



Jeff Bauer
Senior Director Business Development
Jeffrey.Bauer@ally.com
704-236-4231

February 3, 2017

Mr. Kevin L. Oster
Tucson Unified School District
TUSD Purchasing Department
1010 E. 10th Street, Building B, Room 272
East Building (10th & Fremont)
Fremont Street Entrance, Second Floor
Tucson, AZ 85719

Dear Mr. Oster,

On behalf of Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey), in collaboration with TSC, I am pleased to submit the following non-binding proposal ("Proposal") for your review and consideration in connection with the municipal lease financing of school buses pursuant to the Invitation to Bid number 17-45-C17 issued January 9, 2017 (the "Invitation to Bid"). This Proposal is for discussion purposes only and is subject to the terms and conditions outlined herein including Ally Bank credit approval and execution of documentation acceptable to Ally Bank.

LENDER/LESSOR: Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey) ("Lender/Lessor")

BORROWER/LESSEE: Tucson Unified School District ("Borrower/Lessee")

EQUIPMENT: New school buses including twenty-one (21) seventy-two (72) passenger buses and nine (9) thirty-six (36) passenger special needs buses as further set forth in the Invitation to Bid (the "Equipment").

EQUIPMENT LOCATION: The forty-eight (48) contiguous states of the United States.

FINANCE TYPE: A "Bank qualified" municipal lease pursuant to the Tax Reform Act of 1986 ("Loan/Lease"), with the Lender/Lessor to be provided a first priority security interest in the Equipment. The Loan/Lease is to be used for the acquisition of Equipment in an amount not to exceed the cost of the Equipment.

LOAN/LEASE AMOUNT: \$3,149,507.24

FUNDING DATE: Anticipated no earlier than July 1, 2017 and no later than July 28, 2017.

LOAN/LEASE PAYMENTS: Loan/Lease payments are based on a fixed rate equivalent to the Lender/Lessor for "Bank qualified" tax exempt financing of 225 basis points over the Average Life Swap Rate ("ALS") as published by the ICE Report Center for the USD 1100 series. Based upon ALS as of January 17, 2017, the Loan/Lease fixed interest rate would be 2.54%

The Loan/Lease payment and fixed interest rate quoted herein and set forth in Exhibit A will adjust from the Proposal Date until the date of the Funding Date based upon changes in the interest rate environment and correspondingly the ALS. Two (2) days prior to the Funding Date the interest rate and the Loan/Lease payment will be set and set forth in Exhibit A to the Lease Documentation.

The Loan/Lease is to mature five (5) years following the Funding Date. Loan/Lease payments are to be based upon a fully amortizing schedule of five (5) annual payments in advance.

**END OF LOAN/LEASE TERM
OPTIONS:**

At the end of the Loan/Lease Term title will pass to the Borrower/Lessee for no additional consideration.

**TERMINATION FOR
NON-APPROPRIATION:**

The Loan/Lease may be terminated by the Borrower/Lessee due to the Non-appropriation of funding for payments owed under the Loan/Lease pursuant to terms and conditions consistent with those provided for under the laws of Arizona ("Non-appropriation").

In the event that the Loan/Lease is terminated due to Non-appropriation, all and not less than all of the Equipment is to be returned to the Lender/Lessor to a location reasonably acceptable to both the Lender/Lessor and the Borrower/Lessee.

The Loan/Lease may not be terminated by the Borrower/Lessee for any reasons other than Non-appropriation as set forth above.

PREPAYMENT PENALTY:

None

PAYMENT METHOD:

Annual payments in Advance by ACH. Each Annual payment shall be due and payable on the third day of the month.

FEES AND EXPENSES:

Legal fees and expenses are not anticipated. However, in the event there may be legal fees and expenses, including UCC search and recording fees, such fees and expenses are not anticipate to exceed \$2,000 which shall be payable by the Borrower/Lessee whether the proposed Loan/Lease transaction closes or not, unless such failure to close is due to no fault of the Borrower/Lessee.

OPINION OF COUNSEL:

Borrower/Lessee shall provide the Lender/Lessor prior to the Loan Funding Date with the following Opinion of the Borrower/Lessee's legal counsel at the Borrower/Lessee's expense setting forth that:

- All bid laws to which the Borrower/Lessee is subject have been satisfied.
- Funding for payments due under the Loan/Lease have been properly approved and budgeted by the Borrower/Lessee.

- The person signing the Loan/Lease documents is duly authorized to sign and obligate the Borrower/Lessee.
- The documents relating to the Loan/Lease are valid and binding.
- The obligation of the Borrower/Lessee under the Loan/Lease will be a "Bank Qualified" tax exempt obligation under the Tax Reform Act of 1986.

DOCUMENTATION: All documentation necessary to complete the Loan/Lease transaction must be acceptable to the Lender/Lessor and the Borrower/Lessee in their sole discretion.

FINANCIAL STATEMENTS: The Borrower/Lessee will provide Audited Financial Statements when available on an annual basis.

INSURANCE: The Borrower/Lessee shall provide the Lender/Lessor at the Borrower/Lessee's expense satisfactory liability and property insurance naming the Lender/Lessor as Additional Insured as its interests may appear.

PROPOSAL EXPIRATION: If not accepted in written form by the Borrower this Proposal will expire on March 1, 2017.

The Borrower/Lessee acknowledges that this Proposal is non-binding and is not intended and shall not be construed as a commitment to lend by the Lender/Lessor and that any commitment to lend is subject to the Lender/Lessor's formal credit approval and negotiation and execution of definitive and satisfactory Loan/Lease documents. By acceptance of this Proposal the Tucson Unified School District requests Ally Bank to take all actions necessary to complete the transaction contemplated.

Mr. Oster, thank you for allowing Ally and myself this opportunity to be of service. Please feel free to contact me with any questions regarding this Proposal.

Sincerely,

Jeffrey Bauer
Senior Vice President
Ally Financial

Accepted:
Tucson Unified School District

By: _____

Its: _____

Date: _____

Schedule A

Month	Loan/Lease Payment	Loan/Lease Interest Amt.	Loan/Lease Principal Amt.	Loan/Lease Balance
0	\$661,890.33	\$0.00	\$661,890.33	\$2,487,616.91
1				\$2,487,616.91
2				\$2,487,616.91
3				\$2,487,616.91
4				\$2,487,616.91
5				\$2,487,616.91
6				\$2,487,616.91
7				\$2,487,616.91
8				\$2,487,616.91
9				\$2,487,616.91
10				\$2,487,616.91
11				\$2,487,616.91
12				\$2,487,616.91
13	\$661,890.33	\$63,185.47	\$598,704.86	\$1,888,912.05
14				\$1,888,912.05
15				\$1,888,912.05
16				\$1,888,912.05
17				\$1,888,912.05
18				\$1,888,912.05
19				\$1,888,912.05
20				\$1,888,912.05
21				\$1,888,912.05
22				\$1,888,912.05
23				\$1,888,912.05
24				\$1,888,912.05
25	\$661,890.33	\$47,978.37	\$613,911.96	\$1,275,000.09
26				\$1,275,000.09
27				\$1,275,000.09
28				\$1,275,000.09
29				\$1,275,000.09
30				\$1,275,000.09
31				\$1,275,000.09
32				\$1,275,000.09
33				\$1,275,000.09
34				\$1,275,000.09
35				\$1,275,000.09
36				\$1,275,000.09
37	\$661,890.33	\$32,385.00	\$629,505.33	\$645,494.76
38				\$645,494.76
39				\$645,494.76
40				\$645,494.76
41				\$645,494.76
42				\$645,494.76
43				\$645,494.76
44				\$645,494.76
45				\$645,494.76
46				\$645,494.76
47				\$645,494.76
48				\$645,494.76
49	\$661,890.33	\$16,395.57	\$645,494.76	\$0.00
50				\$0.00
51				\$0.00
52				\$0.00
53				\$0.00
54				\$0.00
55				\$0.00
56				\$0.00
57				\$0.00
58				\$0.00
59				\$0.00
60				\$0.00