii) for the purpose of making extensions, renewals, improvements or replacements to the System or to refund the 2010 Obligations or Additional Obligations.

"Assumed Interest Rate" means an interest rate for a series of Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate that the Variable Rate Obligations of a series may bear under the terms of their incurrence or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the Finance Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

"Bond Year" means a 12-month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the City of Tucson and in the city or cities in which the corporate trust office of the Trustee, the Paying Agents and the 2010 Insurer are required or authorized by law or executive order to remain closed, and (c) a day on which the County is required or authorized by law or executive order to remain closed.

"Consultant" means a firm of utility consultants experienced in the financing and operation of sewer systems and having a recognized reputation for such work.

"County Representative" means the Finance Director or any other person at any time designated, by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the County Administrator or his or her designee, to act on behalf of the County with respect to the Indenture and the 2010 Obligations. Such certificate may designate one or more alternates.

"County Series 2010 Obligations Fund" means the fund of that name created pursuant to Section 3.3(a) of the Purchase Agreement.

"Credit Facility" means a bank, financial institution, insurance company or indemnity company that is engaged by or on behalf of the County to perform one or more of the following tasks: (a) enhance the credit of the County securing the Additional Obligations by assuring that principal of and interest on such Additional Obligations (or any interests therein) will be paid promptly when due (including the issuance of an insurance policy, letter of credit, surety bond or other form of security for a reserve) or (b) provide liquidity for Additional Obligations (or any interests therein) by undertaking to cause such Additional Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by the Obligation Documents.

"Debt Service Reserve Account" means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

"Defeasance Obligations" means any of the following: (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interest in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the 2010 Insurer as limited by Section 12.7 of the Indenture, pre-refunded municipal obligations rated "AAA" and "Aa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the 2010 Insurer as limited by Section 12.7 of the Indenture, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, unless the 2010 Insurer otherwise approves, such approval being subject to Section 12.7 of the Indenture.

"Depository Trustee" means any financial institution meeting the requirements as a successor Trustee under Section 8.6 of the Indenture that may be designated by the County

"Finance Director" means the chief financial officer of the County.

"Fiscal Year" means the 12-month period used by the County for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by written notice to the Trustee.

"Holder" means the registered owner of any 2010 Obligation, including the 2010 Insurer, as applicable.

"Improvements Fund" means the fund of that name created pursuant to Section 2.2 of the Purchase Agreement.

"Indenture Event of Default" means any one of those events set forth in Section 7.1 of the Indenture.

"Interest Account" means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

"Interest Requirement" means (i) with respect to the Purchase Agreement, as of any date of calculation, the interest amount on the Purchase Agreement due during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the amount required to be paid by the County during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of any Additional Obligations issued as "Build America Bonds" within the meaning of Section 54AA of the Code (or any successor provision), the Interest Requirement is to be computed by subtracting the amount of any interest credit payments to be received by the County from the United States Treasury Department pursuant to Section 6431 of the Code (or any successor provision) with respect to the Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by written notice to the Trustee.

"Obligation Fund" means the fund of that name created pursuant to Section 5.1 of the Indenture.

"Obligation Payment Date" means each January 1 and July 1, commencing, January 1, 2011, so long as any 2010 Obligations are Outstanding.

"Opinion of Counsel" means a written opinion of an attorney or firm of attorneys acceptable to the Trustee and who or which (except as otherwise expressly provided in the Indenture or in the Purchase Agreement) may be counsel for the County or the Trustee, provided that such attorney or firm of attorneys may not be an employee of the Trustee.

"Outstanding" means when used with reference to the 2010 Obligations, as of any date of determination, all 2010 Obligations theretofore executed and delivered except:

(i) 2010 Obligations previously cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) 2010 Obligations that are deemed paid and no longer Outstanding as provided in the Indenture, including as a result of irrevocable instructions being provided by the County for the redemption thereof;

(iii) 2010 Obligations in lieu of which other 2010 Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to 2010 Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such 2010 Obligation is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken under the Indenture or the Purchase Agreement by the Holders of a specified percentage in principal amount of 2010 Obligations, 2010 Obligations held by or for the account of the County, or any Person controlling, controlled by, or under common control with the County; and

"Parity Lien Test Debt Service" means the highest aggregate Principal Requirement and Interest Requirement of all 2010 Obligations and Additional Obligations then Outstanding to fall due and payable in the current or any future Bond Year.

"Paying Agent" means the banks or trust companies and their successors from time to time designated by the County as the paying agencies or places of payment for the 2010 Obligations. The Trustee is designated as the initial Paying Agent for the 2010 Obligations.

"Permitted Investments" means, to the extent the use of which is not otherwise prohibited by applicable law:

1. A. Cash;

B. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – (SLGs));

C. Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself;

D. Resolution Funding Corp. ("REFCORP") but only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;

E. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P but if, however, the issue is only rated by S&P (i.e., there is no Moody's rating) then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition and

F. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

(i) U.S. Export-Import Bank (Eximbank)
-Direct obligations or fully guaranteed certificates of beneficial ownership,

(ii) Farmers Home Administration (FmHA),

(iii) Federal Financing Bank,

(iv) General Services Administration
-Participation Certificates,

(v) U.S. Maritime Administration
-Guaranteed Title XI financing and

(vi) U.S. Department of Housing and Urban Development (HUD)
-Project Notes
-Local Authority Bonds
-New Communities Debentures – U.S. government guaranteed debentures
-U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds;

2. Federal Housing Administration debentures;

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

A. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
-Participation Certificates (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
-Senior debt obligations

B. Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
-Consolidated system-wide bonds and notes

C. Federal Home Loan Banks (FHL Banks)
-Consolidated debt obligations

D. Federal National Mortgage Association (FNMA or "Fannie Mae")
-Senior debt obligations
-Mortgage-backed securities (excluded are stripped mortgage securities that are purchased at prices exceeding the portion of their unpaid principal amounts)

E. Student Loan Marketing Association (SLMA or "Sallie Mae")

-Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

F. Financing Corporation (FICO)
-Debt obligations

G. Resolution Funding Corp. (REFCORP)
-Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P or the highest rating category of Moody's or are fully insured by the Dederal Deposit Insurance Corporation (FDIC).

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks that have capital and surplus of at least $5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market mutual funds rated "AAm" or "AAm-G" or higher by S&P or having a rating in the highest investment category granted thereby from Moody's.

8. "State Obligations", which means:

A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or higher, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S & P and "Aaa" by Moody's meeting the following requirements:

A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. the municipal obligations are secured by cash or United States Treasury Obligations that may be applied only to payment of the principal of, interest and premium on such municipal obligations;

C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and

premium, if any, due and to become due on the municipal obligations ("Verification");

D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase or reverse repurchase agreements: With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable, subject to Section 12.7 of the Indenture, to the 2010 Insurer, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

C. The repurchase or reverse repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase or reverse repurchase agreements shall be met;

E. The repurchase or reverse repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the County or the Trustee (who shall, subject to Section 12.7 of the Indenture, give such direction if so directed by the 2010 Insurer), within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the County or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103 percent or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa2" by Moody's; provided that, by the terms of the investment agreement:

A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2010 Obligations;

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Trustee thereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the 2010 Insurer and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable and addressed to, the 2010 Insurer;

E. the investment agreement shall provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Trustee (who shall, subject to Section 12.7 of the Indenture, give such direction if so directed by the 2010 Insurer), within ten days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee, and

F. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the

Trustee (who shall give such direction if so directed by the 2010 Insurer), be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid with interest thereon shall be repaid to the Trustee, as appropriate.

12. Interests in the Local Government Investment Pool established pursuant to Arizona Revised Statutes Section 35-326.

"Person" includes an individual, an unincorporated association, a corporation, a partnership, a government agency or a political subdivision.

"Principal Account" means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

"Principal Installment" means, for any particular date, the aggregate of the principal amount of 2010 Obligations that are due on such date.

"Principal Requirement" means (i) with respect to the Purchase Agreement, as of any date of calculation, the principal amount of the 2010 Obligations maturing or subject to mandatory redemption pursuant to the Indenture during the then-current Bond Year, and (ii) with respect to Additional Obligations, as of any date of calculation, the principal amount required to be paid by the County during the then-current Bond Year with respect to such Additional Obligations. In computing the Principal Requirement for such Additional Obligations, an amount of such Additional Obligations required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Additional Obligations maturing on the scheduled maturity date. In the case of Additional Obligations supported by a Credit Facility, the Principal Requirement for such Additional Obligations shall be determined in accordance with the principal retirement schedule specified in the Additional Obligation Documents authorizing the incurrence of such Additional Obligations, rather than any amortization schedule set forth in such Credit Facility unless payments under such Additional Obligations shall be in default at the time of the determination, in which case the Principal Requirements for such Additional Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

"Purchase Event of Default" means one of the events defined as such in Section 7.1 of the Purchase Agreement.

"Purchase Price" means the sum of the payments paid pursuant to Sections 5.4(i) and (ii) of the Indenture from amounts to be paid by or on behalf of the County as the purchase price for the Series 2010 Property.

"Qualified Reserve Fund Instrument" means a letter or line of credit, insurance policy or surety bond that meets the requirements set forth below:

(i) A surety bond or insurance policy issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the 2010 Obligations (a "municipal bond insurer") may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the claims paying ability of the issuer thereof shall be rated "AA" or "Aa2" by S&P or Moody's, respectively.

(ii) A surety bond or insurance policy issued to the Trustee, as agent of the Holders of the 2010 Obligations, by an entity other than a municipal bond insurer may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the form and substance of such

instrument and the issuer thereof shall be approved by the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is then in good standing and the applicable provider thereof is not in default thereunder.

(iii) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Holders of the 2010 Obligations, by a bank may be deposited in the Debt Service Reserve Account to meet the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement if the issuer thereof is rated at least "AA" by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the 2010 Obligations. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the County and the Trustee, not later than 24 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

If such notice indicates that the expiration date shall not be extended, the County shall deposit in the Debt Service Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Account together with any other qualifying Qualified Reserve Fund Instruments, to equal the amount which should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such deposit to be paid in equal installments on at least a semiannual basis over the ensuing three years, unless the Qualified Reserve Fund Instrument is replaced by a Qualified Reserve Fund Instrument meeting the requirements in any of (i)-(iii) above. The letter of credit shall permit a draw in full not less than 14 days prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is authorized and directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Debt Service Reserve Account is fully funded in its required amount.

The deposit of any Qualified Reserve Fund Instrument pursuant to this paragraph (iii) shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder and in form and substance satisfactory to the providers of any Qualified Reserve Fund Instruments then in effect if the applicable Qualified Reserve Fund Instrument is in good standing and the applicable provider thereof is not in default thereunder to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the 2010 Obligations (or any other account party under the letter of credit).

The obligation to reimburse the issuer of a Qualified Reserve Fund Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Fund Instrument shall be subordinate to the payment of debt service on the 2010 Obligations. The right of the issuer of a Qualified Reserve Fund Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Debt Service Reserve Account, and subject to the second succeeding sentence, its

right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Debt Service Reserve Account. The Qualified Reserve Fund Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Fund Instrument to reimbursement will be further subordinated to cash replenishment of the Debt Service Reserve Account to an amount equal to the difference between the full original amount available under the Qualified Reserve Fund Instrument and the amount then available for further draws or claims. If (A) the issuer of a Qualified Reserve Fund Instrument becomes insolvent or (B) the issuer of a Qualified Reserve Fund Instrument defaults in its payment obligations thereunder or (C) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AA" or a Moody's "Aa2" or (D) the rating of the issuer of the letter of credit falls below a S&P "AA," the obligation to reimburse the issuer of the Qualified Reserve Fund Instrument shall be subordinate to the cash replenishment of the Debt Service Reserve Account.

(iv) If (A) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (B) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AA" or a Moody's "Aa2" or (C) the rating of the issuer of the letter of credit falls below a S&P "AA", the County shall either (1) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the ensuing three years in equal installments deposited at least semiannually or (2) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (i)-(iii) above within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (b) the rating of the issuer of the letter of credit falls below "A" or (c) the issuer of the Qualified Reserve Fund Instrument defaults in its payment obligations or (d) the issuer of the Qualified Reserve Fund Instrument becomes insolvent, the County shall either (i) deposit into the Debt Service Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Debt Service Reserve Account to equal the amount that should have then been on deposit in the Debt Service Reserve Account pursuant to the requirements of the Purchase Agreement, such amount to be paid over the three years in equal installments on at least a semiannual basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements above, as applicable, within six months of such occurrence.

(v) Where applicable, the amount available for draws or claims under the Qualified Reserve Fund Instrument may be reduced by the amount of cash or permitted investments deposited in the Debt Service Reserve Account pursuant to clause (d)(i) of the preceding subparagraph (iv).

(vi) Any amounts owed by the County to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Purchase Agreement for any purpose, e.g., rate covenant or Additional Obligations test.

(vii) The Trustee shall ascertain the necessity for a claim or draw upon the Qualified Reserve Fund Instrument and provide notice to the issuer of the Qualified Reserve Fund Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Reserve Fund Instrument) prior to each Obligation Payment Date.

(viii) Cash on deposit in the Debt Service Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Qualified Reserve Fund Instrument. If and to the extent that more than one Qualified Reserve Fund Instrument is deposited in the Debt Service Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(ix) A Qualified Reserve Fund Instrument may not be provided to replace existing cash or Permitted Investments unless the County obtains (A) the 2010 Insurer's written consent, and (B) a Special Counsel's Opinion to the effect that such action will not cause the interest on any 2010 Obligations to become includible in gross income for purposes of federal income taxes.

"Rating Agency" means Fitch, Moody's or S&P, or any of them or their replacements as provided in the definition of each.

"Reserve Requirement" means $11,173,750.00.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for the type of credit in question, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by written notice to the Trustee.

"Senior Resolution" means Resolution No. 1991-138 passed and adopted by the Board of Supervisors of the County on June 18, 1991, as amended by Resolution No. 1991-182 passed and adopted by the Board of Supervisors of the County on August 6, 1991, as thereafter supplemented and amended, pursuant to which the Prior Obligations were issued.

"Series 2010 Property" means any or all of the components of the 2010 Projects actually financed or refinanced with proceeds of the 2010 Obligations.

"Special Counsel" means an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the County.

"Special Counsel's Opinion" means an opinion signed by Special Counsel.

"State" means the State of Arizona.

"Variable Rate Obligations" means any Additional Obligations that may, in the future, bear interest at rates that cannot be determined with specificity on their original incurrence.

The Purchase Agreement

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Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Obligation Proceeds. In order to provide funds for payment of the costs of the acquisition, construction and improvement of the 2010 Projects and of execution and delivery of the 2010 Obligations, the 2010 Obligations shall be executed and delivered under the Indenture.

Section 2.2. Improvements Fund.

(a) The County shall establish and maintain a separate fund known as the "Improvements Fund," that shall be funded from amounts transferred to the County by the Trustee pursuant to the Indenture. Moneys in the Improvements Fund shall be disbursed by the County for the following purposes and for no other purposes:

(i) costs and expenses relating to the sale, credit enhancement and execution and delivery of the 2010 Obligations, including, but not limited to "out of pocket" expenses and charges, fees and disbursements of counsel, printing expenses and other expenses reasonably incurred by the Trustee in connection with the Purchase Agreement;

(ii) payment for labor, services, materials and other necessities used or furnished in the acquisition, improvement and construction of the 2010 Projects, and all real and personal property deemed

necessary in connection with the 2010 Projects and for the miscellaneous expenses incidental to any of the foregoing including the premium on each performance and payment bond;

(iii) reimbursement of capital expenditures relating to the 2010 Projects advanced prior to the execution and delivery of the 2010 Obligations; and

(iv) payment of the portion of the Purchase Price representing interest on the 2010 Obligations during the acquisition, construction and improvement of the 2010 Projects.

(b) Before any of the foregoing payments may be made, the County shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Improvements Fund, (ii) each item for which payment is proposed to be made is or was necessary in connection with the 2010 Projects and (iii) each item for which payment is proposed is for a purpose permitted by the Purchase Agreement.

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.3 and 2.4, the County may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

(d) The County shall notify the Trustee of the completion date of the 2010 Projects by delivery of a certificate signed by the County Representative stating that (i) acquisition, construction and improvement of the Series 2010 Property has been completed and (ii) all obligations and costs in connection with the Series 2010 Property and payable out of the Improvements Fund have been paid and discharged, except for amounts retained by the County for payment of costs of the Series 2010 Property not yet due and payable. Any moneys held in the Improvements Fund upon delivery of such certificate that are not needed to pay costs of the 2010 Projects shall be transferred by the County to the Trustee for deposit to the Interest Account or the Principal Account as indicated in such certificate.

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Section 3.3. County Series 2010 Obligations Fund; Amounts of Purchase Price Payable Upon Execution and Delivery of the 2010 Obligations.

(a) Upon the issuance of the 2010 Obligations, the County shall establish and maintain a separate fund known as the "County Series 2010 Obligations Fund," which shall be held in trust for the Holders of the 2010 Obligations and the 2010 Insurer, as the case may be. On or before the 10th day of each month, the County shall transfer Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement into the County Series 2010 Obligations Fund as follows:

(i) Commencing July 10, 2010, one-sixth (1/6) of the interest on the 2010 Obligations falling due on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(ii) below.

(ii) Commencing July 10, 2010, one-twelfth (1/12) of the principal due or subject to mandatory redemption on the next succeeding Obligation Payment Date, which amounts shall be used to make the payments required by Section 3.3(b)(iii) below.

(b) After providing for certain amounts due to the federal government as rebate of excess earnings, the Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement (whether held by the County in the County Series 2010 Obligations fund or otherwise) shall be paid for the following purposes and in the following order of priority:

(i) On the dates necessary therefor, fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.

(ii) Not later than one Business Day prior to the date on which due, the interest on the 2010 Obligations falling due on the next succeeding Obligation Payment Date for deposit to the Interest Account.

(iii) Not later than one Business Day prior to the date on which due, the principal of the 2010 Obligations due or subject to mandatory redemption on the next succeeding Obligation Payment Date for deposit to the Principal Account.

(iv) After a determination of the Trustee that the amount on deposit in the Debt Service Reserve Account is less than the Reserve Requirement, on or before the 10th day of each month, an amount equal to one-twelfth (1/12) of the amount that, when added to the balance in the Debt Service Reserve Account, will be equal to the amount then required to be on deposit therein for deposit to the Debt Service Reserve Account.

(c) In the event the County should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the County, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the County shall pay the same with interest thereon at the rate applicable to the corresponding maturities of 2010 Obligations, from the date said payment was to be made to the date of payment by the County until paid. The Purchase Agreement shall be deemed and construed to be a "net purchase agreement," and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the Purchase Agreement. The County shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of the Purchase Agreement.

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Section 4.1. Limitation of Source of County Payments.

(a) The Purchase Agreement is a limited, special obligation of the County, payable solely and secured as to the payment in accordance with the terms and the provisions of the Purchase Agreement.

(b) All amounts to be paid by the County pursuant to Section 3.3 of the Purchase Agreement (or under any other section of the Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the County, in the sole and absolute discretion of the Board, from paying such amounts from other moneys of the County; provided, however, under no circumstances shall amounts paid under the Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the County under the Purchase Agreement shall never constitute a general obligation of the County or a pledge of ad valorem property taxes by the County.

(c) The County pledges and shall raise and apply the Pledged Revenues in such amounts and in such manner as required to make the payments required to be made by the County under the Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the 2010 Obligations. All of the Pledged Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the County, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere in the Purchase Agreement to incur the Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the County secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under the Purchase Agreement or under the Indenture. After the application of the Pledged Revenues for the purposes in the Purchase Agreement, they may be used for any lawful purpose.

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Section 5.1. Utilities; Maintenance of the System in Good Condition. All maintenance and repair of the Series 2010 Property and utilities therefor shall be the responsibility of the County. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Series 2010 Property.) The County shall (a) maintain the System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost and (c) faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

Section 5.2. Insurance. The County shall maintain insurance on the System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the 2010 Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the County), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies, except public liability policies, is pledged by the County as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received. Self-insurance may be maintained for the System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the County; provided that (a) any such program has been adopted by the County and (b) an independent insurance or actuarial consultant appointed by the County annually reviews and reports to the County in writing that any such program is adequate and actuarially sound.

Section 5.3. No Sale; Lease or Encumbrance Exceptions.

(a) The County shall not sell, lease, encumber or in any manner dispose of the System as a whole until all of the 2010 Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The County may sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the System, (b) such property is not useful in the operation of the System, (c) such property is not profitable in the operation of the System or (d) the disposition of such property will be advantageous to the System and will not adversely affect the security for the Holders of the 2010 Obligations. In addition, the County may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the System if there is filed with the Finance Director a certificate executed by the Consultant showing that, in opinion of such Consultant, the proposed sale will not reduce the Pledged Revenues to be received in the full Bond Year next succeeding such sale to an amount less than 120 percent of the Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of 2010 Obligations then Outstanding.

(c) The County may sell or otherwise transfer the System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the System on behalf of the public, and that undertakes in writing, filed with the Finance Director, the County's obligations under the Purchase Agreement; provided that there shall be first filed with the Finance Director (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the 2010 Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the 2010 Obligations (which opinion may be based on the Consultant's report described in clause (2), below) and (C) the obligations of the County under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Bond Year next succeeding such transfer the Pledged Revenues will be less than 120 percent of the Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency.

(d) Notwithstanding the above provisions, the County may sell or lease all or any part of the System in connection with the issuance of Additional Obligations to finance additional improvements to the System or refinance the 2010 Obligations or Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the County, of such portion of the System.

* * * * *

Section 5.6. Disconnection of Service for Non-Payment; No Free Service.

(a) The County shall diligently enforce payment of all bills for sewer services supplied by the System. If a bill becomes delinquent and remains so for a period to be determined in accordance with County policy from time to time, the County shall discontinue sewer service in accordance with the laws of the State to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until all delinquent charges with penalties shall have been paid in full or provisions for payment satisfactory to the County shall have been made. The County shall do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the System.

(b) No free sewer service shall be furnished by the System to the County or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in the Purchase Agreement. The reasonable cost and value of all service rendered to the County and its various departments by the System shall be charged against the County and will be paid for as the service occurs from the County's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in the Purchase Agreement for the application of the Revenues of the System.

Section 5.7. No Competing System. The County shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing sewer system within, in whole or in part, the service areas of the System.

* * * * *

Section 7.1. Purchase Events of Default. Any one or more of the following events ("Purchase Events of Default") shall constitute a default under the Purchase Agreement:

(a) The County shall fail to make any payment when due under Section 3.3(b)(ii) or (iii) of the Purchase Agreement; or

(b) The County shall fail to make any payment under Section 3.3(b)(i) or (iv) of the Purchase Agreement for a period of 30 days after notice of such failure shall have been given in writing to the County by the Seller or by the Trustee; or

(c) The County shall fail to perform any other covenant in the Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the County by the Seller or the Trustee, provided that if such failure is a type that it cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the County diligently tries to remedy the same; or

(d) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the federal bankruptcy statutes, as amended, or under any similar acts that may be enacted after execution of the Purchase Agreement.

Section 7.2. Remedies on Default by County. Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if indemnified to its satisfaction and requested to do so by the Trustee (acting upon direction from the Holders of a majority in aggregate principal amount of the 2010 Obligations), without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, except that under no circumstances may amounts due under the Purchase Agreement be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the System for the County with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments under the Purchase Agreement. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the County, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

* * * * *

Section 8.12. Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated in the 2010 Purchase and that provides that the County may within three years after its execution cancel any contract (including the Purchase Agreement) without penalty or further obligation made by the County if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the County is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

Article 9. Senior Resolution. The terms and provisions of the Senior Resolution will control in all respects to the extent the Senior Resolution is inconsistent with the Purchase Agreement, including, but not limited, with respect to definitions; priority of pledge, lien and security for the bonds issued under the Senior Resolution and credit enhancement for such bonds; flow of, and deposit to, funds; covenants regarding the System; defaults and remedies; etc. For purposes of the Purchase Agreement, the County waives its rights to amounts held pursuant to the "System Development Fund" established by the Senior Resolution. See "Appendix G – "SENIOR RESOLUTION SUMMARY."

For purposes of the test described under the heading "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS – Rate Covenant", the term "Additional Obligations" shall be defined to include "Outstanding Prior Obligations" as such term is defined under such heading. For purpose of the test described under the heading "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS – Additional Obligations" the term "Additional Obligations" in the definition of "Parity Lien Test Debt Service" shall also be defined to include Outstanding Prior Obligations.

This Article shall be applicable only until Prior Obligations are no longer "Outstanding" pursuant to the Senior Resolution. The County shall not amend or otherwise modify the Senior Resolution in any manner that adversely affects the rights of the Holders of the 2010 Obligations.

The Indenture

Granting Clauses. Pursuant to the Indenture, the Trustee has been granted a security interest in and the following described property has been released, assigned, transferred, pledged mortgaged, granted and conveyed to the Trustee:

A. All rights and interests of the Seller in, under and pursuant to the Purchase Agreement as assigned, mortgaged, hypothecated and pledged to the Trustee pursuant to the Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,

B. Amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture and

C. Any and all other real or personal property of any kind from time to time after execution of the Indenture by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Indenture for the 2010 Obligations, by the County or by anyone on its behalf or with its written consent, in favor of the Trustee.

* * * * *

Section 1.3. All 2010 Obligations Equally and Ratably Secured; 2010 Obligations Not General Obligations of the County. All of the 2010 Obligations executed and delivered under the Indenture and at any time Outstanding shall in all respects be equally and ratably secured by the Indenture, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the 2010 Obligations, so that all 2010 Obligations at any time Outstanding under the Indenture shall have the same right, lien and preference under the Indenture. The 2010 Obligations shall be payable solely out of the revenues and other security pledged by the Indenture and shall not constitute an indebtedness or general obligation of the County within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the County or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

* * * * *

Section 5.3. Flow of Funds into the Obligation Fund. The following payments to the Trustee shall be applied in the following manner:

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(b)(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(B) of the Indenture shall also be deposited into the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(b)(iii) of the Purchase Agreement as well as the total of any amounts received for any redemption of 2010 Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement and Section 5.4(iii)(B) of the Indenture shall also be deposited in the Principal Account.)

(iii) The Trustee shall deposit to the Debt Service Reserve Account amounts paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement. No deposit need be made into the Debt Service Reserve Account if the amount on deposit therein plus the maximum amount of the Qualified Reserve Fund Instruments contained therein equals the Reserve Requirement.

Section 5.4. Flow of Funds out of the Obligation Fund. Amounts in the following accounts shall be applied in the following manner:

(i) Amounts in the Interest Account shall be used to pay interest on the 2010 Obligations as it becomes due.

(ii) Amounts in the Principal Account shall be used to retire 2010 Obligations by payment at their scheduled maturity date, mandatory redemption date or optional redemption date.

(iii) (A) Amounts in the Debt Service Reserve Account shall be used to pay the interest on, or to retire at their scheduled maturity or mandatory redemption date, the 2010 Obligations in the event that no other money of the County is available therefor or for the retirement (including by defeasance pursuant to Section 10.2 of the Indenture) of all of the 2010 Obligations then Outstanding. If and to the extent that money has been deposited in the Debt Service Reserve Account, all such money shall be used (or investments purchased with such money shall be liquidated and the proceeds applied as required) prior to any drawing under a Qualified Reserve Fund Instrument. If and to the extent that more than one Qualified Reserve Fund Instrument is credited to the Debt Service Reserve Account in lieu of money, drawings under such Qualified Reserve Fund Instruments shall be made on a *pro-rata* basis (calculated by reference to the policy, surety or other similar limits or maximum amounts available thereunder) after applying all available money in the Debt Service Reserve Account.

(B) If on July 2 of any year the amount in the Debt Service Reserve Account exceeds an amount equal to the Reserve Requirement and if the County is not then in default under the Purchase Agreement, the Trustee shall withdraw the amount of any such excess from such account and shall apply such amount, first and on a *pro-rata* basis, to pay amounts due with respect to any Qualified Reserve Fund Instruments, including by transferring *pro-rata* amounts in

the appropriate "reimbursement funds" established to reimburse the providers of any Qualified Reserve Fund Instruments for any payments made by the providers thereof until the corresponding costs with respect thereto are paid, second, as a deposit to the Interest Account, and third, if the amount in the Interest Account is equal to or greater than the interest due on the 2010 Obligations on the next Obligation Payment Date, as a deposit to the Principal Account.

Section 5.5. Investment of Moneys Held by Trustee.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the County Representative; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the County, then the Trustee shall invest moneys in investments described in paragraph 2 of the definition of Defeasance Obligations.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

* * * * *

Section 7.1. Events of Default. Each of the following is declared an "Indenture Event of Default" under the Indenture:

(a) If payment of any installment of interest on any 2010 Obligation is not made in full when the same becomes due and payable;

(b) If payment of the principal or redemption premium, if any, on any 2010 Obligation is not made in full when the same becomes due and payable;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of all or any part of the interests pledged under the Indenture and such custody or control continues for more than 60 days;

(d) If the County defaults in the due and punctual performance of any other covenant, condition, agreement or provision on its part to be performed as provided in the Indenture or in the Series 2010 Obligations and such default continues for 30 days after the Trustee gives the County written notice specifying such default, unless within such 30 days the County commences and diligently pursues in good faith appropriate corrective action to the satisfaction of the Trustee; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the 2010 Obligations then Outstanding; or

(e) If any event of default provided by Section 7.1 of the Purchase Agreement occurs.

Section 7.2. Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with the Indenture and the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the 2010 Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, protect and enforce its rights and the rights of the Holders under the Indenture and the Purchase Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to, an action for the recovery of any amounts due under the

Indenture or for damages for the breach of the Indenture, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to the Purchase Agreement subject to any limitations on such remedies set forth therein.

(b) Regardless of the happening of an Indenture Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the 2010 Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of 2010 Obligations not making such request.

Section 7.3. No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable or payable in advance of their scheduled maturity dates, any amounts due under the Indenture other than as a result of optional redemption pursuant to the Indenture and then only to the extent of the amount to be so redeemed.

Section 7.4. Application of Revenues and Other Moneys After Default.

(a) During the continuance of an Indenture Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the Obligation Fund, and all amounts held by the Trustee under the Indenture shall be applied as follows provided, that if the amount available shall not be sufficient to pay in full any amount or amounts then due, then to the payment thereof ratably in a manner consistent with Section 3.3 of the Purchase Agreement, according to the amounts due to the Persons entitled thereto, without any discrimination or preference:

First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the 2010 Obligations);

Second: To the payment of the unpaid Principal Installments or redemption price of any 2010 Obligations that shall have become due, whether at maturity or by call for redemption, in the order of their due dates; and

Third: To the payment of any other amounts due and owing to the 2010 Insurer.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the 2010 Obligations to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid 2010 Obligation until such 2010 Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the 2010 Obligations that has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the County.

* * * * *

Section 7.7. Individual Holder Action Restricted.

(a) No Holder of any 2010 Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for any remedy under the Indenture except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers under the Indenture upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of 2010 Obligations Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Indenture; and

(ii) Such Holders have offered to indemnify the Trustee as provided in the Indenture; and

(iii) The Trustee has failed or refused to exercise the duties or powers granted in the Indenture for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of 2010 Obligations then Outstanding.

(b) No one or more Holders of 2010 Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security thereof or to enforce any right under the Indenture except in the manner provided in the Indenture and for the equal benefit of the Holders of all 2010 Obligations Outstanding.

(c) Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any 2010 Obligation (i) to receive payment of the principal of or premium, if any, or interest on such 2010 Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any 2010 Obligation may institute or prosecute any such suit if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, funds and properties pledged under the Indenture for the equal and ratable benefit of all Holders of 2010 Obligations.

* * * * *

Section 7.9. Waiver of Indenture Event of Default.

(a) No delay or omission of the Trustee or of the Holder of any 2010 Obligations to exercise any right or power accruing upon any Indenture Event of Default shall impair any such fight or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein. Every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Indenture Event of Default that in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under, the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

(c) In case of any waiver by the Trustee of an Indenture Event of Default under the Indenture, the County, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Indenture Event of Default. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Indenture Event of Default in accordance with this Section.

* * * * *

Section 8.1. Certain Duties and Responsibilities of Trustee.

(a) Except during the continuance of an Indenture Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which are required by any provision of the Indenture or the Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture or the Purchase Agreement on their face.

(b) In case an Indenture Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate indenture trustee would exercise or use under the circumstances.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith and without negligence, willful misconduct or breach of trust by a president or vice-president of the board of directors, the president or vice-president of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any associate or senior associate, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of, subject to Section 12.7 of the Indenture, the 2010 Insurer or the Holders of the Outstanding 2010 Obligations as provided in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture and

(iv) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the County for all reasonable costs, expenses, attorneys' and other fees and expenses, and all other reasonable disbursements, including its own fees and expenses, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

(d) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.2. Certain Rights of Trustee. Except as otherwise provided in Section 8.1 of the Indenture:

* * * * *

(v) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture unless such Holders shall have offered to the Trustee satisfactory security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

* * * * *

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the County and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the 2010 Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the County and any Paying Agents and signed by (i) the County Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the 2010 Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by an instrument signed by the County or by any court of competent jurisdiction upon the application of the County, or the Holders of not less a majority in aggregate principal amount of the 2010 Obligations then Outstanding under the Indenture. Any removal shall not take effect until a successor Trustee has been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

(c) In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the County shall be entitled to appoint a successor Trustee acceptable to the County.

(d) If the Holders of a majority of the principal amount of 2010 Obligations then Outstanding object to the successor Trustee so appointed by the County and if such Holders designate another Person qualified to act as the Trustee, the County shall then appoint as the Trustee the Person so designated by the Holders.

* * * * *

Section 8.8. Trustee's Fees and Expenses.

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it under the Indenture; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and to be indemnified by the County, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of this trust or its duties under the Indenture.

* * * * *

Section 9.1. Supplements not Requiring Consent of Holders. The County acting through the County Representative and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more supplements to the Indenture for one or more of the following purposes:

(i) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that is inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture provided such action shall, in the opinion of counsel delivered to the Trustee, not materially adversely affect the interests of the Holders;

(ii) To grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(iii) To secure additional revenues or provide additional security or reserves for payment of the 2010 Obligations or to add a Qualified Reserve Fund Instrument and necessary, related provisions therefor;

(iv) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(v) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Indenture;

(vi) To permit 2010 Obligations in bearer form if, the County and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any 2010 Obligations to become includible in gross income for purposes of federal income taxes;

(vii) To preserve the exclusion of the interest on the 2010 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the County to continue to incur obligations (specifically not limited to the 2010 Obligations) the interest on which is likewise exempt from federal and State income taxes; and

(viii) To adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Indenture by agreement of the Trustee and the County.

Section 9.2. Supplements Requiring Consent of Holders.

(a) Other than supplements to the Indenture referred to in Section 9.1 of the Indenture and subject to the terms and provisions and limitations contained in the Indenture and not otherwise, the Holders of not less than a majority in principal amount of the 2010 Obligations then Outstanding the 2010 Insurer shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the County Representative and the Trustee of such supplement as shall be deemed necessary and desirable by the County and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, nothing in this Section or Section 9.1 of the Indenture shall permit or be construed as permitting a supplement to the Indenture that would:

(i) extend the stated maturity of or time for paying interest on any 2010 Obligation or reduce the principal amount of or rate of interest payable on any 2010 Obligation without the consent of the Holder of such 2010 Obligation and the 2010 Insurer;

(ii) prefer or give a priority to any 2010 Obligation over any other 2010 Obligation without the consent of the Holder of such 2010 Obligation and the 2010 Insurer;

(iii) reduce the principal amount of 2010 Obligations then outstanding the consent of the Holders of which is required to authorize such supplement without the consent of the Holders of all 2010 Obligations then Outstanding and the 2010 Insurer;

(iv) increase the principal amount of 2010 Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(iv) of the Indenture, without the consent of the Holders of all 2010 Obligations then Outstanding and the 2010 Insurer; or

(v) reduce the redemption price of any 2010 Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 of the Indenture without the consent of the Holder of such 2010 Obligation and the 2010 Insurer.

(b) If at any time the County requests the Trustee to enter into a supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the County with respect to expenses with respect to such supplement, cause notice of the proposed execution of such supplement to be mailed by first class

mail, postage pre-paid, to all registered Holders of 2010 Obligations then Outstanding at their addresses as they appear on the registration books for the 2010 Obligations and the 2010 Insurer. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such supplement when consented to and approved as provided in this Section. Such notice shall briefly set forth the nature of the proposed supplement and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

* * * * *

Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the County in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; (iii) to add a Qualified Reserve Fund Instrument so long as any payments with regard to the new Qualified Reserve Fund Instrument are paid no sooner, or in an amount greater, than amounts required to be paid pursuant to Section 3.3(b)(iv) of the Purchase Agreement; (iv) to amend the description of the Series 2010 Projects; (v) to preserve the exclusion of the interest on the 2010 Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the County to continue to incur bonds or other obligations (specifically not limited to the 2010 Obligations authorized by the Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel stating that such amendment is authorized or permitted under the Indenture and under the Purchase Agreement.

Section 9.5. Amendments to Purchase Agreement Requiring Consent of Holders.

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 of the Indenture and subject to the terms, provisions and limitations contained in the Indenture and not otherwise, the Trustee may consent to and join with the County in the execution and delivery of any amendment, change or modification to the Purchase Agreement only with the consent of the Holders of not less than a majority in principal amount of 2010 Obligations then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the County to make payments, under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all 2010 Obligations then Outstanding and the consent of the 2010 Insurer.

* * * * *

Section 10.1. Discharge of Indenture.

(a) If payment of all principal of and premium, if any, and interest on all of the 2010 Obligations in accordance with their terms and as provided in the Indenture is made, or is provided for in accordance with Article 10 of the Indenture, and if all other sums, if any, payable under the Indenture shall be paid, then the liens, estates and security interests granted by the Indenture shall cease. Thereupon, upon the request of the County, and upon receipt by the Trustee of an Opinion of Counsel addressed to the County and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture and the Trustee shall transfer all property held by it under the Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the 2010 Obligations, to the County or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Indenture.

(b) The County may at any time surrender to the Trustee for cancellation any 2010 Obligations previously executed and delivered that the County may have acquired in any manner whatsoever and such 2010 Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the 2010 Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants, to pay when due the principal or redemption price of and interest on such 2010 Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such 2010 Obligations solely for the purpose of paying the principal or redemption price of and interest on such 2010 Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such 2010 Obligations are to be redeemed prior to their respective dates.

* * * * *

(c) If payment of 2010 Obligations is so provided for, the Trustee shall mail a notice so stating to each Holder of a 2010 Obligation so provided for.

(d) 2010 Obligations, the payment of which has been provided for, in accordance with this Section, shall no longer be deemed outstanding under or secured by the Indenture. The obligation in respect of such 2010 Obligations shall nevertheless continue but the Holders of those 2010 Obligations will thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or such Depository Trustee to provide for the payment of such 2010 Obligations.

(e) No 2010 Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of such 2010 Obligation is made, the interest payable on any 2010 Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the County may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any 2010 Obligations.

* * * * *

Section 11.10 Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated in the Indenture and which provides that the County may within three years after its execution cancel any contract (including the Indenture) without penalty or further obligation made by the County if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the County is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

Section 12.7 Effectiveness of Certain Provisions. The provisions of the Indenture relating to notice to and rights of the 2010 Insurer (and the provisions the Purchase Agreement which are made subject to this Section 12.7) shall govern, notwithstanding anything to the contrary in the Indenture, but are only effective while the 2010 Policy is in effect and the 2010 Insurer is not in default or contesting obligations thereunder.

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APPENDIX I

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by Pima County, Arizona (the "County"), in connection with the sale and execution and delivery of $165,000,000 Sewer System Revenue Obligations, Series 2010 Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "Obligations") executed and delivered pursuant to the Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "Indenture"), by and between the County and The Bank of New York Mellon Trust Company, N.A., as trustee.

In connection with the Obligations, the County covenants and agrees as follows:

1. Definitions. In addition to the terms defined above, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" means the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"Audited Financial Statements" means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"EMMA" means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at http://emma.msrb.org.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Material Event" means the occurrence of any of the events with respect to the Obligations set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"Undertaking" means the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"Underwriter" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Underwriter in complying with the requirements of the Rule.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Obligations is 721876. The Final Official Statement relating to the Obligations is dated June 2, 2010.

4. Annual Information Disclosure. Subject to Section 8 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB and to the Series 2010 Insurer (as defined in the Indenture). The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Material Events Disclosure. Subject to Section 8 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to the MSRB through EMMA, in a format prescribed by the MSRB and to the Series 2010 Insurer.

6. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default on the Obligations. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Obligations, as determined by an independent counsel or other entity unaffiliated with the County.

8. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to the MSRB through EMMA.

9. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Obligations or the Rule no longer applies to the Obligations. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

10. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

12. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

13. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

14. Assignment. The County shall not transfer its obligations in connection to the Obligations unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

PIMA COUNTY, ARIZONA

By:_____
Thomas Burke
Finance and Risk Management Director

Dated: June 17, 2010

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND
AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix A in the tables entitled "SUMMARY OF WASTEWATER USER FEES," "SUMMARY OF USER FEES REVENUES," "CONNECTION FEE REVENUES," "REVENUES FROM OTHER FEES AND CHARGES" and "PIMA COUNTY REGIONAL WASTEWATER RECLAMATION ENTERPRISE FUND COMPARATIVE STATEMENTS OF SYSTEM GROSS REVENUES, OPERATION AND MAINTENANCE EXPENDITURES AND PROJECTED PLEDGED REVENUES AVAILABLE FOR DEBT SERVICE" but only, in each case, as it relates to the most recently completed fiscal year of the County.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2011. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles ("GAAP"), as applied to governmental units as modified by State law, Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE
OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the Obligations
7. Modifications to the rights of holders of the Obligations
8. Obligation calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Obligations
11. Rating changes

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APPENDIX J

BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, SPECIAL COUNSEL, OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the 2010 Obligations. The 2010 Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2010 Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2010 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Obligations on DTC's records. The ownership interest of each actual purchaser of each 2010 Obligation ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2010 Obligations are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2010 Obligations, except in the event that use of the book-entry system for the 2010 Obligations is discontinued.

To facilitate subsequent transfers, all 2010 Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2010 Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Obligations are credited, which may or may not be the Beneficial Owners.

The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2010 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2010 Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of 2010 Obligations may wish to ascertain that the nominee holding the 2010 Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2010 Obligations unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2010 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the 2010 Obligations will be made by the Trustee to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2010 Obligations at any time by giving reasonable notice to the Trustee or the County. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2010 OBLIGATIONS UNDER THE TRUST AGREEMENT; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2010 OBLIGATIONS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2010 OBLIGATIONS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2010 OBLIGATIONS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered owner of the 2010 Obligations, as nominee for DTC, references herein to "Owner" or registered owners of the 2010 Obligations (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2010 Obligations.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

So long as Cede & Co. is the registered Holder of the 2010 Obligations, as nominee for DTC, references herein to "Holders" or registered Holders of the 2010 Obligations (other than under the captions "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2010 Obligations.

When reference is made herein to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the County or the Trustee to DTC only.

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APPENDIX K

SPECIMEN MUNICIPAL OBLIGATION INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

Form 500NY (5/90)

SPECIMEN

CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (this "*Undertaking*") is executed and delivered by Pima County, Arizona (the "*County*"), in connection with the sale and execution and delivery of $165,000,000 Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, Dated as of June 1, 2010 (the "*Obligations*"), executed and delivered pursuant to the Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), by and between the County and The Bank of New York Mellon Trust Company, N.A., as trustee.

In connection with the Obligations, the County covenants and agrees as follows:

1. Definitions. In addition to the terms defined above, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"*Annual Information*" means the financial information and operating data set forth in Exhibit I.

"*Annual Information Disclosure*" means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

"*Audited Financial Statements*" means the general purpose audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

"*Commission*" means the Securities and Exchange Commission.

"*Dissemination Agent*" means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent's successors and assigns.

"*EMMA*" means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at http://emma.msrb.org.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Material Event*" means the occurrence of any of the events with respect to the Obligations set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

"*MSRB*" means the Municipal Securities Rulemaking Board.

"*Rule*" means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"*Undertaking*" means the obligations at the County pursuant to Sections 4, 5, 6 and 7 hereof.

"*Underwriter*" includes each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Underwriter in complying with the requirements of the Rule.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Obligations is 721876. The Final Official Statement relating to the Obligations is dated June 2, 2010.

4. Annual Information Disclosure. Subject to Section 8 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I) to the MSRB through EMMA, in a format prescribed by the MSRB and to the Series 2010 Insurer (as defined in the Indenture). The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Material Events Disclosure. Subject to Section 8 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to the MSRB through EMMA, in a format prescribed by the MSRB and to the Series 2010 Insurer.

6. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific

performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default on the Obligations. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the County by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Obligations, as determined by an independent counsel or other entity unaffiliated with the County.

8. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to the MSRB through EMMA.

9. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder when the County no longer has liability for any obligation relating to repayment of the Obligations or the Rule no longer applies to the Obligations. The County shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA.

10. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

12. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

13. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

14. Assignment. The County shall not transfer its obligations in connection to the Obligations unless the transferee agrees to assume all obligation of the County under this Undertaking or to execute an Undertaking under the Rule.

PIMA COUNTY, ARIZONA

By:.....
Thomas Burke
Finance and Risk Management Director

Dated: June 17, 2010

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND
AUDITED FINANCIAL STATEMENTS

"Annual Financial Information" means quantitative financial information and operating data concerning the operations of the County of the type set forth in the Official Statement in Appendix A in the tables entitled "SUMMARY OF WASTEWATER USERS FEES," "SUMMARY OF USER FEES REVENUES," "CONNECTION FEE REVENUES," "REVENUES FROM OTHER FEES AND CHARGES" and "PIMA COUNTY REGIONAL WASTEWATER RECLAMATION ENTERPRISE FUND COMPARATIVE STATEMENTS OF SYSTEM GROSS REVENUES, OPERATION AND MAINTENANCE EXPENDITURES AND PROJECTED PLEDGED REVENUES AVAILABLE FOR DEBT SERVICE" but only, in each case, as it relates to the most recently completed fiscal year of the County.

Annual Financial Information exclusive of Audited Financial Statements will be provided to the MSRB through EMMA, no later than the first business day in February of each year, commencing February 1, 2011. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to generally accepted accounting principles ("GAAP"), as applied to governmental units as modified by State law, Audited Financial Statements will be provided to the MSRB through EMMA, at the same time as Annual Financial Information is filed, or if not available when such Annual Financial Information is filed, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE
OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of creditor liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the Obligations
7. Modifications to the rights of holders of the Obligations
8. Obligation calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Obligations
11. Rating changes

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 40298433

June 15, 2010

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019
Attention: Mr. Richard Bauerfeld, Managing Director

Re: ***$165,000,000 Pima County, Arizona, Sewer System Revenue Obligations, Series 2010, dated: Date of Initial Delivery, due: July 1, 2014-2025, (POLICY #212073-N)***

Dear Mr. Bauerfeld:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

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&POOR'S

Sincerely yours,

Standard & Poor's Ratings Services
a Standard & Poor's Financial Services LLC business

Standard and Poor's /WSD

aw

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&POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 1115854

May 19, 2010

Pima County
Finance Department
130 West Congress Street, 10th Floor
Tucson, AZ 85701
Attention: Mr. Thomas Burke, Finance and Risk Management Director

Re: ***US$82,500,000 Pima County, Arizona, Taxable Sewer Revenue Bonds, (Build America Bonds), Series 2010A, dated: Date of Delivery, due: July 1, 2025***

US$82,500,000 Pima County, Arizona, Tax-Exempt Sewer Revenue Bonds, Series 2010B, dated: Date of Delivery, due: July 1, 2025

Dear Mr. Burke:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "A". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a Standard & Poor's Financial Services LLC business

Van Carroll
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vb
enclosures
cc: Mr. Kurt M. Freund, Managing Director
RBC Capital Markets

STANDARD
&POOR'S

Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

FitchRatings

111 Congress Avenue, Suite 2010
Austin, TX 78701

T 512 215 3737 / 888 262 4820
www.fitchratings.com

May 20, 2010

Mr. Thomas Burke
Finance & Risk Management Director
Pima County
Finance and Risk Management
130 W. Congress St., 6th Floor
Tucson, AZ 85701

Dear Mr. Burke:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Steve M. Murray
Senior Director
U.S. Public Finance

SM/am

Enc: Notice of Rating Action
(Doc ID: 144231)

Notice of Rating Action

Bond Description	Rating Type	Action	Rating	Outlook/ Watch	Eff Date	Notes
Pima County (AZ) swr rev bonds ser 2007	Long Term	New Rating	AA	RO:Sta	19-May-2010	
Pima County (AZ) swr rev bonds ser 2008	Long Term	New Rating	AA	RO:Sta	19-May-2010	
Pima County (AZ) swr rev bonds ser 2009	Long Term	New Rating	AA	RO:Sta	19-May-2010	
Pima County (AZ) swr rev rfdg & improv bonds ser 1998	Long Term	New Rating	AA	RO:Sta	19-May-2010	
Pima County (AZ) swr rev rfdg bonds ser 2001	Long Term	New Rating	AA	RO:Sta	19-May-2010	
Pima County (AZ) swr rev rfdg bonds ser 2004	Long Term	New Rating	AA	RO:Sta	19-May-2010	
Pima County (AZ) swr sys rev obligs (Taxable Build America Bonds - Direct Payment) ser 2010A	Long Term	New Rating	AA-	RO:Sta	19-May-2010	
Pima County (AZ) swr sys rev obligs ser 2010B	Long Term	New Rating	AA-	RO:Sta	19-May-2010	

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

(Doc ID: 144231)

$165,000,000
SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010,
Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid By
PIMA COUNTY, ARIZONA,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of June 1, 2010

RECEIPT OF UNDERWRITER

The undersigned officer of RBC Capital Markets Corporation, does hereby acknowledge receipt of the above-referenced Obligations, dated the date hereof, aggregating in the maturities and bearing interest at the rates set forth below and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York:

Year	Principal Amount	Interest Rate
2014	$ 2,000,000	4.000%
2015	1,600,000	2.500
2015	400,000	4.000
2016	1,000,000	3.000
2016	1,000,000	4.000
2017	2,300,000	3.250
2017	12,225,000	4.500
2018	775,000	3.500
2018	14,375,000	5.000
2019	250,000	3.750
2019	15,645,000	5.000
2020	1,365,000	4.000
2020	15,320,000	5.000
2021	17,510,000	5.000
2022	18,385,000	5.000
2023	19,300,000	5.000
2024	20,270,000	5.000
2025	21,280,000	5.000

Dated: June 17, 2010.

RBC CAPITAL MARKETS CORPORATION

By:.....
Kurt Freund, Managing Director

GT GreenbergTraurig

June 17, 2010

The Bank of New York Mellon Trust Company, N.A.
Tempe, Arizona

Re: Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, Dated as of June 1, 2010

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the above-referenced Obligations (the "*Obligations*") in the aggregate principal amount of $165,000,000 and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to provide for the costs to finance the costs of certain improvements to the sewer system (the "*System*") serving Pima County, Arizona (the "*County*").

We have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, such documents and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Obligations. Reference is made to certifications of, and opinions of counsel to, parties with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The Obligations are being executed and delivered pursuant to the Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), by and between the County and The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee (the "*Trustee*"). Each of the Obligations represents an undivided and proportionate interest in certain obligations of the County pursuant to the Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "*Purchase Agreement*"), by and between the Trustee, in its separate capacity as seller (the "*Seller*"), and the County, as

ALBANY
AMSTERDAM
ATLANTA
AUSTIN
BOSTON
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MIAMI
MILAN**
NEW JERSEY
NEW YORK
ORANGE COUNTY
ORLANDO
PALM BEACH COUNTY
PHILADELPHIA
PHOENIX
ROME**
SACRAMENTO
SAN FRANCISCO
SHANGHAI
SILICON VALLEY
TALLAHASSEE
TAMPA
TOKYO**
TYSONS CORNER
WASHINGTON, D.C.
WHITE PLAINS
ZURICH**
*OPERATES AS GREENBERG TRAURIG MAHER LLP
**STRATEGIC ALLIANCE

purchaser, pursuant to which the County has agreed to make certain installment purchase payments to the Trustee. The Obligations are payable solely, as to both principal and interest, from such installment purchase payments made by the County pursuant to the Purchase Agreement. The County and the Seller have assigned certain of their rights in and benefits from, and of their obligations pursuant to, the Purchase Agreement to the Trustee pursuant to the Indenture.

Based upon the foregoing, we are of the opinion as of this date, which is the date of initial execution and delivery of the Obligations against payment therefor, that:

1. The Indenture, the Purchase Agreement and the Obligations are valid and binding and enforceable in accordance with their terms. The rights of the owners of the Obligations and the enforceability of those rights pursuant to the Obligations as well as the Indenture and the Purchase Agreement may, however, be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights, and the enforcement of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity. The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

2. The obligation of the County for the payment of the installment purchase payments required to be paid by the County pursuant to the provisions of the Purchase Agreement constitute a valid and binding limited, special obligation of the County, payable together with any other obligations issued on parity therewith, solely from and secured solely by a pledge of, a lien on and a security interest in the Pledged Revenues (as defined in the Purchase Agreement), consisting generally of revenues derived by the County from the operation of the System after sufficient funds have been provided for the operation and maintenance expenses of the System and for payment of certain senior lien obligations and amounts related thereto. Such payments are not secured by an obligation or pledge of any moneys raised by taxation; the Obligations do not represent or constitute a debt or pledge of the general credit of the County or the State of Arizona and the Purchase Agreement, including the obligation of the County to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the County.

3. The portion of each installment purchase payment made by the County pursuant to the Purchase Agreement, denominated as and comprising interest pursuant to the Purchase Agreement and received by the owners of the Obligations (the "*Interest Portion*"), is excludible from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "*Code*"), is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. The Interest Portion is also exempt from income taxation under the laws of the

State of Arizona so long as the Interest Portion is excluded form gross income for federal income tax purposes. Pursuant to the Code, however, portions of the Interest Portion earned by certain corporations (as defined for federal income tax purposes) may be subject to a branch profits tax imposed on certain of such corporations which are foreign corporations doing business in the United States and to a tax imposed on excess net passive income of such corporations which are S corporations. (We express no opinion regarding other federal or State tax consequences resulting from the ownership of, receipt or accrual of interest on or the disposition of the Obligations.)

In rendering the opinion expressed in the third numbered paragraph hereof, we have assumed continuing compliance with certain tax covenants provided in connection with the original execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes. The failure of the County to meet certain requirements of the Code with respect to the matters described in the third numbered paragraph hereof may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of initial execution and delivery of the Obligations. The County has covenanted to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. (Subject to the same limitations in the penultimate sentence of the first numbered paragraph hereof as they would relate to such covenants, the County has full legal power and authority to comply with such covenants.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

Greenberg Traurig, LLP

GT GreenbergTraurig

June 17, 2010

RBC Capital Markets Corporation
Phoenix, Arizona

Assured Guaranty Municipal Corp.
New York, New York

Re: Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, Dated as of June 1, 2010

Pursuant to a Purchase Contract, dated June 2, 2010 (the "*Purchase Contract*"), by and among Pima County, Arizona, and you, RBC Capital Markets Corporation, we have delivered to you our approving opinion of even date herewith relating to the above-referenced Obligations (the "*Obligations*"). You may rely on such opinion as if such opinion were also addressed to you. All terms used herein shall have the same meaning assigned to such terms in the Purchase Contract.

With the same exceptions, reliances and assumptions provided therein and further relying specifically on the opinion of the County Attorney of the County, dated the date hereof, as to matters addressed therein, we hereby supplement the aforesaid approving opinion and further advise you as follows:

1. The statements contained, but not incorporated by reference, under the headings "THE 2010 OBLIGATIONS," "SECURITY FOR AND SOURCE OF PAYMENT OF THE 2010 OBLIGATIONS," "TAX MATTERS" and "CONTINUING SECONDARY MARKET DISCLOSURE" (other than information relating to the County's compliance with prior undertakings, as to which no opinion need be expressed) in, and in Appendices D, G, H and I to, the Official Statement are an accurate summary of the information which they purport to summarize. Otherwise, in connection with our participation in the transaction as special counsel, we have had no part in the preparation of the information appearing in the Official Statement and have not undertaken to determine independently the accuracy, completeness or fairness of the statements contained therein.

ALBANY
AMSTERDAM
ATLANTA
AUSTIN
BOSTON
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MIAMI
MILAN**
NEW JERSEY
NEW YORK
ORANGE COUNTY
ORLANDO
PALM BEACH COUNTY
PHILADELPHIA
PHOENIX
ROME**
SACRAMENTO
SAN FRANCISCO
SHANGHAI
SILICON VALLEY
TALLAHASSEE
TAMPA
TOKYO**
TYSONS CORNER
WASHINGTON, D.C.
WHITE PLAINS
ZURICH**
*OPERATES AS GREENBERG TRAURIG MAHER LLP
**STRATEGIC ALLIANCE

2. The County has full legal right, power and authority (A) to enter into, execute and deliver the County Documents and the Tax Agreement, (B) to sell, execute and deliver the Obligations to the Underwriter as provided in the Purchase Contract and (C) to carry out and consummate the transactions contemplated by the County Documents, and the Official Statement, and the County has complied, and will at the Closing be in compliance in all material respects, with the terms of the County Documents as they pertain to such transactions.

3. By all necessary official action of the County prior to or concurrently with the acceptance hereof, the County has duly authorized all necessary action to be taken by it for (A) the execution and delivery of the County Documents and the Tax Agreement and the sale, execution and delivery of the Obligations, (B) the approval, execution and delivery of, and the performance by the County of the obligations on its part, contained in the Obligations and the County Documents and (C) the consummation by it of all other transactions contemplated by the Official Statement and the County Documents.

4. The Purchase Contract and the Continuing Disclosure Undertaking have been duly authorized, executed and delivered by the County and, subject to annual appropriation to provide for the expenses of compliance therewith in connection with the Continuing Disclosure Undertaking, constitute legal, valid and binding obligations of the County enforceable against the County in accordance with their terms.

5. The distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the County.

6. All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, Board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the County of its obligations under the County Documents and the Obligations have been obtained.

7. The Obligations are exempted securities under the Securities Act of 1933, as amended (the "*1933 Act*"), and the Trust Indenture Act of 1939, as amended (the "*Trust Indenture Act*") and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act or to qualify the Indenture under the Trust Indenture Act.

Respectfully submitted,

Greenberg Traurig, LLP

SQUIRE, SANDERS & DEMPSEY L.L.P.

Two Renaissance Square
40 North Central Avenue, Suite 2700
Phoenix, AZ 85004

Office: +1.602.528.4000
Fax: +1.602.253.8129

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

June 17, 2010

RBC Capital Markets Corporation
Phoenix, Arizona

Re: $165,000,000 Pima County, Arizona
Sewer System Revenue Obligations, Series 2010

Ladies and Gentlemen:

We have acted as your counsel in connection with your purchase, as underwriter, of the $165,000,000 Pima County, Arizona Sewer System Revenue Obligations, Series 2010 (the "Obligations") pursuant to a Purchase Contract, dated June 2, 2010 (the "Purchase Contract"), between you and Pima County, Arizona (the "County"). Terms defined in the Purchase Contract, which are not defined in this letter, are utilized as defined in the Purchase Contract.

In our capacity as your counsel, we have examined (a) executed counterparts of the Purchase Contract and the Obligation Indenture, dated as of June 1, 2010 (the "Indenture"), between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the Series 2010 County Purchase Agreement, dated as of June 1, 2010 (the "County Purchase Agreement"), between the County and the Trustee, (b) the Official Statement, dated June 2, 2010, relating to the Obligations (the "Official Statement"); and (c) the Securities Act of 1933, as amended (the "1933 Act"), the Trust Indenture Act of 1939, as amended (the "1939 Act"), and the applicable rules, regulations and interpretations under those Acts. We have also examined certain other documents, including certificates, opinions and records (but did not review any minutes of the meetings of the County other than those included in the transcript of proceedings for the Obligations), and we have made such investigations concerning applicable laws as we considered to be appropriate for the purpose of delivering this letter. For such purpose, we assume the authenticity of all original documents and the conformity to original documents of all copies of documents, the accuracy and completeness of all certificates and records as to factual matters, the authenticity of all signatures on documents and the legal capacity of signers to execute the documents.

Based on that examination and subject to the foregoing limitations, we are of the opinion that, under existing law, it is not necessary in connection with the primary offering and sale of the Obligations to the public to register the Obligations under the 1933 Act or to qualify the Indenture under the 1939 Act. For purposes of rendering the foregoing opinion, we have relied on the legal conclusions expressed by Greenberg Traurig, LLP, as Special Counsel, as to the

validity of the Obligations and the exclusion of interest on the Obligations from the gross income of their owners for federal income tax purposes.

In accordance with the terms of our engagement as your counsel, we have rendered legal advice and provided assistance to you in the course of your investigations pertaining to, and your participation in, the preparation of, the Official Statement. In addition to reviewing the documents referred to above, certain of our lawyers responsible for this matter participated in telephone conferences and meetings with representatives of the County, financial consultants to the County, Greenberg Traurig, LLP, as Special Counsel, and your representatives, concerning the contents of the Official Statement and related matters. While we have not undertaken to verify independently, and are not expressing any view upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the contents of the Official Statement, our lawyers responsible for this matter are not presently aware of any information that came to their attention in the course of the performance of the services referred to herein that leads us to believe that the Official Statement, as of its date or as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements made in the Official Statement, in light of the circumstances under which they were made, not misleading. We express no view as to the information concerning the Insurer, the Policy, DTC's book-entry-only system or any financial, technical or statistical data included or incorporated by reference in the Official Statement or any Appendix thereto.

We have not investigated independently the accuracy of any legal conclusions upon which we have relied that are expressed by other counsel; however, our lawyers responsible for this matter are not presently aware of any information that leads us to believe that it would be unreasonable to rely upon those legal conclusions. References in this letter to "our lawyers responsible for this matter" refer only to those lawyers now with this Firm who rendered legal services in connection with our representation of you in this matter.

We have also rendered legal advice and provided assistance to you as to the requirements of Rule 15c2-12 prescribed under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with your review, for purposes of paragraph (b)(5)(i) of the Rule, of the Continuing Disclosure Undertaking. Based upon our examination of the items referenced in this opinion, including the Continuing Disclosure Undertaking and the Rule, and subject to the limitations expressed above, we are of the opinion that, under existing laws, the Continuing Disclosure Undertaking complies as to form in all material respects with the applicable requirements of the Rule. For purposes of rendering the foregoing opinion, we have relied upon the legal conclusions expressed by Greenberg Traurig, LLP, as Special Counsel, as to the validity and enforceability against the County of the Continuing Disclosure Undertaking.

Our engagement with respect to the matters addressed in this letter is concluded upon the delivery of this letter. The views expressed in this letter are as of, and are based upon the law in effect on, the date of this letter. Those views may be affected by actions taken or omitted or

events occurring after the date of this letter, and we assume no obligation to revise or supplement this letter or to determine or to inform any person if such law changes or if any such actions are taken or omitted or any such events occur.

This letter is furnished solely for your benefit in connection with your purchase of the Obligations, and this letter may not, without our prior express consent, be used, circulated, quoted or otherwise referred to (except in lists or sets of closing documents), or be relied upon by any other person or for any other purpose.

Respectfully submitted,

Squire, Sanders & Dempsey LLP

OFFICE OF THE
Pima County Attorney
Civil Division
32 N. STONE
SUITE 2100
Tucson, Arizona 85701-1412
(520) 740-5750
FAX (520) 620-6556

Barbara LaWall
PIMA COUNTY ATTORNEY

June 17, 2010

RBC Capital Markets Corporation
Phoenix, Arizona

The Bank of New York Mellon Trust Company, N.A., as Trustee
Phoenix, Arizona

Assured Guaranty Municipal Corp.
New York, New York

Greenberg Traurig, LLP
Phoenix, Arizona

As County Attorney for Pima County, Arizona (the "*County*"), and in reliance upon the advice of Greenberg Traurig, LLP, Special Counsel to the County, I hereby approve the forms of the instruments, documents, and agreements, specifically, Resolution No. 2010-50 passed, adopted and approved by the Board of the County on March 9, 2010 (the "*Authorizing Resolution*"), the Continuing Disclosure Undertaking, dated the date hereof (the "*Continuing Disclosure Undertaking*"), the Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), the Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "*Purchase Agreement*"), the Purchase Contract, dated June 2, 2010 (the "*Purchase Contract*"), and the Official Statement, dated June 2, 2010 (the "*Official Statement*"), to be executed by authorized representatives of the County in connection with the sale, and the execution and delivery on the date hereof, of $165,000,000 aggregate principal amount of the Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the Holders Thereof In Installment Payments of the Purchase Price To Be Paid By Pima County, Arizona, Pursuant To a Series 2010 Purchase Agreement, Dated as of June 1, 2010.

Based upon the foregoing, pursuant to existing laws, regulations and rulings, it is my opinion that:

1. The County is duly organized and validly existing as a political subdivision pursuant to the laws of the State of Arizona.

2. The County has all requisite power and authority to cause the authorization, execution, sale and delivery of the Obligations and to carry out the transactions contemplated by the Authorizing Resolution, the Continuing Disclosure Undertaking, the Indenture, the Purchase Agreement, the Purchase Contract, the Official Statement and the Obligations.

3. The County has duly authorized and approved the Authorizing Resolution and the Purchase Agreement, both of which have been executed and delivered on behalf of the County, and are valid, legal and binding obligations of the County, enforceable against the County in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles generally affecting the enforcement of creditors' rights.

4. The Continuing Disclosure Undertaking, the Indenture, the Purchase Agreement and the Purchase Contract have been duly authorized and validly executed and delivered by the County, and constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles generally affecting the enforcement of creditors' rights.

5. Except as disclosed in the Official Statement, to the best of my knowledge, there is no pending legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body affecting the corporate existence of the County or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale or execution and delivery of the Obligations or the imposition and collection of fees and charges, in amounts and at time sufficient to pay, and securing the payment of principal of and interest on, the Obligations pursuant to the Indenture or in any way contesting or affecting the validity or enforceability of the Obligations, the County Documents (as such term is defined in the Purchase Contract), or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement (as such term is defined in the Purchase Contract) or the Official Statement or any supplement or amendment thereto, or contesting the powers of the County or any authority for the execution and delivery of the Obligations, the adoption of the Indenture or the execution and delivery of the County Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the County Documents.

6. The adoption of the Authorizing Resolution and the execution and delivery of the County Documents and compliance by the County with the provisions thereof, under the circumstances contemplated therein, will not conflict with or constitute on the part of the County a material breach of or a default under any agreement or instrument to which the County is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the County is subject.

Sincerely,

Regina L. Nassen
Deputy County Attorney

RLN/vly

$165,000,000
SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010,
Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid By
PIMA COUNTY, ARIZONA,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of June 1, 2010

EXECUTION AND DELIVERY AND
SIGNATURE IDENTIFICATION
CERTIFICATE AND RECEIPT OF TRUSTEE

The Bank of New York Mellon Trust Company, N.A. (the "*Trustee*") acts as obligation trustee, registrar and paying agent pursuant to the Series 2010 Obligation Indenture, dated as of June 1, 2010 (the "*Indenture*"), by and between Pima County, Arizona (the "*County*"), and the Trustee in connection with the execution and delivery on the date hereof of $165,000,000 aggregate principal amount of the above-referenced Obligations (the "*Obligations*") and as seller pursuant to the Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "*Purchase Agreement*"), by and between the Trustee, in its separate capacity as seller, and the County, as purchaser. The undersigned, acting for and on behalf of the Trustee, does hereby certify as follows:

1. The Trustee is duly authorized and empowered to act, and is acting, as trustee, registrar and paying agent for the Obligations under authority of the Indenture and as seller under the authority of the Purchase Agreement.

2. Pursuant to authority of the Indenture and pursuant to a written order and request from the County, the undersigned has executed and delivered the Obligations, in fully registered form maturing on July 1 of each of the years, in the amounts and bearing interest at the respective rates per annum as follows:

Year	Principal Amount	Interest Rate
2014	$ 2,000,000	4.000%
2015	1,600,000	2.500
2015	400,000	4.000
2016	1,000,000	3.000
2016	1,000,000	4.000

Year	Principal Amount	Interest Rate
2017	$ 2,300,000	3.250%
2017	12,225,000	4.500
2018	775,000	3.500
2018	14,375,000	5.000
2019	250,000	3.750
2019	15,645,000	5.000
2020	1,365,000	4.000
2020	15,320,000	5.000
2021	17,510,000	5.000
2022	18,385,000	5.000
2023	19,300,000	5.000
2024	20,270,000	5.000
2025	21,280,000	5.000

3. All blanks in the Obligations requiring completion by the undersigned have been accurately completed and Obligations have been executed and delivered by an authorized officer of the undersigned.

4. Each person or persons executing and delivering the Obligations is an authorized signatory of the undersigned, and such persons are authorized and empowered to execute and deliver, and did execute and deliver, one or more of the Obligations on behalf of the undersigned. The Obligations have been duly executed and delivered by an authorized officer of the Trustee; the Indenture and the Purchase Agreement have been duly executed and delivered by an authorized officer of the Trustee and the resolution or certification of the Trustee described in paragraph 10 hereof authorizing the execution and delivery and/or performance of the Indenture and the Purchase Agreement by the Trustee has been duly adopted by the Trustee and is in full force and effect and has not been modified, amended or repealed.

5. The Obligations, as so executed and delivered, have on this date been delivered to the purchasers of the Obligations.

6. To the knowledge of the undersigned, no litigation is pending or threatened, or in any way contesting or affecting the existence or trust powers of the Trustee or the ability of the Trustee to fulfill its duties and obligations under the Indenture or the Purchase Agreement.

7. The Trustee is a national banking association with trust powers, duly organized, validly existing and in good standing under the laws of the United States, is duly qualified to do business and to exercise trust powers in the State of Arizona, and has the corporate power to take all action required or permitted of it under the Indenture and the Purchase Agreement.

8. The execution, delivery and performance by the Trustee of the Indenture and the Purchase Agreement has been duly authorized by all necessary corporate action on the

part of the Trustee, and under present law does not contravene the Articles of Association or Bylaws of the Trustee or conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any material agreement or material instrument to which the Trustee is subject.

9. The acceptance by the Trustee of its appointment as trustee under the Indenture and the performance by the Trustee of its duties and obligations under the Indenture and the Purchase Agreement do not require the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, any federal, state, or other governmental authority or agency.

10. Attached hereto as the Exhibit is a true, complete and correct copy of a resolution or certification of the Trustee demonstrating the authority of the officer executing documents on behalf of the Trustee. Said resolution or certification was in effect on the date or dates that said officer acted and remains in full force and effect on the date hereof.

11. In accordance with Section 5.2 of the Indenture, $176,124,575.56 has been received on behalf of the County, of which (i) $11,173,750.00 has been deposited into the Debt Service Reserve Account established under the Indenture, (ii) $454,200.00 has been deposited into the Delivery Costs Fund established under the Indenture, and (iii) $164,496,625.56 has been deposited with the County for credit to the Improvement Fund (as such term is defined in the Indenture).

12. The Trustee has received Municipal Bond Insurance Policy No. 212073-N issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) relating to the Obligations.

Dated: June 17, 2010.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

.....

Printed Name: Deborah M. Scherer

Title: Vice President

ATTACHMENT: Exhibit - Resolution or Certification

THE BANK OF NEW YORK TRUST MELLON COMPANY, N.A.

I, the undersigned, Mark Krietemeyer, Assistant Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, with a trust office located at 1225 West Washington Street, Suite 126, Tempe, Arizona, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers of the Association:

OFFICER	TITLE	SIGNING AUTHORITY
Gregory Cross	Vice President	A, C2, J
Mark Krietemeyer	Vice President	A, C2, J
Deborah Scherer	Vice President	A, C2, J
Scott Blair	Senior Associate	A, C3, J
Nancy Wakefield	Senior Associate	A, C4, J

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the senior and limited signing powers provided under Article V, Sections 5.2 and 5.3 of the By-laws of the Association and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-laws of the Association and the signing authority resolution, which have not been amended or revised since July 4, 2009 and are in full force and effect.

IN WITNESS WHEREFO, I have hereunto set my hand and affixed the seal of The Bank of New York Mellon Trust Company, N.A. this 6th day of July, 2009.

Mark Krietemeyer, Assistant Secretary

Extracts from By-Laws

Of

The Bank of New York Mellon Trust Company, N.A.

As Amended January 20, 2005, July 1, 2008 and July 4, 2009

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Article V, Section 5.3 of the By-Laws

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check

certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document,

instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

$165,000,000
SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010,
Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid By
PIMA COUNTY, ARIZONA,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of June 1, 2010

ARBITRAGE CERTIFICATE

The undersigned, Finance and Risk Management Director of Pima County, Arizona (the "*County*"), an officer of the County charged, with others, with the responsibility for causing the execution and delivery of the above-referenced Obligations (the "*Obligations*"), reasonably expects the following with regard to the Obligations, executed and delivered on the date hereof (the "*Issuance Date*") by The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), capitalized terms not otherwise defined herein having the meanings given to them in the hereinafter defined Agreement and the Internal Revenue Code of 1986, as amended (the "*Code*"), and applicable federal Treasury Regulations (the "*Regulations*"):

1. Purpose of the Obligations. The proceeds of the sale of the Obligations will be applied to (i) pay the costs of various improvements to the sewer system (the "*System*") of the County (the "*Projects*"), (ii) fund a debt service reserve fund for the Obligations, (iii) pay the premium for insuring payment of the Obligations, and (iv) pay the costs of execution and delivery of the Obligations.

2. Proceeds of the Obligations.

(a) The net proceeds received by the County from the sale of the Obligations will be $176,124,575.56 (the "*Net Proceeds*"), representing $165,000,000.00 face amount of the Obligations, plus original issue premium of $13,210,653.70, less underwriter's discount of $1,320,000.00, and less the premium for a municipal bond insurance policy for the Obligations of $766,078.14 which was paid by the underwriter of the Obligations on behalf of the County.

(b) (i) $164,496,625.56 of the Net Proceeds will be paid on the Issuance Date to the County for deposit in the Improvements Fund to pay costs of the Projects.

(ii) $454,200.00 of the Net Proceeds will be deposited into the Delivery Costs Fund established under the indenture pursuant to which the

Obligations were executed and delivered and used to pay costs of execution and delivery of the Obligations.

(ii) $11,173,750.00 of the Net Proceeds will be deposited into the Debt Service Reserve Account established under the indenture pursuant to which the Obligations were executed and delivered.

3. Payment of the Obligations.

(a) Pursuant to a Series 2010 Purchase Agreement, dated as of June 1, 2010 (the "*Agreement*"), by and between the County and the Trustee in its separate capacity as "Seller," the County will pay to the Trustee, as assignee, certain payments which are secured by a pledge of Pledged Revenues of the sewer system that serves the County. Such payments include amounts to pay for deposit to the Obligation Fund the amount of the interest payable on the Obligations on the next interest payment date, less any amount on deposit in the Interest Account not previously credited. Such payments also include amounts to pay for deposit to the Obligation Fund the amount of the principal of the Obligations maturing on the next principal payment date, less any amount on deposit in the Principal Account not previously credited. (Such payments also include amounts to replenish on a periodic basis draws on the Debt Service Reserve Account, if any.)

(b) Amounts of such payments deposited in the Obligation Fund for transfer to the Interest Account and the Principal Account will be expended within 13 months of their deposit to pay scheduled debt service on or to redeem the Obligations. Thus, the Obligation Fund (to the extent of transfers to the Interest Account and the Principal Account), the Interest Account and the Principal Account are established to achieve a proper matching of revenues and debt service in each bond year. The Interest Account and the Principal Account will be fully depleted at least annually, except for a reasonable carryover amount not to exceed the greater of (A) one year's earnings on such amounts for the immediately preceding bond year or (B) one-twelfth of annual debt service on the Obligations for the immediately preceding bond year. Amounts received from the investment of amounts in the Interest Account and the Principal Account will be added to the account of the Fund for which such investment is made and expended within one year of their receipt.

(c) The County has covenanted to maintain in the Debt Service Reserve Account an amount equal to $11,173,750, which is not greater than the lesser of (i) 10 percent of the outstanding principal amount of the Obligations ($16,500,000), (ii) the maximum annual debt service on the outstanding Obligations ($22,347,500), and (iii) 125 percent of average annual debt service on the outstanding Obligations ($21,224,921). See the certificate of the underwriter of the Obligations attached as Exhibit "A" hereto with respect to the need for the Debt Service Reserve Account.

(d) Other than the Interest Account, the Principal Account and the Debt Service Reserve Account, there will be no funds or accounts held under the Indenture or otherwise that are reasonably expected to be used to pay debt service on or to secure the Obligations.

4. Yield. The yield on the Obligations (determined as the semiannual discount rate at which the present value of the payments of principal and interest equals the purchase price of the Obligations) will be 3.9227 percent (the "*Yield*"). For purposes of this calculation, $177,444,575.56 was used, representing $165,000,000.00 face amount of the Obligations, plus original issue premium of $13,210,653.70 and less a municipal bond insurance premium of $766,078.14. (See the Exhibit hereto with respect to the "issue price" of the Obligations for such purpose.) The premium paid for such municipal bond insurance has been taken into account in computing the Yield based on the certificate of the underwriter of the Obligations attached as Exhibit "A" hereto that the premium is less than the present value of interest reasonably expected to be saved (using such yield as the discount rate) as a result of the insurance and that the fee therefor does not exceed a reasonable, "arm's length" charge for the transfer of credit risk as well as on the certificate of the provider of such municipal bond insurance attached as Exhibit "B" hereto. In addition, an adjustment to the Yield has been made for the original issue premium on the Obligations maturing on July 1, 2021, through and including July 1, 2025, because the issue price thereof exceeds in each case stated redemption price at maturity by more than 1/4 percent multiplied by the product of the stated redemption price at maturity in each case and the number of complete years to the first optional redemption date. Such Obligations were treated as redeemed on July 1, 2020, at 100 percent of their par amount which is the optional redemption date that produces the lowest yield on such Obligations.

5. Projects; Costs of Issuance; Weighted Average Maturity; Hedge; Reimbursement.

(a) $164,496,625.56 of the Net Proceeds will be used to acquire and improve the Projects, and $454,200.00 of the Net Proceeds will be used for costs of execution and delivery of the Obligations. At least 5 percent of the net sale proceeds of the Obligations will be spent towards the costs of the Projects within 6 months from today. The acquisition and improvement of the Projects and the expenditure of the net sale proceeds of the Obligations will proceed with due diligence. Such Net Proceeds, together with investment earnings thereon, will be spent to pay costs of the Projects within 3 years from the Issuance Date - (A) 10 percent of the spendable proceeds of the Obligations will be used to carry out the governmental purposes of the Bonds within 1 year, (B) 60 percent of such spendable proceeds will be so used within 2 years and (C) all of such spendable proceeds will be so used within 3 years.

(b) The weighted average maturity of the Obligations will be 11.10 years and does not exceed 120 percent of the reasonably expected useful life of the Projects.

(c) On the Issuance Date, not more than 50 percent of the proceeds of the sale of the Obligations will be invested in nonpurpose investments having a substantially guaranteed yield for 4 years or more.

(d) No costs of the Projects (other than preliminary expenditures not exceeding 20 percent of the issue price of the Obligations) will be incurred more than 60 days prior to the execution of any official intent to reimburse expenditures.

6. Arbitrage Rebate.

(a) The Rebate Account will be funded to the extent required either from transfers from the other funds or from the County's general funds. The County shall deposit into the Rebate Account any payments received in accordance with this Certificate for purposes of paying rebate to the United States Treasury and so identified. The amount required to be held in the Rebate Account at any point in time is determined in accordance with the requirements of the Code, including particularly Section 148(f) of the Code and the Treasury Regulations promulgated pursuant thereto. Moneys in the Rebate Account are neither pledged to nor expected to be used to pay debt service on the Obligations.

(b) (i) The County will comply with requirements of the Code and the Regulations with respect to the payment of any rebate amount that may become due to the United States of America on the Obligations pursuant to Section 148(f) of the Code and Regulations §§ 1.148-0 through 1.148-11, 1.149(d)-1, 1.149(g)-1, 1.150-1 and 1.150-2. The County expects that the Obligations will qualify for the 18-month spend down exception as defined in Regulations § 1.148-7(d) (the "*Eighteen Month Exception*") outlined below or otherwise the 2-year spend down exception for construction issues as defined in Section 148(f)(4)(C)(iv) of the Code (the "*Two-Year Construction Exception*"). The County understands, however, that whether the Obligations qualify for either the Eighteen Month Exception or the Two-Year Construction Exception will be based on actual acts occurring after the Obligations are executed and delivered. Should the Obligations fail to satisfy the requirements for a spend down exception to rebate, the County will undertake to determine (or have determined on its behalf) what is required with respect to the rebate provisions contained in Section 148(f) of the Code from time to time and will undertake to comply with any requirements that may be applicable to the Obligations. The County will undertake the methodology described in this Section, except to the extent inconsistent with any requirements of present or future law, regulations or future guidance issued by the Internal Revenue Service or the United States of America or if the County receives an opinion of nationally recognized bond counsel approving any exception thereto.

(A) The Obligations will meet the spend-down requirements for the Eighteen Month Exception if the gross proceeds of the Obligations are allocated to expenditures for the Projects in accordance with the following schedule, measured from the date hereof:

(i) At least 15 percent within six months;

(ii) At least 60 percent within twelve months; and

(iii) 100 percent within eighteen months.

(B) The third and final spending requirement will be treated as met if the requirement would be met by such date but for a reasonable retainage, if the reasonable retainage is allocated to expenditures within 30 months of the issue date of the Obligations. Reasonable retainage for this purpose means an amount, not exceeding 5 percent of

net proceeds as of the end of the third spending period, that is retained for reasonable business purposes relating to the Projects.

(ii) (A) For purposes of the Two-Year Construction Exception, the portion of the Obligations that will be the construction issue equals that portion of the proceeds used to finance the Projects (the "*Construction Issue*").

(B) At least 75 percent of the available construction proceeds of the Construction Issue will be used for construction expenditures for facilities to be owned by the County.

(C) The Construction Issue will meet the spend-down requirements for the Two-Year Construction Exception if the following spending requirements are met:

(i) At least 10 percent of the available construction proceeds are spent for the governmental purposes of the County within the 6-month period beginning on the date the Obligations are issued;

(ii) At least 45 percent of such proceeds are spent for such purposes within the 1-year period after the Obligations are issued;

(iii) At least 75 percent of such proceeds are spent for such purposes within the 18-month period after the Obligations are issued; and

(iv) 100 percent of such proceeds are spent for such purposes within the 2-year period after the Obligations are issued.

(D) The fourth spending requirement will be treated as met if the requirement would be met by such date but for a reasonable retainage (not exceeding 5 percent of the available construction proceeds), and 100 percent of the available construction proceeds are spent within the 3-year period after the Obligations are issued. In addition, any failure to meet the final spending requirement will be disregarded if the County exercises due diligence to complete the Projects, and the amount of the failure does not exceed the lesser of 3% of the issue price of the Construction Issue or $250,000. For the Construction Issue, this amount will be $250,000.

(E) For purposes of the Two-Year Construction Exception, the County does not elect to pay a penalty in lieu of rebate as provided for in Section 148(f)(4)(C)(viii) of the Code, and the County does not elect to include earnings on the Debt Service Reserve Account as "available construction proceeds."

(iii) Detailed records with respect to each and every nonpurpose investment attributable to gross proceeds will be maintained by or on behalf of the County, including (i) purchase date, (ii) purchase price, (iii) any accrued interest paid, (iv) face amount, (v) coupon rate, (vi) periodicity of interest payments, (vii) disposition price, (viii) any accrued interest received, (ix) disposition date, and (x) broker's fees. Such detailed record keeping is

required for the calculation, if necessary, of the rebate amount (within the meaning of Regulations § 1.148-3) which, in part, will require a determination of the difference between the actual aggregate earnings of all nonpurpose investments and the amount of such earnings assuming a rate of return equal to the yield on the Obligations. Records with respect to the investments and other matters relating to the Obligations will be kept for 3 years after the final maturity or earlier retirement of the Obligations.

(iv) (A) A calculation of the rebate amount with respect to the Obligations consistent with the rules described in this Section will be prepared. This calculation may include a detailed description of how the Obligations meet either the Eighteenth Month Exception or the Two-Year Construction Exception (or any other applicable spend down exception pursuant to Section 148 of the Code and Regulations Section 1.148-7). The County will prepare or cause to be prepared the calculation of the rebate amount (i) within 55 days after the close of the fifth Bond Year and each fifth bond year thereafter so long as any Obligations remain unpaid, and (ii) within 55 days after the first date on which there are no unpaid Obligations. Not later than 55 days after the end of the fifth bond year and each fifth bond year thereafter so long as any Obligations remain unpaid, and within 55 days after the last Series 2008 Bonds are paid, the County shall deposit an amount necessary to increase the sum held in the Rebate Fund to the rebate amount.

(B) For purposes of calculating the rebate amount (i) the aggregate amount earned with respect to a nonpurpose investment will be determined by assuming that the nonpurpose investment was acquired for an amount equal to its value at the time it becomes a nonpurpose investment, and (ii) the aggregate amount earned with respect to any nonpurpose investment will include any unrealized gain or loss with respect to the nonpurpose investment on the first date when there are no unpaid Obligations or when the investment ceases to be a nonpurpose investment.

(C) The County will pay to the United States of America, out of designated funds (i) not later than 60 days after the end of each fifth bond year, a payment equal to at least 90 percent of the rebate amount with respect to the Obligations, calculated as of the end of such fifth bond year, and (ii) not later than 60 days after the first date when there are no unpaid Obligations, an amount equal to 100 percent of the rebate amount (determined as of the first date when there are no unpaid Obligations) plus any actual or imputed earnings on such rebate amount, all as set forth in Regulations §§ 1.148-1 through 1.148-11 and as determined by or on behalf of the County.

Dated: June 17, 2010.

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Thomas E. Burke
Finance and Risk Management Director, Pima County, Arizona

ATTACHMENTS: Exhibit A – Certificate of Underwriter
Exhibit B – Certificate of Insurer

EXHIBIT A

CERTIFICATE OF UNDERWRITER

The undersigned, on behalf of RBC Capital Markets Corporation (the "Underwriter") for the Obligations identified in the Certificate to which this is attached (the "Issue"), executed and delivered for the benefit of Pima County, Arizona (the "Issuer"), based on her or his knowledge regarding the sale of the Issue, certifies as of this date as follows:

(1) Issue Price -- All of the Obligations of the Issue have been the subject of a bona fide offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) pursuant to a Purchase Contract by and among the Issuer and the Underwriter, dated June 2, 2010, and at least 10% of the principal amount of each maturity initially was sold or was reasonably expected to be sold at the respective price for that maturity shown in the Final Official Statement for the Issuer. For purposes of this Certificate, the Underwriter has assumed that the phrase "bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers" refers only to persons who, to the actual knowledge of representatives of the Underwriter, have an arrangement with the Issuer or the Underwriter to act in such capacity on behalf of the Issuer or the Underwriter.

(2) No Discount Obligations Subject to Mandatory Early Redemption. No Obligation of the Issue is subject to mandatory early redemption.

(3) Premium Obligations. Obligations of the Issue maturing on July 1, 2021, through and including July 1, 2025, are the only obligations of the Issue that are subject to optional redemption and have an issue price that exceeds its stated redemption price at maturity by more than 1/4 of 1 percent multiplied by the product of its stated redemption price at maturity and the number of complete years to its first optional redemption date. No Obligation of the Issue is subject to optional redemption within five years of the issuance date of the Issue.

(4) No Stepped Coupon Certificates. No Obligation of the Issue bears interest at an increasing interest rate.

(5) Insurance. The fees payable to Assured Guaranty Municipal Corp. for the Municipal Bond Insurance Policy securing the Obligations (the "Guarantee") represent a reasonable charge for the assumption of risk involved in this transaction, the fee therefor not exceeding a reasonable, "arms length" charge for the transfer of the related credit risk. The present value of the fees for the Guarantee is less than the present value of interest reasonably expected to be saved with respect to the Obligations as the result of the Guarantee. The discount rate used for computing such present value is the yield of the Obligations (determined with regard to the fees for the Guarantee).

(6) Debt Service Reserve Account. The funding of the Debt Service Reserve Account in the amount of $11,173,750.00 was a vital factor in marketing the Obligations

To the extent that we provided the Issuer and Greenberg Traurig, LLP, as special counsel, with certain computations that show a bond yield, issue price, weighted average maturity and certain other information with respect to Issue, these computations are provided for informational purposes and are based on our understanding of directions that we have received from special counsel regarding interpretation of the applicable law. We express no view regarding the legal sufficiency of any such computations or the correctness of any legal interpretation made by special counsel.

The Issuer may rely on the foregoing representations in making its certification as to issue price of the Issue under the Internal Revenue Code of 1986, as amended (the "Code"), and special counsel may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest evidenced by the Issue; provided, however, that nothing herein represents our interpretation of any laws, and in particular, regulations under Section 148 of the Code.

Dated: June 17, 2010

RBC CAPITAL MARKETS CORPORATION

By:.....
Kurt Freund, Managing Director

EXHIBIT "B"

DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF
ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

The undersigned hereby certifies on behalf of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM"), in connection with the issuance by AGM of its Policy No. 212073-N (the "Policy") in respect of the $165,000,000 in aggregate principal amount of the Pima County, Arizona, Sewer System Revenue Obligations, Series 2010 (the "Bonds") that:

(i) the information set forth under the caption "OBLIGATION INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" in the official statement dated June 2, 2010, relating to the Bonds is true and correct,

(ii) AGM is not currently in default nor has AGM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation,

(iii) the Policy is an unconditional and recourse obligation of AGM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds in the event of Nonpayment by the Issuer (as set forth in the Policy),

(iv) the insurance premium of $766,078.14 (the "Premium") is a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to AGM as a condition to the issuance of the Policy,

(v) no portion of such Premium represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by AGM to maintain its ratings, which, together with all other overhead expenses of AGM, are taken into account in the formulation of its rate structure, or for the provision of additional services by us, nor the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor),

(vi) AGM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Premium, AGM will not use any portion of the Bond proceeds; provided, however, that AGM or its affiliates may independently provide a guaranteed investment contract for the investment of all or a portion of the proceeds of the Bonds,

(vii) except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by AGM,

(viii) AGM does not expect that a claim will be made on the Policy,

(ix) the Issuer is not entitled to a refund of the premium for the Policy in the event a Bond is retired before the final maturity date, and

(x) for Bonds which are secured by a debt service reserve fund, AGM would not have issued the Policy unless the authorizing or security agreement for the Bonds provided for a debt service reserve fund funded and maintained in an amount at least equal to, as of any particular date of computation, the reserve requirement as set forth in such agreement.

AGM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY
ASSURANCE INC.)

By: _____
Authorized Officer

Dated: June 17, 2010

ITEM 21

$165,000,000
SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010,
Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid By
PIMA COUNTY, ARIZONA,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of June 1, 2010

AFFIDAVIT OF MAILING OF IRS FORM 8038-G

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

FRANK STINSON, being first duly sworn, upon his or her oath deposes and says:

1. That on June 17, 2010, at 6:30 p.m., he or she placed in the United States Post Office, postage prepaid, certified mail, return receipt requested, an envelope addressed to Internal Revenue Service Center, Ogden, Utah 84201.

2. A copy of Form 8038-G which was enclosed in said envelope and is attached hereto as Exhibit A.

Frank Stinson

SUBSCRIBED AND SWORN TO before me this 18th day of June, 2010.

OFFICIAL SEAL
CHRIS A. ESTRADA
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires May 4, 2012

Notary Public

My Commission Expires:

May 4 2012

7008 1140 0003 8601 1107

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Postage	$ .61
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	2.30
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$5.71

USPS Postmark Here 017 2010 PHOENIX AZ 85028

Sent To: Internal Revenue Service Center
Street, Apt. No.; or PO Box No.: Ogden, UT 84201
City, State, ZIP+4:

PS Form 3800, August 2006 — See Reverse for Instructions

SENDER: *COMPLETE THIS SECTION*

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Internal Revenue Service Center
Ogden, UT 84201

049720.010200 BFG

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (*Printed Name*) C. Date of Delivery

RECEIVED JUN 21 2010 OGDEN, UT E1-259 IRS-OSC

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (*Extra Fee*) ☐ Yes

2. Article Number (*Transfer from service label*) 7008 1140 0003 8601 1107

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

ACKNOWLEDGEMENT COPY

Form **8038-G**
(Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate Instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority — If Amended Return, check here ▶ ☐

1 Issuer's name: Pima County, Arizona
2 Issuer's employer identification number: 86 6000266
3 Number and street (or P.O. box if mail is not delivered to street address): 130 West Congress, 6th Floor — Room/suite
4 Report number: 301
5 County, town, or post office, state, and ZIP code: Tucson, Arizona 85701
6 Date of issue: June 17, 2010
7 Name of issue: Sewer System Revenue Obligations, Series 2010
8 CUSIP number: 721876 QB9
9 Name and title of officer or legal representative whom the IRS may call for more information: Mr. Thomas Burke, Finance and Risk Management Director
10 Telephone number of officer or legal representative: (520) 791-4893

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐	Education	11
12	☐	Health and hospital	12
13	☐	Transportation	13
14	☐	Public safety	14
15	☐	Environment (including sewage bonds)	15
16	☐	Housing	16
17	☒	Utilities	17 $ 178,210,653.70
18	☐	Other. Describe ▶	18

19 If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐
20 If obligations are in the form of a lease or installment sale, check box ▶ ☐

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	July 1, 2025	$ 178,210,653.70	$ 165,000,000.00	11.10 years	3.9227%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest		22 $ 0.00
23	Issue price of entire issue (enter amount from line 21, column (b))		23 178,210,653.70
24	Proceeds used for bond issuance costs (including underwriters' discount)	24 1,774,200.00	
25	Proceeds used for credit enhancement	25 766,078.14	
26	Proceeds allocated to reasonably required reserve or replacement fund	26 11,173,750.00	
27	Proceeds used to currently refund prior issues	27 0.00	
28	Proceeds used to advance refund prior issues	28 0.00	
29	Total (add lines 24 through 28)		29 13,714,028.14
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)		30 $ 164,496,625.56

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.) N/A

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ years
33 Enter the last date on which the refunded bonds will be called ▶
34 Enter the date(s) the refunded bonds were issued ▶

Part VI Miscellaneous

35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) — 35
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions) — 36a
b Enter the final maturity date of the guaranteed investment contract ▶ N/A
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units — 37a
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the Issuer ▶ N/A and the date of the issue ▶
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐
40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ Signature of issuer's authorized representative — Date: 06/17/10 ▶ Thomas Burke, Finance and Risk Management Director (Type or print name and title)

RECEIVED
JUN 21 2010
E1-110 IRS-OSC
OGDEN, UT

ITEM 22

$165,000,000
SEWER SYSTEM REVENUE OBLIGATIONS, SERIES 2010,
Evidencing Proportionate Interests of the Holders Thereof
in Installment Payments of the Purchase Price to be Paid By
PIMA COUNTY, ARIZONA,
Pursuant to a Series 2010 Purchase Agreement,
Dated as of June 1, 2010

AFFIDAVIT OF MAILING OF REPORT RELATING TO ISSUANCE OF
BONDS FOR ARIZONA DEPARTMENT OF REVENUE

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

FRANK STINSON, being first duly sworn, upon his or her oath deposes and says:

1. That on June 17, 2010, at 4:30 p.m., he or she placed in the United States Post Office, postage prepaid, certified mail, return receipt requested, an envelope addressed to Arizona Department of Revenue, Ninth Floor, 1600 West Monroe Street, Phoenix, Arizona 85007.

2. A copy of Report Relating to Issuance of Bonds for Arizona Department of Revenue under Section 35-501, Arizona Revised Statutes, As Amended, which was enclosed in said envelope is attached hereto as Exhibit A.

Frank Stinson

SUBSCRIBED AND SWORN TO before me this 18th day of June, 2010.

OFFICIAL SEAL
CHRIS A. ESTRADA
NOTARY PUBLIC - State of Arizona
MARICOPA COUNTY
My Comm. Expires May 4, 2012

Notary Public

My Commission Expires:

May 4 2012

7008 1140 0003 8601 1121

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Postage	$ 4.90
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	2.30
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	$ 10.00

Postmark Here

PHOENIX AZ 85026 JUN 17 2010 USPS

Sent To: Arizona Department of Revenue
Street, Apt. No.; or PO Box No.: 1600 W Monroe, 9th Fl.
City, State, ZIP+4: Phoenix, AZ 85007

PS Form 3800, August 2006 — See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Arizona Department of Revenue
1600 W Monroe St, 9th Fl.
Phoenix, AZ 85007

049720.010200 BFG

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X ☐ Agent ☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

Arizona Dept of Revenue
JUN 22 2010

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☒ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7008 1140 0003 8601 1121

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

Report of Bond and Security Issuance
Pursuant To A.R.S. § 35-501B

This information is due to the Department of Revenue within 60 days of the issue.

1. Jurisdiction: Pima County, Arizona	
2. Issue name / title: Sewer System Revenue Obligations, Series 2010	
3. Dated Date: June 17, 2010 Closing Date: June 17, 2010	4. Par amount: $ 165,000,000
5. Overall interest rate (TIC OR NIC): 4.0907% (TIC) 4.2731% (NIC)	6. Type of Bond or Security: Revenue Obligation
7. Repayment sources: Installment purchase payments to be made by Pima County pursuant to the Purchase Agreement, dated June 1, 2010, from water system designated revenues	
8. Total amount outstanding: $ 165,000,000	9. Total amount outstanding of senior or subordinate bonds: $ 242,292,980 (senior)
10. Original issue price: Attach Schedule 1 a. Par Amount (Principal Amount) $ 165,000,000.00	11. Total li mitations (Constitutional or Statutory) on the type of bonds/securities issued: N/A **For general obligation Bonds:**
b. Original Issue Discount (–) $ 0.00	a. Secondary net assessed value: $
c. Premium Amount (+) $ 13,210,653.70	b. Debt limit percentage: %
d. Original Issue Price (=) $ 178,210,653.70	c. Total debt limit: $
e. Underwriter Compensation (Discount) (–) $ 1,320,000.00	12. Available debt limit: $ N/A
f. Net Proceeds (=) $ 176,890,653.70	13. Total amount authorized: $ N/A
14. Remaining authorized amount: $ N/A	15. If voter authorized, Election date: N/A

15 - 18 Please attach 1) a schedule providing a detailed listing of Issue Costs; 2) the Debt Service Schedule*; 3) Form 3038; and 4) the Final Official Statement. Please refer to instructions.

Signature

June 17, 2010
Date

Title, address and phone number	Trustee name, address and phone number	Political Subdivision Contact name, address and phone number
Pima County Finance Department	The Bank of New York Mellon Trust Company, N.A.	Pima County Finance Department
130 West Congress, 6th Floor	1225 West Washington Street, Suite 126	130 West Congress, 6th Floor
Tucson, Arizona 85701	Tempe, Arizona 85281	Tucson, Arizona 85701
(520) 740-3030	(602) 378-2337	(520) 740-3030

Submit this form with attachments within 60 days of issuance to:

Arizona Department of Revenue
Attention Econometrics Section
1600 W Monroe
Phoenix AZ 85007

* Included in the Official Statement.

Arizona Department of Revenue
Report of Bond and Security Issuance

Schedule 1

Name of Issue: Sewer System Revenue Obligations, Series 2010

Par Amount: $ 165,000,000

Date Closed: June 17, 2010

Maturity Date (July 1)	Par Amount (Principal Amount)	Coupon Rate	Yield	Original Issue Price	Premium or Discount
2014	$ 2,000,000	4.00%	1.95%	$ 2,158,480.00	$ 158,480.00
2015	1,600,000	2.50	2.30	1,615,120.00	15,120.00
2015	400,000	4.00	2.30	432,172.00	32,172.00
2016	1,000,000	3.00	2.77	1,012,700.00	12,700.00
2016	1,000,000	4.00	2.77	1,067,950.00	67,950.00
2017	2,300,000	3.25	3.10	2,321,643.00	21,643.00
2017	12,225,000	4.50	3.10	13,299,699.75	1,074,699.75
2018	775,000	3.50	3.35	783,122.00	8,122.00
2018	14,375,000	5.00	3.35	16,034,162.50	1,659,162.50
2019	250,000	3.75	3.57	253,445.00	3,445.00
2019	15,645,000	5.00	3.57	17,360,161.35	1,715,161.35
2020	1,365,000	4.00	3.75	1,393,310.10	28,310.10
2020	15,320,000	5.00	3.75	16,909,450.00	1,589,450.00
2021	17,510,000	5.00	3.93	19,051,405.30	1,541,405.30
2022	18,385,000	5.00	4.04	19,829,325.60	1,444,325.60
2023	19,300,000	5.00	4.14	20,651,579.00	1,351,579.00
2024	20,270,000	5.00	4.23	21,535,456.10	1,265,456.10
2025	21,280,000	5.00	4.29	22,501,472.00	1,221,472.00
TOTAL	$165,000,000	N/A	N/A	$178,210,653.70	$13,210,653.70

10e. Underwriter's Discount and/or Placement Agent Fee, if any	1,320,000.00
10f. Net Proceeds (as shown on issuance form)	$176,890,653.70

Arizona Department of Revenue
Report of Bond and Security Issuance

Listing of Issuance Costs

Name of Issue: Sewer System Revenue Obligations, Series 2010

Date Closed: June 17, 2010

(A)	Underwriter's compensation -	$	1,320,000.00
(B)	Bond Counsel fees -	$	235,000.00
(C)	Financial advisor fees -	$	0.00
(D)	Verification agent fees -	$	0.00
(E)	Placement agent fees -	$	0.00
(F)	Investment securities brokerage fees -	$	0.00
(G)	Registrar fees -	$	0.00
(H)	Trustee fees -	$	1,800.00
(I)	Credit enhancement fees -	$	766,078.14
(J)	Rating agency fees -	$	92,400.00
(K)	Printing costs -	$	10,000.00
(L)	Registration fees -	$	0.00
(M)	Transfer and recording fees -	$	0.00
(N)	Other – Underwriter's Counsel fees -	$	105,000.00
	Miscellaneous -	$	10,000.00

Arizona Department of Revenue
Report of Bond and Security Issuance

Form 8038-G

Name of Issue: Sewer System Revenue Obligations, Series 2010

Date Closed: June 17, 2010

Attached

Form **8038-G**
(Rev. November 2000)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate Instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ▶ ☐

1	Issuer's name Pima County, Arizona	2	Issuer's employer identification number 86 6000266
3	Number and street (or P.O. box if mail is not delivered to street address) 130 West Congress, 6th Floor	Room/suite	4 Report number 301
5	County, town, or post office, state, and ZIP code Tucson, Arizona 85701	6	Date of issue June 17, 2010
7	Name of issue Sewer System Revenue Obligations, Series 2010	8	CUSIP number 721876 QB9
9	Name and title of officer or legal representative whom the IRS may call for more information Mr. Thomas Burke, Finance and Risk Management Director	10	Telephone number of officer or legal representative (520) 791-4893

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☒ Utilities	17	$ 178,210,653.70
18	☐ Other. Describe ▶	18	
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	July 1, 2025	$ 178,210,653.70	$ 165,000,000.00	11.10 years	3.9227%

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	$ 0.00
23	Issue price of entire issue (enter amount from line 21, column (b))			23	178,210,653.70
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	1,774,200.00		
25	Proceeds used for credit enhancement	25	766,078.14		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	11,173,750.00		
27	Proceeds used to currently refund prior issues	27	0.00		
28	Proceeds used to advance refund prior issues	28	0.00		
29	Total (add lines 24 through 28)			29	13,714,028.14
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	$ 164,496,625.56

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.) N/A

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	years
33	Enter the last date on which the refunded bonds will be called ▶	
34	Enter the date(s) the refunded bonds were issued ▶	

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	
b	Enter the final maturity date of the guaranteed investment contract ▶ N/A		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the Issuer ▶ N/A and the date of the issue ▶

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ Signature of issuer's authorized representative — Date 06/17/10 ▶ Thomas Burke, Finance and Risk Management Director — Type or print name and title

Arizona Department of Revenue
Report of Bond and Security Issuance

Final Official Statement

Name of Issue: Sewer System Revenue Obligations, Series 2010

Date Closed: June 17, 2010

Attached

SEE ITEM 11

ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Pima County, Arizona

BONDS: $165,000,000 in aggregate principal amount of Sewer System Revenue Obligations, Series 2010

Policy No.: 212073-N

Effective Date: June 17, 2010

Premium: $766,078.14

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

NOTICE OF CLAIM AND CERTIFICATE

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)31 West 52nd Street
New York, NY 10019

The undersigned, a duly authorized officer of [FULL NAME OF TRUSTEE or PAYING AGENT] (the "Trustee/Paying Agent"), hereby certifies to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM"), with reference to Municipal Bond Insurance Policy No. 212073-N dated June 17, 2010 (the "Policy") issued by AGM in respect of the Pima County, Arizona Sewer System Revenue Obligations, Series 2010 (the "Bonds"), that:

(i) The Trustee/Paying Agent is the Trustee/Paying Agent under the document authorizing the issuance of the Bonds (the "Indenture") for the Holders.

(ii) The sum of all amounts on deposit (or scheduled to be on deposit) in the [RELEVANT ACCOUNTS] and available for distribution to the Holders pursuant to the Indenture will be $_____ _____ (the "Shortfall") less than the aggregate amount of principal and interest Due for Payment on _____ ("Scheduled Payments").

(iii) The Trustee/Paying Agent is making a claim under the Policy for the Shortfall to be applied to the payment of Scheduled Payments.

(iv) The Trustee/Paying Agent agrees that, following receipt of funds from AGM, it shall (a) hold such amounts in trust and apply the same directly to the payment of Scheduled Payments on the Bonds when due; (b) not apply such funds for any other purpose; (c) not commingle such funds with other funds held by the Trustee/Paying Agent and (d) maintain an accurate record of such payments with respect to each Bond and the corresponding claim on the Policy and proceeds thereof, and, if the Bond is required to be [SURRENDERED/PRESENTED] for such payment, shall stamp on each such Bond the legend $"[insert applicable amount] paid by AGM and the balance hereof has been canceled and reissued" and then shall deliver such Bond to AGM.

(v) The Trustee/Paying Agent, on behalf of the Holders, hereby assigns to AGM the rights of the Holders with respect to the Bonds to the extent of any payments under the Policy, including, without limitation, any amounts due to the Holders in respect of securities law violations arising from the offer and sale of the Bonds. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to AGM in respect of such payments. Payments to AGM in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all Scheduled Payments in respect of the Bonds. The Trustee/Paying Agent shall take such action and deliver such instruments as may be reasonably requested or required by AGM to effectuate the purpose or provisions of this clause (v).

(vi) The Trustee/Paying Agent, on its behalf and on behalf of the Holders, hereby appoints AGM as agent and attorney-in-fact for the Trustee/Paying Agent and each such Holder in any legal proceeding with respect to the Bonds. The Trustee/Paying Agent hereby agrees that, so long as AGM shall not be in default in its payment obligations under the Policy, AGM may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to

the Bonds (a "Preference Claim"), (B) the direction of any appeal of any order relating to any Preference Claim at the expense of AGM but subject to reimbursement as provided in the Indenture and (C) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, the Trustee/Paying Agent hereby agrees that AGM shall be subrogated to, and the Trustee/Paying Agent on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the Trustee/Paying Agent and each Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vii) Payment should be made by wire transfer directed to [SPECIFY INSURANCE ACCOUNT].

Unless the context otherwise requires, capitalized terms used in this Notice of Claim and Certificate and not defined herein shall have the meanings provided in the Policy.

IN WITNESS WHEREOF, the Trustee/Paying Agent has executed and delivered this Notice of Claim and Certificate as of the _____ day of _____, _____.

By_____

Title_____

For AGM or
Fiscal Agent Use Only
Wire transfer sent on _____ By _____
Confirmation Number _____

GT GreenbergTraurig

June 17, 2010

Assured Guaranty Municipal Corp.
New York, New York

Re: Sewer System Revenue Obligations, Series 2010, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by Pima County, Arizona, Pursuant to a Series 2010 Purchase Agreement, Dated as of June 1, 2010

We have today delivered to you a copy of our executed legal opinion as bond counsel, dated this date, relating to the issuance of Pima County, Arizona Sewer System Revenue Obligations, Series 2010, in the aggregate principal amount of $165,000,000.

Please consider this letter as our advice to you that you are entitled to rely upon that opinion as issuer of the municipal bond insurance policy relating to the Obligations.

Yours truly,

Greenberg Traurig, LLP

ALBANY
AMSTERDAM
ATLANTA
AUSTIN
BOSTON
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MIAMI
MILAN**
NEW JERSEY
NEW YORK
ORANGE COUNTY
ORLANDO
PALM BEACH COUNTY
PHILADELPHIA
PHOENIX
ROME**
SACRAMENTO
SAN FRANCISCO
SHANGHAI
SILICON VALLEY
TALLAHASSEE
TAMPA
TOKYO**
TYSONS CORNER
WASHINGTON, D.C.
WHITE PLAINS
ZURICH**
*OPERATES AS GREENBERG TRAURIG MAHER LLP
**STRATEGIC ALLIANCE

GREENBERG TRAURIG, LLP ▪ ATTORNEYS AT LAW ▪ WWW.GTLAW.COM
2375 East Camelback Road ▪ Suite 700 ▪ Phoenix, AZ 85016 ▪ Tel 602.445.8000 ▪ Fax 602.445.8100

ASSURED GUARANTY
MUNICIPAL

June 17, 2010

Municipal Bond Insurance Policy No. 212073-N With Respect to
$165,000,000 In Aggregate Principal Amount of
Pima County, Arizona
Sewer System Revenue Obligations, Series 2010

Ladies and Gentlemen:

I am Counsel of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), a New York stock insurance company ("AGM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by AGM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. AGM is a stock insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.

2. The Policy has been duly authorized, executed and delivered by AGM.

3. The Policy constitutes the valid and binding obligation of AGM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of AGM and to the application of general principles of equity.

In addition, please be advised that I have reviewed the description of the Policy under the caption "OBLIGATION INSURANCE – Obligation Insurance Policy" in the official statement relating to the above-referenced Bonds dated June 2, 2010 (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, the caption "OBLIGATION INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)".

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

Very truly yours,

Counsel

Pima County,
Finance and Risk Management Department
130 West Congress, 10th Floor,
Tucson, Arizona 85701

RBC Capital Markets,
as Representative of the Underwriters,
2398 East Camelback Road, Suite 700,
Phoenix, Arizona 85016

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