

**CITY OF PEORIA, ARIZONA
COUNCIL COMMUNICATION**

CC: _____
Amend No. _____

Date Prepared: **March 12, 2010** Council Meeting Date: **April 6, 2010**

TO: Carl Swenson, City Manager
THROUGH: Susan Thorpe, Deputy City Manager *ST*
FROM: Brent D. Mattingly, Chief Financial Officer *Bm*
PREPARED BY: Deborah Card, Treasury Manager *DC*
SUBJECT: Resolution Authorizing Water and Wastewater Revenue Refunding Bonds, Series 2010

RECOMMENDATION:

That the Mayor and Council review and approve Resolution No. 10 - _____; authorizing the sale and issuance of Water and Wastewater Revenue Refunding Bonds, Series 2010, in the principal amount of not to exceed \$16,700,000; delegating to the Chief Financial Officer of the City the authority to determine certain terms and conditions with respect to the Series 2010 Bonds; providing for the form and other details of the Series 2010 Bonds; authorizing the execution of a Bond Registrar and Paying Agent Agreement, a Bond Purchase Contract and a Continuing Disclosure Undertaking; authorizing the distribution of a Preliminary Official Statement and approving an Official Statement and declaring an emergency.

SUMMARY:

Due to current market conditions, the City of Peoria is considering the refunding of an estimated \$16.4 million in outstanding Water and Sewer Revenue Bonds in April. The potential refunding is estimated to provide a potential savings of approximately \$1.2 million in debt service and meets the City's *Principles of Sound Financial Management* debt policy refunding criteria requirements of \$750,000 in savings or 5% of the net present value of the debt service amount of the bonds being refunded. The actual savings amount will be determined on the date of sale which is planned for the week of April 12, 2010. The following outstanding bonds are being considered for refunding:

CITY CLERK USE ONLY:

Consent Agenda
 Carry Over to Date: _____
 Approved
 Unfinished Business (Date heard previous: _____)
 New Business

ORD. # _____ RES. # _____
LCON# _____ LIC. # _____
Action Date: _____

WATER AND WASTEWATER REVENUE REFUNDING BONDS, SERIES 2010	
Bond Issue	Principal Amount
Water and Sewer Revenue Bonds, Series 1998A (Callable without Premium on July 1, 2007)	\$10,195,000
Water and Sewer Revenue Bonds, Series 2000 (Callable without Premium on July 1, 2009)	\$6,165,000

The total of the Water and Wastewater Refunding Bonds, Series 2010 is estimated not to exceed \$16,700,000, but the actual refunding amount is dependent upon market prices and will be determined on the date of sale.

The attached resolution provides for the following:

- 1) Authorizes the sale and issuance of the bonds in an amount not to exceed \$16.7 million;
- 2) Provides authority to the Chief Financial Officer to determine the terms and conditions related to the bond sale;
- 3) Authorizes the preparation of the required bond documents including the preparation and distribution of a Preliminary Official Statement (offering document) and an Official Statement;
- 4) And declares an emergency so that the bond sale can be held prior to 30 days after approval of the bond resolution.

In summary, staff is requesting that Council approve the attached resolution which authorizes the sale of City of Peoria, Water and Wastewater Revenue Refunding Bonds, Series 2010 and those matters relating to the bond sale. A copy of the Preliminary Official Statement will be distributed to Council prior to the council meeting. The resolution has been approved as to form by the City Attorney.

ATTACHMENTS:

1. Resolution No. 10 - _____
2. Water and Wastewater Revenue Refunding Bonds, Series 2010 - Preliminary Official Statement

RESOLUTION NO. 2010-22

RESOLUTION AUTHORIZING THE SALE AND ISSUANCE OF CITY OF PEORIA, ARIZONA WATER AND WASTEWATER REVENUE REFUNDING BONDS, SERIES 2010, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$16,700,000; DELEGATING TO THE CHIEF FINANCIAL OFFICER OF THE CITY THE AUTHORITY TO DETERMINE CERTAIN TERMS AND CONDITIONS WITH RESPECT TO THE SERIES 2010 BONDS; PROVIDING FOR THE FORM AND OTHER DETAILS OF THE SERIES 2010 BONDS; AMENDING A PROVISION IN PRIOR RESOLUTIONS RELATING TO ISSUANCE OF OTHER WATER AND WASTEWATER REVENUE BONDS; PROVIDING FOR THE COLLECTION AND DISPOSITION OF THE REVENUES TO BE DERIVED FROM THE COMPLETE WATER AND WASTEWATER PLANT AND SYSTEM OF THE CITY; MAKING OTHER PROVISIONS WITH RESPECT TO THE OPERATION OF SUCH SYSTEM; PROVIDING FOR THE SECURITY AND PAYMENT OF THE SERIES 2010 BONDS; AUTHORIZING THE EXECUTION OF A BOND REGISTRAR AND PAYING AGENT AGREEMENT WITH RESPECT TO THE SERIES 2010 BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE CONTRACT FOR THE PURCHASE OF THE SERIES 2010 BONDS; RATIFYING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING AN OFFICIAL STATEMENT; AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE UNDERTAKING AND DECLARING AN EMERGENCY

WHEREAS, pursuant to Title 9, Chapter 5, Article 3, Arizona Revised Statutes, as amended, the City of Peoria, Arizona (the "City"), has heretofore issued the following revenue bonds, of which the following principal amounts are outstanding and all of which are to be refunded and redeemed or paid upon maturity from proceeds of the sale of the hereinafter described Series 2010 Bonds:

- (1) Water and Sewer Revenue Refunding Bonds, Series A (1998), issued in the principal amount of \$16,730,000, and remaining outstanding in the principal amount of \$10,195,000,
- (2) Water and Sewer Revenue Bonds, Series 2000, issued in the principal amount of \$16,590,000 and remaining outstanding in the principal amount of \$6,165,000, and

(collectively, the "Bonds Being Refunded"); and

WHEREAS, the Mayor and Council of the City believe it to be in the best interests of the City to refund the Bonds Being Refunded; and

WHEREAS, by this Resolution the Mayor and Council of the City will authorize and provide for the sale and issuance of not to exceed \$16,700,000 aggregate principal amount of City of Peoria, Arizona Water and Wastewater Revenue Refunding Bonds, Series 2010 (the "Series 2010 Bonds"), to provide a portion of the funds necessary to refund the Bonds Being Refunded; and

WHEREAS, the Outstanding Parity Lien Obligations (as such term is hereinafter defined) prescribe the terms and conditions upon which "Additional Parity Lien Obligations" (as that term is defined in the Outstanding Parity Lien Obligations) may be issued; and

WHEREAS, this Resolution supplements and amends Resolution No. 91-75, as amended, as the Series 2010 Bonds are Additional Parity Lien Obligations ; and

WHEREAS, the conditions prescribed in the Outstanding Parity Lien Obligations for issuing Additional Lien Parity Obligations will be met prior to the issuance of the Series 2010 Bonds herein authorized; and

WHEREAS, an offer for the purchase of the Series 2010 Bonds (the "Purchase Contract") shall be received by the City from RBC Capital Markets Corporation (the "Purchaser"); and

WHEREAS, all things required to be done preliminary to the authorization, sale and issuance of the Series 2010 Bonds pursuant to Title 9, Chapter 5, Article 3, Arizona Revised Statutes, as amended, have been duly done and performed in the manner required by law, and the Mayor and Council of the City are now empowered to proceed with the sale and issuance of the Series 2010 Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF PEORIA, ARIZONA, AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined in the recitals hereto, the following terms shall have the following meanings in this Resolution or confirm the meanings heretofore given to them unless the text expressly or by necessary implication requires otherwise:

"Additional Parity Lien Obligations" shall mean any additional parity lien obligations which may hereafter be issued by the City having a lien upon and payable from Net Revenues on a parity with the Authority Bonds, Phase 1-3 and the Series 2010 Bonds and the Authority's 1995 Loan, the Authority's 1997 Loan, the Authority's 2006 CW Loan, the Authority's 2006 DW Loan, the Authority's 2008 CW Loan, the Authority's 2008 CW Second Loan, and the Authority's 2009 CW Loan (Beardsley), the Authority's 2009 CW Loan (Section A Sewer Rehab), the Authority's 2009 CW Loan (Sewer Rehab & Operations Building) and the Authority's 2009 DW Loan (Water Lines, Stations Upgrades, Well Rehab), pursuant to the restrictive provisions of Section 14 of Resolution No. 91-75, as amended.

"Administrative Expenses" shall mean the reasonable cost or value of all services rendered by the City and its various departments with respect to the System.

"Authority" shall mean the Water Infrastructure Finance Authority of Arizona.

"Authority Bonds, Phases 1-3" shall mean the Water and Sewer Revenue Bonds (Water Infrastructure Finance Authority Project), Phase 1, Phase 2, and Phase 3 of the City, dated as of July 7, 2000 (phase 1), July 26, 2001 (phase 2), and July 26, 2002 (phase 3), respectively.

"Authority's 1995 Loan" shall mean the Loan Agreement #910009-06, dated as of July 1, 1995, between the Authority and the City.

"Authority's 1997 Loan" shall mean the Loan Agreement #910025-98, dated as of June , 1997, between the Authority and the City.

"Authority's 2006 CW Loan" shall mean the Loan Agreement #910089-07, dated as of December 8, 2006, between the Authority and the City.

"Authority's 2006 DW Loan," shall mean the Loan Agreement #920114-07, dated as of December 8, 2006, between the Authority and the City.

"Authority's 2008 CW Loan" shall mean the Loan Agreement #910089-08B, dated as of February 15, 2008, between the Authority and the City.

"Authority's 2008 Second CW Loan" shall mean the Loan Agreement #910089-08C, dated as of May 16, 2008, between the Authority and the City.

"Authority's 2009 CW Loan (Beardsley)" shall mean the Loan Agreement #910177-10, dated as of July 17, 2009, between the Authority and the City.

"Authority's 2009 CW Loan (Section A Sewer Rehab)" shall mean the Loan Agreement #91A118-10, dated as of July 17, 2009, between the Authority and the City.

"Authority's 2009 CW Loan (Sewer Rehab & Operations Building)" shall mean the Loan Agreement #91A119-10, dated as of July 17, 2009, between the Authority and the City.

"Authority's 2009 DW Loan (Water Lines, Stations Upgrades, Well Rehab)" shall mean the Loan Agreement #92A149-10, dated as of July 17, 2009, between the Authority and the City.

"Beneficial Owners" shall mean the actual purchasers of the Series 2010 Bonds or, at the election of the City, any Additional Parity Lien Obligations hereafter issued whose ownership interest is evidenced only in the Book-Entry System maintained by the Depository.

"Bond Registrar" shall mean the entity selected pursuant to Section 4(E) to act as "Bond Registrar."

"Book-Entry System" shall mean a system for clearing and settlement of securities transactions among participants of a Securities Depository (and other parties having custodial relationships with such participants) through electronic or

manual book-entry changes in accounts of such participants maintained by the Securities Depository for recording ownership of the Series 2010 Bonds or, at the election of the City, any Additional Parity Lien Obligations hereafter issued by Beneficial Owners and transfers of ownership interests in the Series 2010 Bonds or, at the election of the City, any Additional Parity Lien Obligations hereafter issued.

"Net Revenues" shall mean that portion of the Revenues remaining after deducting sufficient funds for the Operation and Maintenance Expenses of the System.

"Operation and Maintenance Expenses" shall mean all costs reasonably incurred in connection with the operation, use and maintenance of the System, including (i) repairs necessary to keep the System in efficient and economical operating condition, (ii) the payments of premiums for insurance hereinafter required to be carried on the System, (iii) payments of reasonable Administrative Expenses and (iv) generally all expenses of the System except depreciation, interest expense on the Series 2010 Bonds, any Outstanding Parity Lien Obligations, any Additional Parity Lien Obligations and interest expenses on any obligations subordinate to such obligations.

"Outstanding Parity Lien Obligations" shall mean the Authority Bonds, Phase 1-3 and the Authority's 1995 Loan, the Authority's 1997 Loan, the Authority's 2006 CW Loan, the Authority's 2006 DW Loan, the Authority's 2008 CW Loan and the Authority's 2008 CW Second Loan, the Authority's 2009 CW Loan (Beardsley), the Authority's 2009 CW Loan (Section A Sewer Rehab), the Authority's 2009 CW Loan (Sewer Rehab & Operations Building) and the Authority's 2009 DW Loan (Water Lines, Stations Upgrades, Well Rehab).

"Parity Lien Obligations" shall mean, collectively, the Outstanding Parity Lien Obligations, the Series 2010 Bonds and the Additional Parity Lien Obligations.

"Paying Agent" shall mean the entity selected pursuant to Section 4(E) to act as "Paying Agent."

"Revenues" shall mean and include all income, moneys and receipts to be received by the City, directly or indirectly, from the ownership, use or operation of the System including any waste material or by-products of the System, and also including investment income.

"Securities Depository" shall mean The Depository Trust Company, New York, New York or any successor depository designated pursuant to Section 4(J).

"State" shall mean the State of Arizona.

"System" shall mean and include all of the properties and facilities of the complete water and wastewater plant and system of the City, whether lying within or without the boundaries of the City, as now existing and as they may hereafter be improved or extended, all improvements, additions and extensions thereto or replacements thereof hereafter constructed or acquired by purchase, contract or otherwise and all contracts, rights, agreements, leases and franchises of every nature owned by the City and used or useful or held for use in the operation of said plant and system or any part or portion thereof.

Section 2. Authority for Series 2010 Bonds; Amending a Provision in Certain Prior Resolutions. The Series 2010 Bonds are hereby authorized to be issued pursuant to the provisions of Title 9, Chapter 5, Article 3, Arizona Revised Statutes, as amended, and other applicable provisions of law, Resolution No. 91-75, as amended, and the Outstanding Parity Lien Obligations. (The Series 2010 Bonds are "Additional Parity Lien Obligations" not "Additional Parity Lien Bonds" (as such term is defined in Resolution No. 91-75, as amended); the term "Bonds" as used in Resolution No. 91-75, as amended, shall, however, where applicable also include Additional Parity Lien Obligations taking the form of bonds, including, particularly, Sections 13, 18 and 23 of such Resolution.) This Resolution shall remain in full force and effect until all of the Series 2010 Bonds are fully paid, or provisions for their payment shall have been provided for. The provisions of Sections 1, 3, 4, 5, 6, 7, **10(e) (along with any references to the "Replacement and Extension Fund" thereafter)**, 15, 16, 24, 25, 26, 27, 28 and 29 of Resolution No. 91-75 shall not apply to the Parity Lien Obligations. The provisions of Sections 1, 5, 6, 7, 8, **11(e) (along with any reference to the "Replacement and Extension Fund" thereafter)**, 16, 17, 22, 23, 24 and 25 of Resolution No. 95-65 shall not apply to the Parity Lien Obligations. The provisions of Sections 1, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of Resolution No. 98-135 shall not apply to the Series 2010 Bonds. The provisions of Sections 1, 5, 6, 7, 8, 16, 17, 21, 22, 23, 24 and 25 of Resolution No. 00-82 shall not apply to the Series 2010 Bonds. The provisions of Sections 1, 5, 6, 7, 8, 15, 16, 17, 18 and 19 of Resolution No. 00-84 shall not apply to the Series 2010 Bonds. **Requirements for a "certificate or report of an independent public accountant or firm of such accountants" in this Resolution and in any and all of the hereinabove-mentioned Resolutions, shall be satisfied by "a certificate of the chief financial officer of the City", and such Resolutions are hereby amended as such.**

Section 3. Nature of Series 2010 Bonds. The Series 2010 Bonds shall never be construed to be "tax secured bonds" of the City as that term is defined in Title 9, Chapter 5, Article 3, Section 9-521, Arizona Revised Statutes, as amended, or general obligation bonds of the City within the meaning of Title 35, Chapter 3, Article 3, Arizona Revised Statutes, as amended.

Section 4. Terms of Series 2010 Bonds.

(A) The Series 2010 Bonds shall be numbered, by maturity, from 1 consecutively upwards, shall be fully registered bonds without coupons, shall be in the denomination of \$5,000 of principal due on a maturity date, or any integral multiple thereof and shall bear interest 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 semiannually on January 1 and July 1 of each year during the term of each of the Series 2010 Bonds, the first interest payment date to be determined as hereinafter prescribed.

(B) The principal of and premium, if any, on the Series 2010 Bonds shall be payable upon presentation and surrender thereof at the designated principal corporate trust office of the Paying Agent.

(C) Interest on the Series the Series 2010 Bonds shall be payable by check mailed first class mail, postage prepaid, by the Paying Agent to the registered owner thereof, as shown on the registration books for the Series the Series 2010 Bonds maintained by the Bond Registrar at the address appearing therein at the close of business on the 15th day of the calendar month next preceding that interest

payment date (the "Regular Record Date"). Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor Series 2010 Bonds) as of the Regular Record Date, and shall be payable to the registered owner thereof (or of one or more predecessor Series 2010 Bonds) at the close of business on a special record date (the "Special Record Date") for the payment of that overdue interest. The Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the Special Record Date shall be given to the registered owners of the Series 2010 Bonds not less than ten (10) days prior thereto.

(D) The principal of and interest on the Series 2010 Bonds shall be payable in lawful money of the United States of America.

(E) The Chief Financial Officer of the City shall determine on behalf of the City: (1) the dated date (but not later than July 1, 2010) and total principal amount (but not to exceed \$16,700,000) of the Series 2010 Bonds; (2) the final principal and maturity schedule of the Series 2010 Bonds (but none of the Series 2010 Bonds to mature other than between 2010 and 2035); (3) the interest rates with respect to the Series 2010 Bonds (but the yield with respect to the Series 2010 Bonds calculated for federal income tax purposes not to exceed four percent (4%) and the dates for payment of such interest (the "interest payment dates"); (4) the identity of the Bond Registrar and the Paying Agent; (5) the provisions for redemption in advance of maturity of the Series 2010 Bonds; (6) the sales date, sales price and other sales terms of the Series 2010 Bonds (including for any discount) and (7) the specific provisions for credit enhancement for the Series 2010 Bonds upon the advice of the Purchaser; provided, however, that such determinations must result in a present value debt service saving, net of all costs associated with the sale and issuance of the Series 2010 Bonds, of not less than five percent (5%) of the Bonds Being Refunded.

(F) The Bond Registrar shall maintain the books of the City for the registration of ownership of each Series 2010 Bond. A Series 2010 Bond may be transferred on the registration books upon delivery of the Series 2010 Bond 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 the registered owner of the Series 2010 Bond to be transferred or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such Series 2010 Bond. No transfer of any Series 2010 Bond shall be effective until entered on the registration books.

(G) In all cases upon the transfer of a Series 2010 Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and authenticate and deliver in the name of the transferee or transferees a new fully registered Series 2010 Bond or Bonds of the denominations of \$5,000, or any integral multiple thereof (except that no Series 2010 Bond shall be issued which relates to more than a single principal maturity), for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Section. The City or the Bond Registrar shall charge the registered owner of such Series 2010 Bond, for every such transfer of a Series 2010 Bond, an amount sufficient to reimburse them for any transfer fee, tax or other governmental charge required to be paid with respect to such transfer, and may require that such transfer fee, tax or governmental charge be paid before any such new Series 2010 Bond shall be delivered.

(H) The City and the Bond Registrar shall not be required (1) to issue or transfer any Series 2010 Bonds during a period beginning with the opening of business on the fifteenth (15th) business day next preceding any interest payment date or any date of selection of Series 2010 Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (2) to transfer any Series 2010 Bonds which have been selected or called for redemption.

(I) The Bond Registrar or the Paying Agent may be changed by the City without notice.

(J) The Series 2010 Bonds, and at the election of the City, any Additional Parity Lien Obligations hereafter issued which qualify for participation therein (referenced to in this Subsection only as the "Bonds") shall be subject to a Book-Entry System of ownership and transfer, except as provided in Subsection (iii) of this Subsection. The general provisions for effecting the Book-Entry System are as follows:

(i) The City hereby designates The Depository Trust Company, New York, New York, as the initial Securities Depository (as that term is hereinafter defined) hereunder.

(ii) Notwithstanding the provisions of this Resolution or of the Bonds to the contrary and so long as the Bonds are subject to a Book-Entry System, the Bonds shall initially be evidenced by one typewritten certificate for each maturity date in an amount equal to the aggregate principal amount thereof. The Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company. The Bonds may not thereafter be transferred or exchanged on the registration books of the City maintained by the Bond Registrar except:

(1) to any successor Securities Depository designated pursuant to subsection (iii) of this subsection;

(2) to any successor nominee designated by a Securities Depository or

(3) if the City shall elect to discontinue the Book-Entry System pursuant to subsection (iii) of this Subsection, the City shall cause the Bond Registrar to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the Beneficial Owners (as such term is hereinafter defined) or their nominees, as certified by the Securities Depository, at the expense of the City; thereafter the other applicable provisions of this Resolution regarding registration, transfer and exchange of the Bonds shall apply.

(iii) The Bond Registrar, pursuant to a request from the City for the removal or replacement of the Securities Depository, and upon thirty (30) days' notice to the Securities Depository, may remove or replace the Securities Depository. The Bond Registrar shall remove or replace the Securities Depository at any time pursuant to the request of the City. The Securities Depository may determine not to continue to act as Securities Depository for the Bonds upon thirty (30) days written notice to the City and the Bond Registrar. If the use of the Book-Entry System is discontinued, then after the Bond Registrar

has made provision for notification of the Beneficial Owners of their book entry interests in the Bonds by appropriate notice to the then Securities Depository, the City and the Bond Registrar shall permit withdrawal of the Bonds from the Securities Depository and authenticate and deliver the Bond certificates in fully registered form and in denominations authorized by this Section to the assignees of the Securities Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Bond certificates) of the City.

(iv) So long as the Book-Entry System is used for the Bonds, the City and the Bond Registrar shall give any notice of redemption or any other notices required to be given to registered owners of Bonds only to the Securities Depository or its nominee registered as the owner thereof. Any failure of the Securities Depository to advise any of its participants, or of any participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Bonds to be redeemed or of any other action premised on such notice. Neither the City nor the Bond Registrar shall be responsible or liable for the failure of the Securities Depository or any participant thereof to make any payment or give any notice to a Beneficial Owner in respect of the Bonds or any error or delay relating thereto.

(v) Notwithstanding any other provision of this Section or Section 4(B) hereof or of the Bonds to the contrary, so long as the Bonds are subject to a Book-Entry System, it shall not be necessary for the registered owner to present the applicable Bond for payment of mandatory redemption installments, if any. The mandatory redemption installments may be noted on books kept by the Bond Registrar and the Securities Depository for such purpose, and the Bonds shall be tendered to the Bond Registrar at their maturity.

Section 5. Redemption Prior to Maturity of Series 2010 Bonds.

(A) If subject to optional redemption as determined as provided hereinabove, the Series 2010 Bonds shall be redeemed in any order of maturity determined by the City and only in integral multiples of \$5,000. If less than all of the outstanding Series 2010 Bonds of a single maturity are to be redeemed, the Series 2010 Bonds in that maturity to be redeemed shall be selected by lot in such manner as the Bond Registrar may determine.

(B) Not more than forty-five (45) 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 first class mail, postage prepaid, to the registered owner of each Series 2010 Bond to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any registered owner of Series 2010 Bonds shall not affect the validity of the proceeding for the redemption of Series 2010 Bonds with respect to the registered owners of other Series 2010 Bonds. Notice of the redemption of Series 2010 Bonds, other than by mandatory redemption and excepting any notice that refers to Series 2010 Bonds that are the subject of an advance refunding, shall be given by the Bond Registrar only if sufficient funds have been deposited with the Paying Agent to pay the redemption price of the Series 2010 Bonds to be redeemed.

Section 6. Execution of Series 2010 Bonds. The Series 2010 Bonds shall be executed on behalf of the City by the Mayor of the City, shall be attested by the Clerk

of the City and countersigned by the Treasurer of the City by their manual or facsimile signatures and by imprinting thereon the corporate seal of the City, and such officials are hereby authorized and directed to execute the Series 2010 Bonds as aforesaid.

Section 7. Form of Series 2010 Bonds. The Series 2010 Bonds shall be in substantially the following form, allowing those executing the Series 2010 Bonds to make insertions and deletions necessary to conform the Series 2010 Bonds to this Resolution and the Purchase Contract:

(FORM OF SERIES 2010 BOND)

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

REGISTERED
NO.

REGISTERED
\$.....

UNITED STATES OF AMERICA

STATE OF ARIZONA

COUNTY OF MARICOPA

CITY OF PEORIA, ARIZONA
WATER AND WASTEWATER REVENUE REFUNDING BOND
SERIES 2010

Interest Rate:	Maturity Date:	Original Issue Date:	CUSIP:
...% per annum, 20.., 200..

REGISTERED OWNER CEDE & CO.*

PRINCIPAL AMOUNT..... DOLLARS

THE CITY OF PEORIA, ARIZONA (hereinafter referred to as the "Town"), for value received, hereby promises to pay to the aforesaid Registered Owner, or registered assigns, solely from the revenues hereinafter specified, the aforesaid Principal Amount on the aforesaid Maturity Date unless redeemed prior thereto, and to pay interest on the Principal Amount at the aforesaid Interest Rate on 1,, and on January 1 and July 1 of each year thereafter (each an "Interest Payment Date") to its Maturity Date or until fully paid if called for redemption prior to its Maturity Date.

* Included while The Depository Trust Company, New York, New York, is the Securities Depository.

The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the designated corporate trust office in Phoenix, Arizona, of, as the "Bond Registrar" and the "Paying Agent." Interest on this Bond is payable by check mailed by the Paying Agent to the registered owner hereof, as shown on the registration books for this series of bonds maintained by the Bond Registrar, at the address appearing therein at the close of business on the 15th day of the calendar month next preceding that Interest Payment Date (the "Regular Record Date"). Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the Regular Record Date and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date (the "Special Record Date") for the payment of that overdue interest. The Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the Special Record Date shall be given to the registered owners of the Bonds not less than 10 days prior thereto. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America on the respective dates when principal, premium and interest become due.

This Bond is one of a series of Bonds (collectively, the "Bonds") limited to the principal amount of \$.....,000 issued by the City, pursuant to the Constitution and laws of the State of Arizona, including particularly, Title 9, Chapter 5, Article 3, Arizona Revised Statutes, as amended, and Resolution No. 10-_____, adopted by the Mayor and Council of the City on April 6, 2010 (the "Resolution"), for the purpose of providing a portion of the money with which to refund certain revenue bonds of the City.

This Bond is payable only from and secured by a prior and paramount lien on and pledge of the revenues to be derived from the operation of the properties and facilities of the complete water and wastewater plant and system of the City (the "System"), subject only to the payment of the reasonable and necessary cost of operation and maintenance of the System (the "Revenues"), on a parity of lien with the Outstanding Parity Lien Obligations (as such term is defined in the Resolution). The Revenues are required by the Resolution to be fully sufficient to pay the cost of operation and maintenance of the System and to pay the principal of and interest on the Bonds promptly as each becomes due and payable. The City has covenanted and does hereby covenant that it will fix and impose such rates and charges for the water or wastewater services rendered by the System and for the use of water or wastewater services furnished by the System and will collect and account for sufficient Revenues to pay promptly the principal of and interest on the Bonds and the Outstanding Parity Lien Obligations. This Bond and the interest hereon are payable solely from the Revenues so pledged to the payment thereof, and no registered owner hereof shall have the right to compel any exercise of the taxing power of the City within the meaning of any Constitutional or statutory limitation. For a more complete description of the Revenues and the conditions under which this Bond is payable, a statement of the conditions under which bonds and other obligations may hereafter be issued by the City on a parity with the Bonds and the Outstanding Parity Lien Obligations, a statement of the conditions under which the Resolution may be amended, and the general covenants and provisions pursuant to which this Bond is issued, reference is hereby made to the Resolution.

Bonds maturing on or before July 1, 20.., are not subject to call for redemption prior to maturity. Bonds maturing on or after July 1, 20.., are subject to call for redemption prior to maturity, in whole or in part, on July 1, 20.., or on any interest

payment date thereafter, at the option of the City, by the payment of the principal amount of each Bond called for redemption, plus interest accrued to the date fixed for redemption, plus a premium payable from any source lawfully available therefor, the premium to be computed as a percentage of principal amount as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 1, 20.., and January 1, 20..%
July 1, 20.., and January 1, 20.. and without premium thereafter

Bonds maturing on July 1, 20.., shall be redeemed prior to maturity on July 1, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

<u>Year</u>	<u>Amount</u>
20..	\$....,000
20..,000

A remaining principal amount of \$....,000 of Bonds maturing on July 1, 20.., shall mature on July 1, 20..

Not more than forty-five (45) days nor less than thirty (30) days prior to the mandatory payment date for the Bonds maturing on July 1, 20.., the Bond Registrar shall proceed to select for redemption (by lot in such manner as the Bond Registrar may determine) from all the Bonds maturing on July 1, 20.., outstanding a principal amount of the Bonds maturing on July 1, 20.., equal to the aggregate principal amount of the Bonds maturing on July 1, 20.., redeemable with the required mandatory payment, and shall provide for the redemption of such Bonds maturing on July 1, 20.., on the next July 1 and give notice thereof as required hereby.

The Bonds shall be redeemed in any order of maturity as determined by the City and only in integral multiples of \$5,000. If less than all of the outstanding 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 45 nor less than 30 days before any redemption date, the Bond Registrar shall cause a notice of any such redemption to be mailed by first class mail, postage prepaid, to the registered owner of each Bond to be redeemed at the address shown on the registration books maintained by the Bond Registrar. Failure to mail notice to any registered owner of Bonds shall not affect the validity of the proceeding for the redemption of Bonds with respect to the registered owners of other Bonds.

The Bond Registrar shall maintain the books of the City for the registration of ownership of each Bond as provided in the Resolution.

This Bond may be transferred on the registration books upon delivery hereof 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 the

registered owner of this Bond or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Bond shall be effective until entered on the registration books.

In all cases upon the transfer of a Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and will authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the denomination of \$5,000, or any integral multiple thereof (except that no Bond shall be issued which relates to more than a single principal maturity), for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Resolution. The City or the Bond Registrar shall charge the registered owner of such Bond, for every such transfer of a Bond, an amount sufficient to reimburse them for any transfer fee, tax or 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 shall be delivered.

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

This Bond shall not be entitled to any security or benefit under the Resolution or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Bond Registrar.

It is hereby certified, recited and declared that all acts, conditions and things required to be done, exist and be performed precedent to and in the issuance of this Bond in order to make it a legal, valid and binding obligation of the City in accordance with its terms, have been done, do exist and have been performed in regular and due time, form and manner as required by law.

IN WITNESS WHEREOF, THE CITY OF PEORIA, ARIZONA, has caused this Bond to be executed in the name of the City by the facsimile signature of its Mayor, attested by the facsimile signature of its Clerk and countersigned by the facsimile signature of its Treasurer.

CITY OF PEORIA, ARIZONA

By (Facsimile)
Mayor

ATTEST:

..... (Facsimile)
Town Clerk

COUNTERSIGNED:

..... (Facsimile)
Treasurer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolution and is one of the City of Peoria, Arizona Water and Wastewater Revenue Refunding Bonds, Series 2010.

Date of Authentication:

.....,
as Bond Registrar

By.....
Authorized Representative

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto the within Bond and irrevocably constitutes and appoints attorney to transfer this Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature Guaranteed:

.....
[Insert proper legend]

.....
Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatsoever.

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

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - Custodian (Cust) (Minor)

under Uniform Gifts/Transfers to Minors Act (State)

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

ALL FEES AND COSTS OF TRANSFER SHALL BE PAID BY THE TRANSFEROR

Section 8. Source of Payment and Pledge of Net Revenues. It is hereby confirmed that the Net Revenues are hereby pledged by the City to the payment of all amounts due with respect to the Series 2010 Bonds, and such amounts shall be secured by a prior and paramount lien on and pledge of the Net Revenues on parity of lien with the pledge and lien granted by the City for the payment and security of the Outstanding Parity Lien Obligations. The amounts due with respect to the Series 2010 Bonds, the Outstanding Parity Lien Obligations and any Additional Parity Lien Obligations (exclusive of the City's repayment obligations with respect to the reserve fund credit instruments in connection with the Authority Bonds, Phase 1-3, the Authority's 1995 Loan and the Authority's 1997 Loan, and any similar obligations with respect to reserve fund credit instruments to be entered into by the City with respect to Additional Parity Lien Obligations which shall be secured on a subordinate basis), shall be equally and ratably secured by said pledge and lien without one having priority over the other. The City intends that this pledge shall be a prior and paramount lien on and a first pledge of such Net Revenues, as will be sufficient to make all payments with respect to the Series 2010 Bonds, and the City covenants to make the payments with respect to the Series 2010 Bonds from Net Revenues, except to the extent that it chooses to make such payments from other legally available funds at its sole option. In no event shall the City be required to make the payments with respect to the Series 2010 Bonds from any revenues, receipts or sources not derived from the Net Revenues of the System.

Section 9. Coverage. It is hereby confirmed that the City shall establish and maintain schedules of rates, fees and charges for all services supplied by the System fully sufficient at all times, after making reasonable allowance for contingencies and errors in estimates, to produce Revenues in each fiscal year that are sufficient, (a) to pay the Operation and Maintenance Expenses of the System; (b) to produce an aggregate amount of Net Revenues in each fiscal year of the City equal to (1) one hundred twenty five percent (125%) of the aggregate of the debt service, loan or rental payments payable on the Series 2010 Bonds, the Outstanding Parity Lien Obligations and any Additional Parity Lien Obligations in such fiscal year, and (2) one hundred percent (100%) of the aggregate of the bond insurance policy costs payable in such fiscal year and other amounts secured on a subordinate basis by Net Revenues pursuant to the terms of the authorizing documents related to any obligations described in the preceding clause (2), and (c) to maintain all necessary fund balances required under the resolutions of the City authorizing Outstanding Parity Obligations or Additional Parity Obligations.

Section 10. Additional Parity Lien Obligations; No Additional Parity Lien Bonds. It is hereby confirmed that no other obligations of any kind will be incurred that are payable from or enjoy a pledge of the Net Revenues having priority over the Series 2010 Bonds. Additional Parity Lien Obligations having a lien upon and payable from Net Revenues may be issued on parity with the Series 2010 Bonds, but only as provided herein and only to provide funds to make improvements and expansions to the existing System, to purchase capacity rights in sewage treatment plant facilities owned by other political subdivisions of the State, to purchase capacity rights in water treatment plant facilities owned by other political subdivisions of the State, to acquire land, rights in land or water rights for the System, to provide reasonable reserves for Additional Parity Lien Obligations, to refund Outstanding Parity Lien Obligations or Additional Parity Lien Obligations or the Series 2010 Bonds or to refund other bonds of the City, whether revenue bonds, general obligation bonds or other bonds or obligations, issued to provide funds to construct or acquire additions, extensions,

improvements, expansions or replacements to the System, subject to the following conditions:

(a) The City will not, at the time of the issuance of such Additional Parity Lien Obligations, be in default under any Outstanding Parity Lien Obligations, the Series 2010 Bonds or under any resolution related thereto or providing for the issuance of Additional Parity Lien Obligations or any related credit or reserve fund credit instrument;

(b) The issuance of Additional Parity Lien Obligations will be duly authorized at an election, if required by law, except as to any bonds or obligations to be issued exclusively for the purpose of refunding any Outstanding Parity Lien Obligations or Additional Parity Lien Obligations or the Series 2010 Bonds;

(c) The issuance of Additional Parity Lien Obligations will be provided for by a resolution duly adopted by the City Council and such Additional Parity Lien Obligations will mature and interest will be paid on the same days of the year as Outstanding Parity Lien Obligations; and

(d) The Net Revenues of the System for the last full fiscal year immediately preceding the issuance of such Additional Parity Obligations, as shown in a certificate or report of an independent public accountant or firm of such accountants presented to the Clerk of the City, have been (i) not less than one hundred twenty five percent (125%) of the highest year's debt service on all of the Outstanding Parity Lien Obligations, the Series 2010 Bonds and any Additional Parity Lien Obligations then outstanding and on the Additional Parity Lien Obligations then to be issued and (ii) not less than one hundred percent (100%) of the aggregate of bond insurance policy costs then due and owing and (iii) not less than one hundred percent (100%) any additional amounts required to maintain or fund necessary fund balances under the resolutions of the City relating to obligations described in (d)(i).

For the purposes of the subparagraph (d), additional amounts may be added to the Net Revenues as shown on the accountant's certificate or report in the following circumstances:

(1) If Revenues have been increased as a result of construction of additions or acquisitions to the System made prior to the issuance of such Additional Parity Lien Obligations but during either the fiscal year in which the Additional Parity Lien Obligations are to be issued or in the preceding fiscal year, such increased Revenues may be treated as if such additions to the System were completed on the first day of the fiscal year used for purposes of computation. The Revenues derived from such additions and acquisitions to the System may be converted for purposes of computation to estimated Net Revenues which would have been derived therefrom if said additions and acquisitions had actually been completed on the first day of the year used for computation purposes, such estimates to be made by an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.

(2) If all or part of the proceeds of the Additional Parity Lien Obligations are to be expended for the acquisition of existing water or sewer

properties or facilities, there may be added to the Net Revenue of such preceding fiscal year the Net Revenues derived from the operation of such properties or facilities to be acquired as converted to Net Revenues which would have been derived from the operation of such properties or facilities had such properties or facilities been operated by the City under the City's applicable rate schedule during the entire fiscal year, such converted Net Revenues to be estimated by an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.

(3) If prior to the issuance of the Additional Parity Lien Obligations and subsequent to the first day of such preceding fiscal year, the City shall have increased its rates or charges imposed for water and sewer services, there may be added to the Net Revenues of such fiscal year the additional Net Revenues which would have been received from the operation of the System during such fiscal year and such increase been in effect throughout such fiscal year, such additional Net Revenues to be estimated by an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.

In the event Additional Parity Lien Obligations are to be issued exclusively for the purpose of refunding or retiring a portion of the Outstanding or Additional Parity Lien Obligations then outstanding or the Series 2010 Bonds, for the purpose of calculation required under this subparagraph (d), the percentage requirement on such obligations will be taken into consideration only in any future fiscal year in which any fractional part of such obligations will remain outstanding after the issuance of such Additional Parity Lien Obligations; provided that nothing herein contained shall be construed to limit or restrict the issuance of any Additional Parity Lien Obligations if, before or as a result of the issuance and delivery of such Additional Parity Lien Obligations, any other obligations theretofore issued will not longer be outstanding, or full payment for any such obligations will be provided for by funds from the bond or obligation proceeds.

Notwithstanding the right to do so pursuant to Resolution No. 91-75 as amended, Additional Parity Lien Bonds shall not hereafter be issued.

Section 11. Federal Tax Covenants.

(A) No use of the proceeds of any Series 2010 Series 2010 Bonds shall be made or directed to be made which would cause the Series 2010 Series 2010 Bonds to be "arbitrage Series 2010 Bonds" as that term is defined in Section 148 (or any successor provision thereto) of the Internal Revenue Code of 1986, as amended, or "private activity Series 2010 Bonds" as that term is defined in Section 141 (or any successor provision thereto) of such Code, and the requirements of such Code sections and related Treasury Regulations shall be complied with throughout the term of the Series 2010 Series 2010 Bonds. (Particularly, the City shall be the owner of the facilities financed with the proceeds of the sale of the Series 2010 Bonds Being Refunded (the "Facilities") for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), the City shall not enter into (1) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time, or (2) any lease or other

arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Facilities. Also, the payment of principal and interest with respect to the Series 2010 Bonds shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Series 2010 Bonds, or amounts treated as proceeds of the Series 2010 Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Series 2010 Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund, or (iii) may be invested in obligations issued by the United States Treasury.) In consideration of the purchase and acceptance of the Series 2010 Series 2010 Bonds by such holders from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, as amended, the Mayor and Council of the City covenants, and the appropriate officials of the City are hereby directed, to take all action required to preserve such exclusion or to refrain from taking any action prohibited by such Code which would adversely affect in any respect such exclusion.

(B) The procedures contained in Section 12 hereof shall be complied with for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2010 Bonds.

(C) All necessary and desirable steps shall be taken to comply with the requirements hereunder in order to ensure that interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the City receives a Bond Counsel's Opinion that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Series 2010 Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the City receives such an opinion, this Resolution shall be amended to conform to the requirements set forth in such opinion.

(D) If for any reason any requirement hereunder is not complied with, all necessary and desirable steps shall be taken to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence, and the City shall pay any required interest or penalty under applicable Treasury Regulations.

Section 12. Arbitrage Rebate Covenants.

(A) Terms not otherwise defined in Subsection (B) hereof shall have the meanings given to them in the arbitrage certificate of the City delivered in connection with the issuance of the Series 2010 Series 2010 Bonds.

(B) The following terms shall have the following meanings:

"Bond Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal Series 2010 Bonds selected by the City.

"Bond Year" shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Series 2010 Bonds and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Bond.

"Bond Yield" is as indicated in such arbitrage certificate. Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Series 2010 Bonds as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of issue of the Series 2010 Bonds 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).

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

"Gross Proceeds" shall mean:

(i) any amounts actually or constructively received by the City from the sale of the Series 2010 Bonds but excluding amounts used to pay accrued interest on the Series 2010 Bonds within one year of the date of issuance of the Series 2010 Bonds;

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

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

(iv) replacement proceeds of the Series 2010 Bonds within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Series 2010 Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Series 2010 Bonds in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account.

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

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

"Nonpurpose Investment" shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Series 2010 Bonds.

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

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

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

"Regulations" shall mean the 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.

(C) Within 60 days after the end of each Bond Year, the City 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 which, when added to the future value of all previous rebate payments with respect to the Series 2010 Bonds (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with

respect to the Series 2010 Bonds (determined as of the last day of such Bond Year); and

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

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

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

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

(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 City or any other person (whether or not in connection with the Series 2010 Bonds), and that the bid is not being submitted solely as a courtesy to the City or any other person for purposes of satisfying the requirements in the Regulations that the City 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 Bonds.

(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 Bonds (e.g., a lead underwriter within 15 days of the issue date of the Series 2010 Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the City 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 City retains until three years after the last outstanding Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the City and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(H) The Mayor and Council of the City authorize 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 such Code.

Section 13. Disposition of Series 2010 Bond Proceeds. The proceeds received from the sale of the Series 2010 Bonds shall constitute the "net proceeds" of the Series 2010 Bonds as the term is defined in Title 9, Chapter 5, Article 3, Section 9-535.01, Arizona Revised Statutes, as amended, and, together with moneys contributed by the City, if any, shall, simultaneously with the delivery of the Series 2010 Bonds, be used to redeem, pay and discharge the Bonds Being Refunded and pay costs of issuance of the Series 2010 Bonds.

Section 14. Acceptance of Bond Purchase Contract. The Chief Financial Officer of the City shall accept a proposal of the Purchaser for the purchase of the Series 2010 Bonds which satisfies the terms and conditions of this Resolution on behalf of the Mayor and Council of the City, and the Series 2010 Bonds are hereby ordered to be sold to the Purchaser in accordance with the terms of the Purchase Contract substantially in the form presented to the Mayor and Council of the City at the meeting at which this Resolution was adopted and which is hereby approved after inclusion of the final terms of the Series 2010 Bonds as determined by the Chief Financial Officer of the City as set forth herein. The Mayor or any member of the Council of the City, for and on behalf of the City, is hereby authorized to execute, and the Clerk of the City to attest and deliver, the Purchase Contract in substantially the form submitted to the Mayor and Council of the City at the meeting at which this Resolution was adopted and in a final form satisfactory to the Mayor of the City or the other member of the Council executing the same, and such execution and delivery shall indicate the approval thereof on behalf of the Mayor and Council of the City by the Mayor or such other member of the Council of the City. The Series 2010 Bonds are hereby thereafter ordered sold to the Purchaser in accordance with the terms of the Purchase Contract.

Section 15. Authorization of Bond Registrar and Paying Agent Agreement and Continuing Disclosure Undertaking.

(A) The Mayor and Clerk of the City, for and on behalf of the City, are hereby authorized and directed to execute and attest the Bond Registrar and

Paying Agent Agreement relating to the Series 2010 Bonds in a standard form for the purposes of Section 4 hereof with such changes therein as may be approved by such officials whose signatures thereon shall be evidence of such approval, specifically with respect to the Bond Registrar and Paying Agent Agreement to provide any provisions necessary to provide for credit enhancement with respect to the Series 2010 Bonds.

(B) (1) The City shall comply with and carry out all the provisions of the Continuing Disclosure Undertaking (the "Undertaking") which the Mayor is hereby authorized, for and on behalf of the City, to execute in substantially the form submitted to the Mayor and Council of the City as an appendix to the hereinafter described Preliminary Official Statement in order to comply with the requirements of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as the same may be amended from time to time, with respect to the Series 2010 Bonds.

(2) This Subsection shall constitute a contract between the City and certain owners of the Series 2010 Bonds as described in the Undertaking.

(3) In the event of a failure of the City to comply with the provisions of this Subsection, certain owners of the Series 2010 Bonds as described in the Undertaking may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Subsection. A default under this Subsection shall not be deemed an event of default for other purposes of this Resolution, and the sole remedy under this Subsection in the event of any failure of the City to comply with this Subsection shall be an action to compel performance.

Section 16. Approval of Preliminary Official Statement and Authorization of Official Statement. The preparation, distribution and use of the Preliminary Official Statement relating to the Series 2010 Bonds in substantially the form presented to the Mayor and Council of the City at the meeting at which this Resolution was adopted is in all respects hereby ratified, approved, and confirmed. The Mayor of the City is hereby authorized and directed to approve, for and on behalf of the City, a final Official Statement relating to the Series 2010 Bonds for use in connection with the offering and sale of the Series 2010 Bonds. The execution of the final Official Statement relating to the Series 2010 Bonds by the Mayor of the City shall be conclusively deemed to evidence the approval of the status, form and content thereof by the City.

Section 17. Ratification of Actions. All actions of the officers and agents of the City which conform to the purposes and intent of this Resolution and which further the issuance and sale of the Series 2010 Bonds as contemplated by this Resolution, whether heretofore or hereafter taken, shall be and are hereby ratified, confirmed, and approved. The proper officers and agents of the City are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the City as may be necessary to carry out the terms and intent of this Resolution.

Section 18. 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.

Section 19. Repeal of Conflicting Resolutions, Ordinances and Orders. All resolutions, ordinances, and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 20. Integration of This Resolution, Resolution No. 00-84, Resolution No. 00-82, Resolution No. 98-135, Resolution No. 98-133, Resolution No. 95-65 and Resolution No. 91-75. This Resolution, Resolution No. 00-84, Resolution No. 00-82, Resolution No. 98-135, Resolution No. 98-133, Resolution No. 95-65 and Resolution No. 91-75 shall be deemed and considered as a single resolution, and the covenants, agreements, terms, conditions, rights, privileges, duties and liabilities contained in this Resolution, Resolution No. 00-84, Resolution No. 00-82, Resolution No. 98-135, Resolution No. 98-133, Resolution No. 95-65 and Resolution 91-75 and arising hereunder and thereunder shall apply concurrently, except as specifically set forth herein, and except when the context or circumstances otherwise require. Except as otherwise amended or supplemented by this Resolution, Resolution No. 91-75, as amended, shall remain in full force and effect.

Section 21. Emergency. The immediate operation of the provisions of this Resolution is necessary to provide for the timely refunding of the Bonds Being Refunded and for the preservation of the public health and welfare, and an emergency is hereby declared to exist, and this Resolution shall be in full force and effect from and after its passage and approval by the Mayor and Council of the City, and it is hereby exempt from the referendum provisions of the Charter of the City and the Constitution and laws of the State.

PASSED AND ADOPTED by the Mayor and Council of the City, this 6th day of April, 2010.

Bob Barrett, Mayor
City of Peoria, Arizona

ATTEST:

Mary Jo Waddell, Clerk
City of Peoria, Arizona

APPROVED AS TO FORM:

Stephen M. Kemp, City Attorney
City of Peoria, Arizona

CONSENT OF THE AUTHORITY AND PROVIDERS OF
RESERVE FUND CREDIT INSTRUMENTS
TO SECTION 2 OF THIS RESOLUTION

Upon the defeasance of the Bonds Being Refunded, the Authority, as the owner or obligee of all of the Outstanding Parity Lien Obligations, waives its rights to notices and other procedures provided by Section 18(b) of Resolution No. 91-75, as amended, and consents to the changes in **bold** effected by Section 2 hereof.

WATER INFRASTRUCTURE FINANCE
AUTHORITY
OF ARIZONA

By _____
Printed Name _____
Title _____

....., the provider of Reserve Fund Credit Instruments for Outstanding Parity Lien Obligations, consents to the foregoing for purposes of Section 18(c) of Resolution No. 91-75, as amended.

By _____
Printed Name _____
Title _____

CERTIFICATION

I hereby certify that the foregoing Resolution No. 2010-22 was duly passed and adopted by the Mayor and Council of the City of Peoria, Arizona, at a regular meeting held the 6th day of April, 2010, and that the vote was ayes and nays and that the Mayor and Councilmembers were present thereat.

Mary Jo Waddell, Clerk
City of Peoria, Arizona