

RESOLUTION

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, ARIZONA, REFUNDING BONDS, 2016; DELEGATING THE AUTHORITY TO APPROVE CERTAIN MATTERS WITH RESPECT TO THE BONDS AND THE BONDS BEING REFUNDED; PROVIDING FOR THE ANNUAL LEVY OF A TAX FOR THE PAYMENT OF THE BONDS; AUTHORIZING THE APPOINTMENT OF A REGISTRAR, TRANSFER AGENT AND PAYING AGENT AND A DEPOSITORY TRUSTEE; APPROVING THE FORM OF THE BONDS AND CERTAIN DOCUMENTS AND AUTHORIZING COMPLETION, EXECUTION AND DELIVERY THEREOF; DELEGATING THE AUTHORITY TO APPROVE AND DEEM FINAL A FORM OF OFFICIAL STATEMENT; ADOPTING WRITTEN CONTINUING DISCLOSURE COMPLIANCE PROCEDURES AND ISSUANCE AND POST-ISSUANCE COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF BONDS OF THE DISTRICT AND RATIFYING ALL ACTIONS TAKEN OR TO BE TAKEN TO FURTHER THIS RESOLUTION.

WHEREAS, Tucson Unified School District No. 1 of Pima County, Arizona (the "*District*") has issued certain school improvement bonds (collectively, the "*Prior Bonds*"), and the Governing Board of the District (the "*Board*") has decided to provide for the refunding, and, as applicable, redemption of a certain amount of the Prior Bonds on or prior to their respective maturity dates (collectively, the "*Bonds Being Refunded*"); and

WHEREAS, the Board has determined that it is expedient to refund some or all the Bonds Being Refunded and that the issuance of refunding bonds and the application of the net proceeds thereof to pay at maturity or call for redemption the Bonds Being Refunded are necessary and advisable and are in the best interests of the District because the proposed refunding bonds can be sold to effect a lower tax burden for the District's taxpayers; and

WHEREAS, the District intends to issue refunding bonds in the aggregate principal amount of not to exceed \$79,120,000 (the "*Bonds*") for the purpose of refunding the Bonds Being Refunded and paying the costs of issuance of the Bonds; and

WHEREAS, in accordance with applicable law, the total aggregate of taxes levied to pay principal of and interest on the Bonds, in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded, calculated from the date of issuance of such Bonds to the final maturity date of the Bonds Being Refunded; and

WHEREAS, the Board has received a proposal for the purchase of the Bonds from RBC Capital Markets, LLC and Piper Jaffray & Company (collectively, the "*Underwriter*") in the form of bond purchase agreement now on file with this Board and the District desires that the Bonds be sold through negotiation to the Underwriter on such terms as may hereafter be approved by the District Superintendent or Chief Financial Officer and on the advice of Stifel, Nicolaus & Company, Incorporated, the District's financial advisor; and

WHEREAS, by this resolution the Board will approve a bond purchase agreement in substantially the form now on file and order the bond purchase agreement to be completed with the final terms of the Bonds and entered into between the District and the Underwriter when the final terms have been determined for the sale of the Bonds to the Underwriter (as completed, the "*Purchase Agreement*"); and

WHEREAS, within and by the parameters set forth in this resolution, the Board will authorize the execution, issuance and sale of the Bonds and their delivery to the Underwriter in accordance with the Purchase Agreement and at such prices, interest rates, maturities and redemption features as may be hereafter determined.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, ARIZONA, AS FOLLOWS:

Section 1. **Authorization.** The Board hereby authorizes the Bonds to be issued and sold in the aggregate principal amount of not to exceed \$79,120,000. The Bonds shall be issued and sold in accordance with the provisions of this resolution and delivered against payment therefor by the Underwriter. The Bonds so authorized shall be designated "*Tucson Unified School District No. 1 of Pima County, Arizona, Refunding Bonds, Series 2016*". The series designation of the Bonds may change if the Bonds are not sold in calendar year 2016. The Bonds shall be issued for the purpose of providing funds to be used to refund the Bonds Being Refunded and to pay the costs of issuance of the Bonds. The Board finds and determines that it is expedient, necessary and advisable that the District restructure a portion of its outstanding bonded debt to lower the aggregate tax burden for the District's taxpayers. The Board hereby requires that the present value of the debt service savings, net of all costs associated with the Bonds, shall be not less than 3.50% of the principal amount of the Bonds Being Refunded.

Section 2. **Terms.**

A. **Bonds.** The Bonds will be dated such date as set forth in the Purchase Agreement, will mature on July 1 in some or all of the years 2017 to 2027, inclusive, and will bear interest from their date to the maturity or earlier redemption date of each of the Bonds provided that the bond yield, calculated in the manner bond yield is determined for arbitrage rebate purposes pursuant to United States Treasury Regulations, shall not exceed 3.25%.

The principal amount maturing in each year, the interest rates applicable to each maturity, the optional and mandatory redemption provisions and any other final terms of the Bonds shall be as set forth in the Purchase Agreement and approved by the President or any other member of the Board, and such approval shall be evidenced by the execution and delivery of the Purchase Agreement. The Bonds shall be issued initially in fully registered book-entry-only form in denominations equal to the respective year's maturity amount. If the book-entry-only system is discontinued, the Bonds will be in the denominations of \$5,000 each or integral multiples thereof. Interest on the Bonds shall be payable semiannually on each January 1 and July 1 (each an Interest Payment Date) during the term of the Bonds, commencing January 1, 2017 (or on a later date as set forth in the Purchase Agreement).

B. Book-Entry-Only System. So long as the Bonds are administered under the book-entry-only system described herein, interest payments and principal payments that are part of periodic principal and interest payments shall be paid to Cede & Co. or its registered assigns in same-day funds no later than the time established by DTC on each interest or principal payment date (or in accordance with then-existing arrangements between the District and DTC). The Superintendent or Chief Financial Officer of the District is authorized to enter into an agreement (the "*Letter of Representations*") with DTC in connection with the issuance of the District's bonds including the Bonds and, while the Letter of Representations is in effect, the procedures established therein shall apply to the Bonds.

C. Registration. If the book-entry-only system is discontinued, the Registrar's registration books shall show the registered owners of the Bonds (collectively, the owner or owners of the Bonds as shown on the Registrar's registration books shall be referred to as "*Owner*" or "*Owners*"). While the Bonds are subject to the book-entry-only system, the Bonds shall be registered in the name of Cede & Co., or its registered assigns. If the book-entry-only system is discontinued, the Bonds will be administered by the Registrar in a manner which assures against double issuance and provides a system of transfer of ownership on the books of the Registrar in the manner set forth in the Bonds. The District recognizes that Section 149(a) of the Internal Revenue Code of 1986, as amended (the "*Code*"), requires the Bonds to be issued and to remain in fully registered form in order that interest thereon is exempt from federal income taxation under laws in force at the time the Bonds are delivered. . In this connection, the District agrees that it will not take any action to permit the Bonds to be issued in, or converted into bearer or coupon form.

D. Payment. If the book-entry-only system is discontinued, interest on the Bonds will be payable on each Interest Payment Date by the Paying Agent by check mailed to the Owner thereof at such Owner's address as shown on the registration books maintained by the Registrar as of the close of business of the Registrar on the Record Date (as such term is defined in Section 10 of this resolution).

If the book-entry-only system is discontinued, principal of the Bonds will be payable, when due, only upon presentation and surrender of the Bond at the designated corporate trust office of the Paying Agent. Upon written request made twenty days prior to an interest payment date by an Owner of at least \$1,000,000 in principal amount of Bonds outstanding all payments of interest and, if adequate provision for surrender is made, principal and premium, if any, shall be paid by wire transfer in immediately available funds to an account within the United States of America designated by such Owner.

Notwithstanding any other provision of this resolution, payment of principal of and interest on any Bond that is held by a securities depository or Bonds subject to a book-entry-only system may be paid by the Paying Agent by wire transfer in "same day funds".

E. Other Terms. The Bonds shall have such other terms and provisions as are set forth in Exhibit A hereto and shall be sold under the terms and conditions set forth in the Purchase Agreement.

Section 3. Prior Redemption.

A. Optional Redemption. The Bonds may be subject to redemption as set forth in the Purchase Agreement.

B. Mandatory Redemption. The Bonds may be subject to mandatory redemption as set forth in the Purchase Agreement.

Whenever Bonds subject to mandatory redemption are purchased, redeemed (other than pursuant to mandatory redemption) or delivered by the District to the Registrar for cancellation, the principal amount of the Bonds so retired shall satisfy and be credited against the mandatory redemption requirements for such Bonds for such years as the District may direct.

C. Notice of Redemption. So long as the Book-Entry-Only System is in effect, the Registrar shall notify DTC of redemption in the manner required by DTC. If the Book-Entry-Only System is discontinued, notice of redemption of any Bonds redeemed prior to their stated maturity date shall be mailed by first class mail to each Registered Owner not more than sixty (60) days nor less than thirty (30) days prior to the date of redemption. Notice of redemption may be sent to any securities depository by mail, facsimile transmission, wire transmission or any other means of transmission of the notice generally accepted by the respective securities depository. Failure to properly give notice of redemption shall not affect the redemption of any Bond for which notice was properly given. The Registrar also agrees to send notice of redemption to the Municipal Securities Rulemaking Board (the “MSRB”), currently through the MSRB’s Electronic Municipal Market Access system in the manner required by the MSRB, but no defect in said further notice or record nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

D. Effect of Call for Redemption. 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 are held in separate accounts by the Paying Agent, interest on such Bonds or portions of such 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 such Bonds shall be deemed paid and no longer outstanding.

E. Redemption of Less Than All of a Bond. The District 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 Registrar shall cause a new Bond in a principal amount equal to the unpaid amount remaining on such Bond after the redemption to be issued, authenticated and delivered to the Owner thereof.

Section 4. Security. For the purpose of paying the principal and premium (if any) of, interest on and costs of administration of the registration and payment of the Bonds, there shall be levied on all the taxable property in the District a continuing, direct, annual, ad valorem tax sufficient to pay all such principal, interest and administration costs of and on the

Bonds as the same becomes due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected. Taxes levied with respect to the payment of principal of and interest on the Bonds shall be limited as follows: the total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded, calculated from the date of issuance of the Bonds to the final maturity date of the Bonds Being Refunded; and further, if the trust created to pay principal of, premium, if any, and interest on the Bonds Being Refunded is insufficient to make such payments when due, any taxes levied to pay principal of and interest on the Bonds shall first be applied to the payments of amounts due on the Bonds Being Refunded. The proceeds of the taxes shall be kept in a special fund of the District entitled the "Debt Service Fund" and shall be used only for the payment of principal, interest, premium, if any, or costs as above-stated. If for any reason, the amount on deposit in the District's debt service fund is insufficient to pay on the date of payment, the principal, interest and premium (if any) due on the Bonds, the District hereby authorizes the Treasurer of Pima County, Arizona (the "*Treasurer*") to pay such deficiency from any District funds lawfully available therefore.

This resolution shall be construed as a request and continuing consent to invest moneys in the Debt Service Fund, subject to the provisions of Section 14 hereof and any restrictions imposed by any entity providing credit enhancement for the Bonds, in any of the securities allowed by A.R.S. § 15-1025, and no further annual consent need be given; provided, however, that the Board, acting through its Superintendent or Chief Financial Officer, may revoke such consent for any fiscal year after fiscal year 2021-2022.

Upon the creation of the trust for payment of the Bonds Being Refunded, all moneys collected thereafter during the current fiscal year which would otherwise have been credited to the Interest and Redemption Funds for the Bonds Being Refunded shall be credited to the Debt Service Fund.

Section 5. Use of Proceeds. Upon the delivery of and payment for the Bonds in accordance with the terms of their sale, the net proceeds from the sale of the Bonds, after payment of the costs and expenses of issuance, shall be set aside, together with certain funds of the District required to pay the Bonds Being Refunded, in a special trust fund maintained by a bank or trust company selected by the Chief Financial Officer as depository trustee (the "*Depository Trustee*") and shall be used to pay, when due, principal of and interest and premium on the Bonds Being Refunded, all as more fully described in that certain Depository Trust Agreement to be dated the date of the Bonds (the "*Depository Trust Agreement*"), by and among the District, the Depository Trustee and the Treasurer. Amounts credited to the trust, other than any beginning cash balance, shall be invested immediately in obligations issued by or guaranteed by the United States of America ("*Government Obligations*") the maturing principal of and interest on which, together with any beginning cash balance, shall be sufficient to pay the principal of and premium, if any, and interest on the Bonds Being Refunded as the same becomes due at maturity or prior redemption as provided herein. The District may obtain the Government Obligations by (i) direct purchase from the United States Treasury or (ii) purchase in the open market through the engagement of a bidding agent receiving at least three bids from dealers of such investments.

Any balance of the net proceeds of the Bonds remaining after creation of the trust for the Bonds Being Refunded shall be transferred to the District's Debt Service Fund.

Section 6. Form of Bonds. Pursuant to A.R.S. § 35-491, a fully registered bond form is adopted as an alternative to the form of bond provided in A.R.S. § 15-1023. So long as the book-entry-only system is in effect, the Bonds shall be in substantially the form of Exhibit A attached hereto and incorporated by reference herein, with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby or by the Purchase Agreement and are approved by those officers executing the Bonds; execution thereof by such officers shall constitute conclusive evidence of such approval. If the book-entry-only system is discontinued, the Bonds shall be reissued in forms and permitted denominations that accommodate the requirements of non-book-entry bonds.

The Bonds may have notations, legends or endorsements required by law, securities exchange rule or usage. Each Bond shall show both the date of the issue and the date of such Bond's authentication and registration. The Bonds are prohibited from being converted to coupon or bearer form without the consent of the Board and approval of bond counsel.

Section 7. Execution of Bonds and Other Documents.

A. **Bonds.** The Bonds shall be executed for and on behalf of the District by the President and attested by the Clerk of the Board and countersigned by the Treasurer by their manual or facsimile signatures. In the event the Board does not have a designated Clerk, all members of the Board are hereby designated as Clerk of the District solely for the purpose of attesting the President's signature on the Bonds. If an officer whose signature is on a Bond no longer holds that office at the time the Bond is authenticated and registered, such Bond shall nevertheless be valid.

No Bond shall be valid or binding until authenticated by the manual signature of an authorized representative of the Registrar. The signature of the authorized representative of the Registrar shall be conclusive evidence that such Bond has been authenticated and issued pursuant to this resolution.

B. **Purchase Agreement.** The form of the Purchase Agreement as presented to the Board at the meeting at which this resolution was adopted, is hereby approved and the President or any member of the Board is hereby authorized to execute the Purchase Agreement on behalf of the District. The Superintendent or Chief Financial Officer of the District or the President or any member of the Board shall cause the Purchase Agreement to be completed to reflect the terms of the Bonds, including the price at which the Bonds are sold and provisions for original issue premium or original issue discount with respect thereto. The execution and delivery of the Purchase Agreement by the President or any member of the Board shall be conclusive evidence of approval of such final terms and provisions.

C. **Registrar Contract.** The Registrar's Contract concerning duties of the Registrar, Transfer Agent and Paying Agent for the Bonds, in substantially the form presented to the Board at the meeting at which this resolution was adopted and on file with the District is hereby approved and the President, any member of this Board or the Superintendent or Chief

Financial Officer of the District is hereby directed to execute such contract on behalf of the District with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby and are approved by those officers executing the documents and cause such respective contract to be delivered. Execution by such officers shall constitute conclusive evidence of such approval.

D. Depository Trust Agreement. The Depository Trust Agreement in substantially the form presented to this Board at the meeting at which this resolution was adopted and on file with the District, concerning the refunding of the Bonds Being Refunded is hereby approved and the President, any member of this Board or the Superintendent or Chief Financial Officer of the District is hereby directed to execute such contract on behalf of the District with such necessary and appropriate omissions, insertions and variations as are permitted or required hereby and are approved by those officers executing the documents. Execution by such officers shall constitute conclusive evidence of such approval and cause such respective contract to be delivered.

E. Continuing Disclosure Certificate. In order to comply with the provisions of Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934 (the "*Rule*"), unless an exemption from the terms and provisions of the Rule is applicable to the Bonds, the Superintendent or Chief Financial Officer of the District is hereby authorized and directed to prepare, execute and deliver on behalf of the District a written agreement or undertaking for the benefit of the Owners (including beneficial owners) of the Bonds, in substantially the form presented to the Board and on file with the District. The written agreement or undertaking shall contain such terms and provisions as are necessary to comply with the Rule including, but not limited to (i) an agreement to provide to Municipal Securities Rulemaking Board and to the Arizona state information depository, if one shall be so designated by the State of Arizona, the financial information or operating data presented in the final official statement as determined by mutual agreement between the Superintendent or the Chief Financial Officer and the Underwriter and audited financial statements of the District and (ii) an agreement to provide listed events disclosure to Municipal Securities Rulemaking Board or to any Arizona state information depository hereinafter designated.

F. Official Statement. The preparation and dissemination of a preliminary official statement is hereby authorized and approved and its distribution by the Underwriter is hereby authorized and approved. Such preliminary official statement shall be in a form that is approved and deemed "final" for all purposes of the Rule by the President or any member of the Board or the Superintendent or Chief Financial Officer of the District. The District will cause a final official statement (the "*Official Statement*") in substantially the form of the preliminary official statement to be prepared and distributed with the Bonds upon initial issuance. The President or any member of this Board is authorized to approve, execute and deliver the Official Statement on behalf of the District and the execution by the President or such other officer shall be deemed conclusive evidence of such approval. The preliminary official statement and the Official Statement may be prepared in conjunction with, and may be part of the same document as, the preliminary official statement and the Official Statement for any other bonds which may be issued by the District.

Section 8. Mutilated, Lost or Destroyed Bonds. In case any Bond becomes mutilated or destroyed or lost, the Registrar shall cause to be executed and delivered a new Bond of like date and tenor in exchange and substitution for and upon the cancellation of the mutilated Bond or in lieu of and in substitution for the Bond destroyed or lost, upon the Owner's paying the reasonable expenses and charges of the District in connection therewith and, in the case of the Bond destroyed or lost, filing with the Registrar and the Treasurer of evidence satisfactory to the Registrar and the Treasurer that such Bond was destroyed or lost, and furnishing the Registrar and the Treasurer with a sufficient indemnity bond pursuant to § 47-8405, Arizona Revised Statutes.

Section 9. Acceptance of Offer; Sale of Bonds; Purchase Agreement Approval. The Underwriter proposes to purchase the Bonds pursuant to the form of the Purchase Agreement submitted to this Board at the meeting at which this resolution was adopted. Such proposal as supplemented by final terms that are within the parameters set by this resolution is hereby accepted. When the final terms of the Bonds are known, the Purchase Agreement shall be finalized. The Superintendent or the Chief Financial Officer or President or any member of the Board are authorized and directed to cause the Purchase Agreement to be completed and executed; provided, however, that the parameters of this resolution shall govern the Purchase Agreement and neither the Superintendent nor the Chief Financial Officer is authorized to insert in the Purchase Agreement any terms or conditions contrary to this resolution. Upon the proper completion, execution and delivery of the Purchase Agreement, the Bonds are ordered sold to the Underwriter pursuant to the Purchase Agreement.

The Treasurer is hereby authorized and directed to cause the Bonds to be delivered to or upon the order of the Underwriter upon receipt of payment therefor and satisfaction of the other conditions for delivery thereof in accordance with the terms of the Purchase Agreement. Any other provision of this resolution to the contrary notwithstanding, the Bonds shall not be sold for less than par and no premium on the Bonds shall exceed the net premium permitted by Arizona law.

Section 10. Registrar and Paying Agent. If the book-entry-only system is discontinued, the District will maintain an office or agency where the registered owners of the Bonds will be recorded in the registration books and the Bonds may be presented for registration or transfer (such entity performing such function shall be the "*Registrar*") and an office or agency where Bonds may be presented for payment (such entity performing such function shall be the "*Paying Agent*"). Bonds shall be paid by the Paying Agent in accordance with Section 2(E) of this resolution. The District may appoint one or more co-Registrars or one or more additional Paying Agents. The Registrar and Paying Agent may make reasonable rules and set reasonable requirements for their respective functions with respect to the Owners of the Bonds.

The Superintendent or Chief Financial Officer shall solicit pricing quotes to act as Registrar and Paying Agent with respect to the Bonds and shall select a Registrar and Paying Agent in the best interests of the District. The District may change the Registrar or Paying Agent without notice to or consent of Owners of the Bonds and the District may act in any such capacity.

Each Paying Agent shall be required to agree in writing that the Paying Agent will hold in trust for the benefit of the Owners of the Bonds all moneys held by the Paying Agent for the payment of principal of and interest and any premium on the Bonds.

The Registrar may appoint an authenticating agent acceptable to the District to authenticate Bonds. An authenticating agent may authenticate Bonds whenever the Registrar may do so. Each reference in this resolution to authentication by the Registrar includes authentication by an authenticating agent acting on behalf and in the name of the Registrar and subject to the Registrar's direction.

The Registrar shall keep a separate register for the Bonds. The register shall show the Owners of the Bonds and any transfer of the Bonds. When Bonds are presented to the Registrar or a co-registrar with a request to register a transfer, the Registrar shall register the transfer on the proper registration books if its requirements for transfer are met and shall authenticate and deliver one or more Bonds registered in the name of the transferee of the same principal amount, maturity or payment date and rate of interest as the surrendered Bonds. All transfer fees and costs shall be paid by the transferor.

The "*Record Date*" for the Bonds shall be the close of business on the fifteenth day of the month preceding an Interest Payment Date or principal payment date, as applicable, on the Record Date and before the close of business on the next subsequent Interest Payment Date will be registered in the name of the transferee but the interest payment will be made payable to and mailed to the registered owners shown on the books of the Registrar as of the close of business on the respective Record Date.

The Registrar may, but shall not be required to, transfer or exchange any Bonds during the period commencing on the Record Date to and including the respective Interest Payment 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. If the Registrar transfers or exchanges Bonds within the period referred to above, interest on such Bonds shall be paid to the person who was the Owner at the close of business of the Registrar on the Record Date as if such transfer or exchange had not occurred.

The Registrar shall authenticate Bonds for original issue in the aggregate principal amount of not to exceed \$79,120,000 upon the written request of the Treasurer. The aggregate principal amount of Bonds outstanding at any time may not exceed those amounts except for replacement Bonds as to which the requirements of the Registrar and the District are met.

Section 11. Resolution a Contract. This resolution shall constitute a contract between the District and the Owners of the Bonds and shall not be repealed or amended in any manner which would impair, impede or lessen the rights of the Owners of the Bonds then outstanding. The performance by the Board of the obligations in this resolution, the Bonds and

the other agreements listed in Section 7(B) through (F), inclusive, of this resolution is hereby authorized, approved, ordered and directed.

Section 12. Ratification of Actions. All actions of the officers and agents of the District which conform to the purposes and intent of this resolution and which further the issuance and sale of the Bonds as contemplated by this resolution whether heretofore or hereafter taken are hereby ratified, confirmed and approved. The proper officers and agents of the District are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the District as may be necessary to carry out the terms and intent of this resolution.

This Board hereby acknowledges Gust Rosenfeld P.L.C.'s representation of the Underwriter in matters not involving the District or the Bonds and hereby consents to the representation of the District in the matters set forth in this resolution.

Section 13. Bonds Being Refunded. Some or all of the maturities of the Prior Bonds shown on the chart below, together with such other Prior Bonds as may be selected by the Superintendent or Chief Financial Officer, may be refunded as Bonds Being Refunded hereunder. The Board orders that the Bonds Being Refunded and the times that the Bonds Being Refunded will be redeemed will be determined by the Superintendent or Chief Financial Officer and will be as set forth in the Official Statement. If required by A.R.S. § 35-473.01(A), the weighted average maturity of the Bonds shall be at least 75% of the weighted average maturity of the Bonds Being Refunded.

Issue (Dated Date)	Name	Original Principal Amount	Maturities Being Refunded	Principal Amount Being Refunded	Redemption Date	Redemption Premium on Bonds Being Refunded (% of principal)
9/7/06	School Improvement Bonds, Project of 2004, Series B (2006)	\$305,000	2017	\$305,000	1/1/2017	-0-%
		320,000	2018	320,000	1/1/2017	-0-%
		335,000	2019	335,000	1/1/2017	-0-%
		355,000	2020	355,000	1/1/2017	-0-%
		370,000	2021	370,000	1/1/2017	-0-%
		385,000	2022	385,000	1/1/2017	-0-%
		400,000	2023	400,000	1/1/2017	-0-%
		420,000	2024	420,000	1/1/2017	-0-%
		440,000	2025	440,000	1/1/2017	-0-%
		455,000	2026	455,000	1/1/2017	-0-%
9/6/07	School Improvement Bonds, Project of 2004, Series C (2007)	\$2,300,000	2018	\$2,300,000	7/1/2017	-0-%
		2,300,000	2019	2,300,000	7/1/2017	-0-%
		2,300,000	2020	2,300,000	7/1/2017	-0-%
		2,600,000	2021	2,600,000	7/1/2017	-0-%
		2,800,000	2022	2,800,000	7/1/2017	-0-%
		2,900,000	2023	2,900,000	7/1/2017	-0-%
		3,100,000	2024	3,100,000	7/1/2017	-0-%
		4,300,000	2025	4,300,000	7/1/2017	-0-%
		4,500,000	2026	4,500,000	7/1/2017	-0-%
		5,100,000	2027	3,735,000	7/1/2017	-0-%
7/31/08	School Improvement Bonds, Project of 2004, Series D (2008)	\$2,100,000	2019	\$2,100,000	7/1/2018	-0-%
		2,200,000	2020	2,200,000	7/1/2018	-0-%
		2,300,000	2021	2,300,000	7/1/2018	-0-%
		2,500,000	2022	2,500,000	7/1/2018	-0-%
		2,800,000	2023	2,800,000	7/1/2018	-0-%
		3,300,000	2024	3,300,000	7/1/2018	-0-%
		6,300,000	2025	6,300,000	7/1/2018	-0-%
		7,200,000	2026	7,200,000	7/1/2018	-0-%
		7,000,000	2027	7,000,000	7/1/2018	-0-%

Section 14. Tax Covenant. In consideration of the purchase and acceptance of the Bonds by the Owners thereof and, as authorized by A.R.S., 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 District covenants with the Owners from time to time of the Bonds to neither take nor fail to take any action which action or failure to act is within its power and authority and would result in interest income on the Bonds becoming subject to inclusion as 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 President or any member of the Board, the District's Superintendent or Chief Financial Officer is authorized to execute and deliver all closing documents incorporating the District's representations necessary to exclude the interest on the Bonds from gross income for federal income tax purposes and other matters pertaining to the sale of the Bonds as required by bond counsel. The District's Superintendent or Chief Financial Officer, the Treasurer or a partner

of Gust Rosenfeld P.L.C., bond counsel to the District ("*Bond Counsel*"), is authorized to execute and file on behalf of the District information reporting returns and to file or deliver such other information as may be required by Section 149(e) of the Code.

The Board further authorizes the employment of such experts and consultants to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code. The President, any member of the Board, or the Superintendent or Chief Financial Officer of the District are authorized to make any applicable elections necessary to avoid the rebate to the federal government of certain of the investment earnings attributable to the Bonds.

The District agrees that it will comply with such requirements and will take any such actions as in the opinion of Bond Counsel are necessary to prevent interest income on the Bonds from becoming subject to inclusion 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 in certificates or agreements to be prepared by Bond Counsel; to pay to the United States of America any required amounts representing yield reduction payments or rebates of arbitrage profits 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 moneys relating to the Bonds; and limiting the use of the proceeds of the Bonds and property financed thereby.

The Governing Board hereby authorize the Chief Financial Officer, or his or her designee, to represent and act for the District in all matters pertaining to the District's tax-exempt bonds, as may be necessary to comply, on a continuing basis, with the Internal Revenue Service, Securities Exchange Commission and other governmental entities requests, reporting requirements and post issuance compliance policies and matters.

Section 15. Bonds Not Qualified Tax-Exempt Obligations. The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Section 16. Other Moneys. The Treasurer is authorized and directed to transfer such amounts of money from the District's Principal and Interest Redemption Funds as are or may be necessary to complete the refunding of the Bonds Being Refunded.

Section 17. Bond Insurance or Credit Enhancement. The Treasurer is hereby authorized to expend or cause to be expended Bond proceeds to purchase bond insurance or other credit enhancements for the Bonds if deemed to be in the District's best interest.

Section 18. Severability. If any section, paragraph, subdivision, sentence, clause or phrase of this resolution is for any reason held to be illegal, invalid or unenforceable, such decision will not affect the validity of the remaining portions of this resolution. The Board hereby declares that it would have adopted this resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs,

subdivisions, sentences, clauses or phrases of this resolution may be held illegal, invalid or unenforceable.

Section 19. Written Procedures to Comply with the Rule. The form of Continuing Disclosure Compliance Procedures Regarding the Securities and Exchange Commission's Rule 15c2-12 in substantially the form attached hereto as Exhibit B is hereby approved, and District staff shall follow the procedures set forth therein as it relates to current and future continuing disclosure compliance procedures required by the Bonds, or any bonds of the District.

Section 20. Issuance and Post-Issuance Compliance Procedures. The form of the Issuance and Post-Issuance Compliance Procedures Relating to Tax-Exempt Bonds, Tax Credit Bonds, and other Tax-Exempt Financings, as presented to the Board at the meeting at which this resolution was adopted attached hereto as Exhibit C, and on file with the Board, is hereby approved and District staff shall follow the procedures set forth therein as it relates to issuance and post-issuance compliance procedures required by the Bonds or any other bonds or tax-exempt obligations of the District.

PASSED, ADOPTED AND APPROVED by the Governing Board of Tucson Unified School District No. 1 of Pima County, Arizona, on July 12, 2016.

President

ATTEST:

Clerk

EXHIBIT A

(Form of Book-Entry-Only Bond)

Number: R-_____

Denomination: _____

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Registrar (or any successor registrar) for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

***TUCSON UNIFIED SCHOOL DISTRICT NO. 1
OF PIMA COUNTY, ARIZONA
REFUNDING BOND, SERIES 2016***

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

Registered Owner: Cede & Co.

Principal Amount: _____ AND NO/100 DOLLARS (\$_____)

TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY, ARIZONA (the "*District*"), 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.

INSERT CALL FEATURE IF APPLICABLE

Interest is payable on January 1 and July 1 of each year commencing January 1, 2017, and will accrue from the most recent date to which interest has been paid, or, if no interest has been paid, from the original dated date set forth above. Interest will be computed on the basis of a year comprised of 360 days consisting of twelve (12) months of thirty (30) days each.

Principal of and interest on this bond are payable in lawful money of the United States of America. Interest payments and principal payments that are part of periodic principal and interest payments shall be received by Cede & Co., as nominee of DTC, or its registered assigns in same-day funds no later than the time established by DTC on each interest or principal payment date in accordance with existing arrangements between the District and DTC.

The "Record Date" for this bond will be the close of business of the registrar on the fifteenth (15th) day of the month preceding an interest payment date.

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 and that the series of bonds of which this is one, together with all other indebtedness of the District, is within every debt and other limit prescribed by the Constitution and laws of the State of Arizona, and that due provision has been made for the levy and collection of a direct, annual, ad valorem tax upon all of the taxable property in the District for the payment of this bond and of the interest hereon as each becomes due, as limited as described herein.

This bond is one of a series of general obligation refunding bonds in the aggregate principal amount of \$79,120,000 of like tenor except as to amount, maturity date, interest rate and number, issued by the District to provide funds to refund certain previously issued and outstanding bonds of the District, pursuant to a resolution of the Governing Board of the District duly adopted prior to the issuance hereof (the "*Resolution*"), and pursuant to the Constitution and laws of the State of Arizona relative to the issuance and sale of school district refunding bonds, and all amendments thereto, and all other laws of the State of Arizona thereunto enabling.

For the punctual payment of this bond and the interest hereon and for the levy and collection of ad valorem taxes on all taxable property within the District sufficient for that purpose, the full faith and credit of the District are hereby irrevocably pledged; provided, however, that the total aggregate of taxes levied to pay principal and interest on the issue of bonds of which this bond is one, in the aggregate shall not exceed the total aggregate principal and interest to become due on the bonds being refunded from the date of issuance of the issue of bonds of which this bond is a part to the final date of maturity of the bonds being refunded; and subject, further, to the rights vested in the owners of the bonds being refunded by the bonds of this issue to the payment of such bonds being refunded from the same tax source in the event of a deficiency in the moneys and obligations issued by or guaranteed by the United States of America purchased from the proceeds of the sale of the bonds of this issue and placed in trust for the purpose of providing for payment of principal of and interest on the bonds being refunded. The owner of this bond must rely on the sufficiency of the moneys and obligations placed irrevocably in trust for payment of the bonds being refunded.

So long as the book-entry-only system is in effect, this bond is non-transferable, except as provided in the agreement with the securities depository. If the book-entry-only system is discontinued, 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 corporate trust office of _____ upon surrender and cancellation of this bond. Upon such transfer a new bond or bonds of the same maturity date and interest rate will be issued to the transferee in exchange. Bonds of this issue will be issued only in fully registered form in the denomination of \$5,000 of principal or integral multiples thereof. The registrar or paying agent may be changed by the District without notice.

The District, the registrar and the paying agent may treat the registered owner of this bond as the absolute owner for the purpose of receiving principal and interest and for all other purposes and none of them shall be affected by any notice to the contrary.

The District has caused this bond to be executed by the President and attested by the Clerk of its Governing Board and countersigned by the Treasurer, which signatures may be facsimile signatures. This bond is not valid or binding upon the District without the manually affixed signature of an authorized representative of the registrar. This bond is prohibited from being issued in coupon or bearer form without the consent of the Governing Board of the District, and the occurrence of certain other conditions.

**TUCSON UNIFIED SCHOOL DISTRICT
NO. 1 OF PIMA COUNTY, ARIZONA**

President, Governing Board

ATTEST:

Clerk, Governing Board

COUNTERSIGNED:

Treasurer, Pima County, Arizona

DATE OF AUTHENTICATION AND REGISTRATION: _____

AUTHENTICATION CERTIFICATE

This bond is one of the Tucson Unified School District No. 1 of Pima County, Arizona Refunding Bonds, Series 2016, described in the Resolution.

_____, as Registrar

Authorized Representative

(INSERT INSURANCE STATEMENT HERE, IF APPLICABLE)

FORM OF ASSIGNMENT

The following abbreviations, when used on 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

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 within registered bond in every
particular without alteration or enlargement or any change
whatsoever.

Signature Guaranteed:

Firm or Bank

Authorized Signature

Signature guarantee should be made by a guarantor institution
participating in the Securities Transfer Agents Medallion Program
or in such other program acceptable to the Registrar

ALL FEES AND TRANSFER COSTS SHALL BE PAID BY THE TRANSFER

EXHIBIT B

**CONTINUING DISCLOSURE COMPLIANCE PROCEDURES REGARDING THE
SECURITIES AND EXCHANGE COMMISSION'S RULE 15C2-12
FOR THE TUCSON UNIFIED SCHOOL DISTRICT NO. 1 OF PIMA COUNTY,
ARIZONA**

Date of Implementation: July 12, 2016.

The District is required to file audited financial statement and certain financial and operating information and operating data required by existing continuing disclosure certificates. Compliance includes ensuring that all of the tables and information required by Section 4 of the Continuing Disclosure Certificates are included in, or filed with, the District's Comprehensive Annual Financial Report, or filed separately in each case, no later than February 1 of each fiscal year while the District's bonds require a February 1 filing date. When there are no District bonds requiring a February 1 filing date outstanding, then no later than April 1 or such other date, as may be required by continuing disclosure undertakings adopted after the date of these procedures.

The annual February 1 (or April 1 date, if applicable) should be put into a docket/diary/tickler system which is maintained by a minimum of two people so that it will not be overlooked. The implementation of these procedures and the follow-through are extremely important. The District will agree to file annual audited financial statements and other financial information in the current Official Statement and has agreed to similar filings in past continuing disclosure certificates. When those listed on docket/diary/tickler system leave the District's employment new names must be added and the incoming employees who will be responsible for the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") filings should be briefed so that consistency is maintained.

The Municipal Securities Rulemaking Board launched a tool that allows the District to schedule automated e-mail reminders for these annual filings through EMMA. The District can add up to three e-mail recipients, so multiple staff members may be included on the alert. Please see the instructions below:

To schedule the alerts, access EMMA at www.emma.msrb.org and click on the EMMA Dataport tab. Click on the "Login" button and enter your login information (User ID and password). From the Continuing Disclosure tab of the EMMA Dataport Submission Portal, click on "Schedule and manage e-mail reminders for recurring financial disclosures." Click the "Create Reminder" link to access the scheduling form.

Note: Some districts engage auditors or a dissemination agent to actually do the EMMA filings. If the District has such an agreement, the District is still responsible if the auditor or dissemination agent fails to timely file the required annual statement. Thus, even if the auditor or dissemination agent agrees to make the required filings, the District must follow the February

1 or April 1 schedule, as applicable, and inquire of the District's auditor or dissemination agent to determine if the filing deadline will be met. If the deadline may not be met, it is the District's, and not the District's auditors or dissemination agents, responsibility to file a notice with EMMA indicating that the deadline will not be met and an estimate as to when the audited financial statement and operating data will be filed. In lieu of audited financial statements, unaudited financial statements may be filed until audited financial statements are available.

The District is also required to file notices of "Listed Events" within ten business days of such events or occurrence. Please note: not all of the District's existing continuing disclosure certificates may have the same Listed Events; however, as the 2016 Continuing Disclosure Certificate will most likely be the broadest; following it will also cover past certificate requirements. There can be no guarantee that the regulations concerning Listed Events (Securities and Exchange Commission Rule 15c2-12) will not change and that additional events may be added in the future. The District should check with its bond counsel at the time future bonds are issued to determine if the Listed Events have been changed and, if the later continuing disclosure certificate differs from 2016. The events are listed below (and can also be found in the District's Continuing Disclosure Certificates):

Section 5. **Reporting of Listed Events** (as in the Continuing Disclosure Certificate).

This Section 5 shall govern the giving of notices by the District of the occurrence of any of the following events with respect to the Bonds. The District shall in a timely manner, not in excess of ten business days after the occurrence of the event, provide notice of the following events with EMMA:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service (the "IRS") of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the District;
13. The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to

- undertake such an action nor the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

“Materiality” will be determined in accordance with the applicable federal securities laws.

Note to Section 5(12): For the purposes of the event identified in Section 5(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Below is a short description of how to file notice of occurrence of “Listed Events” with EMMA:

How to File the Notices:

First, please save the Listed Events notice on your computer. You will also need the information contained in the Listed Events notice, so please print out a copy of the Listed Events notice.

1. Login to EMMA <http://dataport.emma.msrb.org/>
2. Click CREATE Continuing Disclosure Submission
3. Check Event Filing, click Next
4. Check “Type of Event” – In the description box type: “[type of notice]”
5. Check “I don’t know my CUSIP -9s” and then use the District’s base CUSIP number to find the affected bonds.
6. Check “all issues for issuer”, click Next
7. Click upload
8. Update contact information, if necessary
9. Upload the Listed Events notice (must be in PDF, word-searchable format)
10. Click preview
11. Publish the documents to EMMA
12. Print receipt and save in your bond documents for the life of the bonds.

Please note there is only a limited save option on EMMA. Therefore the District will not be able to start entering the information, exit and continue later.

Additional note: when filing, EMMA will ask for the District’s six digit CUSIP number (“*base CUSIP number*”). The District’s base CUSIP number is 567541.

EXHIBIT C

ISSUANCE AND POST-ISSUANCE COMPLIANCE PROCEDURES RELATING TO TAX-EXEMPT BONDS, TAX CREDIT BONDS, AND OTHER TAX-EXEMPT FINANCINGS

Date of Implementation: July 12, 2016

INTRODUCTION

Many conditions, restrictions and requirements must be complied with to permit and preserve the tax-exempt, tax credit or direct federal subsidy treatment of general obligation bonds, revenue bonds, lease-purchase agreements, and other tax-exempt financings by the Tucson Unified School District No. 1 of Pima County, Arizona (the "District"). Prior to issuance, the District and its bond counsel will review the facts and the reasonable expectations to determine if the issue will comply with these conditions, restrictions and requirements at the time of issuance. There are certain actions the District must perform after issuance to preserve the favorable tax treatment and certain actions of the District after issuance can adversely affect the tax treatment. In addition, the District must maintain proper records to demonstrate compliance. Because tax benefits may be critical to the investors' decision to purchase the bonds or other obligations, the District covenants to the bond purchasers to comply with all of the conditions, restrictions and requirements throughout the life of the bonds.

Failure to comply may cause the District to be (a) liable to the bondholders, (b) subject to enforcement action by the Internal Revenue Service (the "IRS"), (c) subject to a loss of all or part of any applicable direct federal subsidy, and (d) subject to enforcement action by the U.S. Securities and Exchange Commission. Therefore, it is important that the District take the necessary action to ensure compliance with the conditions, restrictions and requirements applicable to each bond or other financing.

To ensure compliance, the District must identify a single person with overall compliance responsibility. The Superintendent and/or Chief Financial Officer, or his or her designee, will be the responsible person and is referred to in these procedures as the "Bond Compliance Official." Anyone with any questions about the bonds, the proceeds of the bonds, the facilities financed

with the bonds or compliance with the conditions, restrictions and requirements should discuss them with the Bond Compliance Official who shall, as necessary, discuss them with bond counsel. The Bond Compliance Official shall meet with bond counsel to discuss these requirements and from time to time any changes in these requirements. In the event the District fails to comply with these procedures, the Bond Compliance Official shall meet with bond counsel as soon as practicable after the discovery of the failure to comply in order to discuss the steps required to correct the noncompliance.

1. INVESTMENT OF PROCEEDS UNTIL EXPENDED.

Detailed records of investments and earnings will be made and kept by the District with respect to all bond proceeds.

Generally, proceeds of bonds cannot be invested at a yield higher than the bond yield unless during certain specific temporary periods. Therefore, prior to closing, the Bond Compliance Official will determine with bond counsel which funds do or do not qualify for a temporary period. Qualifying information will be set out in a tax certificate. No proceeds will be invested at a yield higher than the bond yield unless they qualify. If the actual facts regarding the use of proceeds changes from what was reasonably expected at closing, the Bond Compliance Official will discuss those changes with bond counsel to see if the temporary periods are changed.

Bond proceeds include the amount received from the sale of the bonds, amounts held in a payment or reserve fund for the bonds *and investment earnings on those amounts*.

The proceeds will not be invested in any investment where a yield cannot be determined.

Any investment in a guaranteed investment contract or similar investment agreement will only be made in compliance with the bidding requirements as reviewed by bond counsel.

Bond proceeds from each issue will be invested so that they can be tracked separately from any other funds of the District. The District will work with the County Treasurer to be sure that invested earnings are properly allocated between bond proceeds and other funds, and that interest earnings on tax-exempt bonds are tracked separately from interest earnings on tax credit and direct pay bonds.

2. USE OF PROCEEDS.

Detailed records will be made and kept by the District with regard to the use of bond proceeds and shall be kept on a series by series basis. For each expenditure the amount, date of and purpose will be recorded. If the project is also funded with non-bond proceeds, the records will reflect an allocation of expenditures between bond proceeds and other funds. No proceeds will be used to reimburse an expenditure made prior to the issue date of the bonds unless the reimbursement requirement, including the prior declaration of intent to reimburse, has been fully complied with and evidence of such compliance is maintained. The District's Governing Board by taking action, or the Superintendent or Chief Financial Officer is authorized to complete the declaration of intent to reimburse.

The District is expected to exercise diligence to expend the proceeds, to enter into within six months of the issue date a binding contract to expend at least 10% of the proceeds and to have expended most of the proceeds within three years. After the third anniversary of the issue, any remaining proceeds in the construction account must be yield restricted. Any remaining Qualified School Construction Bond proceeds must be used to redeem bonds after three years.

The Bond Compliance Official shall periodically review the progress of the projects and the expenditure of proceeds to ensure timely expenditure of proceeds.

3. USE OF BOND FINANCED FACILITIES.

Detailed records of the use of proceeds will identify those facilities that are financed in whole or in part with bond proceeds and must reflect the allocation of bond proceeds and other funds used. Any sale or lease to, or other agreement for use by, a private party in a trade or business can adversely affect the tax status of the bonds. The District will not sell or lease any bond financed property or enter into any agreement with non-governmental entities for use or management of any bond financed property without a thorough review by the Bond Compliance Official and bond counsel. While not a comprehensive list, the Bond Compliance Official will review the following types of transactions with bond counsel prior to entering into any agreement with non-governmental entities or persons: (a) the sale or lease of any bond financed property, (b) any management contracts with a food service provider or book store, (c)

any research agreement and (d) public-private partnerships. The Bond Compliance Official shall periodically review the use of all bond financed facilities to ensure compliance with the private use restrictions. In the event the District takes action that causes the bonds to meet the private business tests or private loan financing test, the Bond Compliance Official shall meet with bond counsel as soon practicable after the issue is discovered to discuss the steps required to correct the noncompliance, including, if necessary, redeeming or defeasing all of the bonds that meet the private business tests or private loan financing test.

4. ARBITRAGE REBATE.

Any time that bond proceeds are permitted to be invested at a yield higher than the bond yield, the amount earned over the bond yield is arbitrage. With certain exceptions, the District is obligated to pay over (rebate) to the United States any arbitrage earned. The District will keep complete and accurate records of all investments of bond proceeds and all information supporting any applicable exceptions to the rebate requirement and will retain or ensure that the County Treasurer has retained a professional rebate consultant to review the records and prepare a report so that the District or the County Treasurer can make any necessary rebate payments. Unless exempt, the District must, at a minimum, make payments at every fifth anniversary of the issue and upon final payment. The Bond Compliance Official will review any exemption prior to each fifth anniversary and upon final payment to determine if any facts have changed which might eliminate the exemption.

5. RECORD RETENTION.

All records concerning the bond issue, including

- a) the transcript of the original proceedings,
- b) investment of proceeds,
- c) use and allocation of proceeds, including the declaration of intent to reimburse,
- d) non-governmental use of bond financed property,
- e) payment of principal and interest on the bonds,
- f) the interest rate or rates on the bonds from time to time, if variable,
- g) compliance with reimbursement requirements,

- h) refunding of all or part of the bonds,
- i) payment of arbitrage rebate or information supporting any exemption to rebate, and
- j) evidence of compliance with special requirements for Tax Credit Bonds, Build America Bonds (Direct Pay), or Tax Credit Bonds (Direct Pay) including Qualified School Construction Bonds (Direct Pay)

shall be kept for the life of the bonds plus three years and, if the bonds are refunded, for the life of all of the refunding bonds plus three years (and in compliance with any State of Arizona records retention policies).

6. SPECIAL REQUIREMENTS FOR TAX CREDIT AND CERTAIN TAX CREDIT (DIRECT PAY) BONDS.

If the District issues any Qualified School Construction Bonds, Qualified Zone Academy Bonds, Qualified Forestry Conservation Bonds, New Clean Renewable Energy Bonds, or Qualified Energy Conservation Bonds (the "Tax Credit Bonds"), the following additional requirements will be met:

a) Capital Expenditure Requirement. All of the proceeds, including investment earnings, must be spent on capital expenditures (and not working capital) except that up to 2% of the proceeds can be spent on costs of issuance and proceeds can fund a reasonably required reserve fund. The Bond Compliance Official shall consult with bond counsel prior to issuance to determine that the 2% costs of issuance limit will not be exceeded, that any reserve fund complies with requirements, and that the balance of the proceeds will be spent on capital expenditures. The Bond Compliance Official will review all expenditures to ensure compliance.

b) Use of Proceeds for Tax Credit Bonds. At the date of issuance, the District must reasonably expect to

(i) spend 100% or more of the proceeds for one or more qualified purposes within the 3-year period beginning on the date of issuance, and

(ii) have a binding commitment with a third party to spend at least 10% of such proceeds within the 6-month period beginning on the date of issuance.

If the District does not spend 100% of the proceeds within the 3-year period from the date of issuance, the District shall redeem all of the nonqualified bonds within 90 days after the end of the 3-year period. The District may be able to receive an extension prior to the

expiration of the 3-year period if the District establishes that failure to spend the proceeds is due to a reasonable cause and the District will continue to proceed to spend the proceeds with due diligence.

The Bond Compliance Official shall periodically review the progress of the projects and the expenditure of proceeds to ensure timely expenditure of proceeds. If the Bond Compliance Official believes that the District will not spend 100% of the proceeds within the 3-year period beginning the date of issuance, the Bond Compliance Official will contact bond counsel as soon as possible.

A qualified purpose for a:

(i) Qualified School Construction Bonds is the construction, rehabilitation or repair of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds;

(ii) Qualified Zone Academy Bonds is a qualified purpose with respect to a qualified zone academy established by an eligible local education agency;

(iii) Qualified Forestry Conservation Bond is one or more qualified forestry conservation purposes;

(iv) New Clean Renewable Energy Bond is one or more qualified renewable energy facilities; and

(v) Qualified Energy Conservation Bonds is one or more qualified conservation purposes.

The Bond Compliance Official shall review the qualified purpose of the applicable Tax Credit Bonds to ensure compliance. Additionally, the Bond Compliance Official shall review the use of proceeds periodically to ensure continued compliance to spend 100% of the proceeds for the applicable qualified purpose.

c) Reserve Fund. The requirements of a reserve fund must be met, including the requirement that the yield on the reserve cannot exceed the discount rate determined on the date the Bond Purchase Agreement is signed and pursuant to the Treasury Rules set forth daily on www.treasurydirect.gov. The Bond Compliance Official shall review these requirements with bond counsel to ensure compliance and review this periodically to ensure continued compliance.

d) Maximum Term. The bonds cannot exceed the maximum term permitted for Tax Credit Bonds. The maximum term will be determined on the date the bonds are sold or

on the date the Bond Purchase Agreement is signed and pursuant to the Treasury Rules set forth daily on www.treasurydirect.gov. The Bond Compliance Official shall review this requirement with bond counsel to ensure compliance.

e) Financial conflicts of Interest. The District must certify that all applicable conflicts of interest are satisfied. The Bond Compliance Official shall review this requirement with bond counsel to ensure compliance.

f) Irrevocable Election. To qualify the Tax Credit Bond as one of the applicable Tax Credit Bonds (Direct Pay), the District must make an irrevocable election to have the applicable Tax Credit Bond (Direct Pay) section apply and to have Section 6431(f)(3)(B) apply to the bonds. The Bond Compliance Official shall ensure that the elections have been made and are evidenced in the transcript at the time of closing.

g) Authorize District Board and Superintendent and/or Chief Financial Officer to Act. The District Board and Superintendent and/or Chief Financial Officer or other authorized person to do all things necessary to take any action within its power and authority which would, other than as a result of the application of Section 6431(f) of the Code, prevent the interest income on the bonds from becoming includable in gross income for federal income tax purposes and to do all things necessary to continue to qualify as the applicable Tax Credit Bonds (Direct Pay) under the applicable Tax Credit Bond (Direct Pay) section and 6431(f) to receive the direct subsidy payment. The Bond Compliance Official shall ensure that such authorization has been granted and is evidenced in the transcript at the time of closing.

h) Filing for Subsidy. An 8038-TC will be prepared by bond counsel, executed by the Bond Compliance Official or other authorized signer, filed promptly after closing and included in the transcript. For each interest payment, the Bond Compliance Official will prepare, sign and file an 8038-CP to request the payment of the direct pay credit from the United States. With respect to fixed rate bonds, the form must be filed no more than 90 days and not less than 45 days prior to the interest payment date. With respect to variable interest rate bonds, the credit payment will be aggregated on a quarterly basis and the 8038-CP must be filed for reimbursement in arrears not more than 45 days after the last interest payment date within that quarter.

Additionally, the Bond Compliance Official will discuss the requirements to appropriately reduce the amount of the subsidy and shall ensure that the amount of the subsidy

requested is appropriately reduced for New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds (Direct Pay) on the 8038-TC and subsequent 8038-CPs.

i) De Minimis Premium. No Tax Credit Bond (Direct Pay) can be reoffered at an issue price which includes a premium which exceeds .25% of the stated redemption price at maturity, multiplied by the number of complete years to the earlier of maturity, mandatory redemption of first optional redemption date, if applicable. Prior to closing, the Bond Compliance Official shall review the pricing information with its bond underwriter to determine that this requirement has been complied with. The bond purchaser or underwriter will certify at the closing what the reoffering prices were reasonably expected to be to establish the amount of premium for each maturity.

j) Davis Bacon. If the District issues any New Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, Qualified Zone Academy Bonds or Qualified School Construction Bonds, the District must comply with the Davis Bacon requirements. The Bond Compliance Official shall ensure that the District complies with this requirement and files required quarterly filings.

7. SPECIAL REQUIREMENTS FOR BUILD AMERICA BONDS (DIRECT PAY).

If the District issues any Build America Bonds (Direct Pay), the following additional requirements will be met:

a) Capital Expenditure Requirement. All of the sales proceeds, including investment earnings, must be spent on capital expenditures (and not working capital) except that up to 2% of the proceeds can be spent on costs of issuance and proceeds can fund a reasonably required reserve fund. The Bond Compliance Official shall consult with bond counsel prior to issuance to determine that the 2% costs of issuance limit will not be exceeded, that any reserve fund complies with requirements, and that the balance of the sales proceeds will be spent on capital expenditures. The Bond Compliance Official will review all expenditures to ensure compliance.

b) De Minimis Premium. No Build America Bonds can be reoffered at an issue price which includes a premium which exceeds .25% of the stated redemption price at maturity, multiplied by the number of complete years to the earlier of maturity, mandatory

redemption or first optional redemption date, if applicable. Prior to closing, the Bond Compliance Official shall review the pricing information with its bond underwriter to determine that this requirement has been complied with. In addition, the District shall review trading information available at <http://www.emma.msrb.org> to monitor all trading activity up to the closing date of the bonds. The bond purchaser or underwriter will certify at the closing what the reoffering prices were reasonably expected to be to establish the amount of premium for each maturity.

c) Irrevocable Election. To qualify an issue as Build America Bonds, the District must make an irrevocable election to have Section 54AA (BABs) and Section 54AA(g) (BABs Direct Pay) of the Code apply to the bonds. The Bond Compliance Official shall ensure that the elections have been made and are evidenced in the transcript at the time of closing.

d) Authorize District Board and Superintendent and/or Chief Financial Officer to Act. The Authorizing Resolution must authorize the District Board and Superintendent and/or Chief Financial Officer or other authorized person to do all things necessary to take any action within its power and authority which would, other than as a result of the application of Section 54AA(g) of the Code, prevent the interest income on the bonds from becoming includable in gross income for federal income tax purposes and to do all things necessary to continue to qualify as BABs – Direct Pay under Sections 54AA and 54AA(g) to receive the direct subsidy payment. The Bond Compliance Official shall ensure that such authorization has been granted and is evidenced in the transcript at the time of closing.

e) Filing for Subsidy. An 8038-B will be prepared by bond counsel, executed by the Bond Compliance Official or other authorized signer, filed promptly after the closing and included in the transcript. For each interest payment, the Bond Compliance Official will prepare, sign and file an 8038-CP to request the payment of the direct pay credit from the United States. With respect to fixed rate bonds, the form must be filed not more than 90 days and not less than 45 days prior to the interest payment date. With respect to variable interest rate bonds, the credit payment will be aggregated on a quarterly basis and the 8038-CP must be filed for reimbursement in arrears not more than 45 days after the last interest payment date within that quarter.

Prior to closing, the District will determine to whom the credit payment will be sent and will obtain the necessary information to properly direct the payment.