

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER \_\_, 2021**

**NEW ISSUES – BOOK-ENTRY ONLY**

**RATING: See “RATING” herein.**

**INSURANCE: See “BOND INSURANCE AND RELATED RISK FACTORS” herein.**

*In the opinion of Special Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions the portion of each installment payment made by the Town pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations (the “Interest Portion”) is excludable from gross income for federal income tax purposes. Further, the Interest Portion is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and is exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excludable from gross income for federal income tax purposes. See “TAX EXEMPTION” herein for a description of certain federal tax consequences of ownership of the Obligations.*

**TOWN OF CHINO VALLEY, ARIZONA**

**DRAFT V  
9-21-2021**

**\$6,030,000\***

**PLEGGED REVENUE OBLIGATIONS,  
SERIES 2021**

**\$7,350,000\***

**PLEGGED REVENUE REFUNDING  
OBLIGATIONS, SERIES 2021**

*Dated:* Date of Delivery

*Due:* July 1, as shown on the inside front cover pages

The Pledged Revenue Obligations, Series 2021 (the “New Money Obligations”) and the Pledged Revenue Refunding Obligations, Series 2021 (the “Refunding Obligations” and, collectively with the New Money Obligations, the “Obligations”) will be executed and delivered (i) to finance the costs of construction of public safety facilities in and for the Town of Chino Valley, Arizona (the “Town”), (ii) to refinance the costs of certain capital projects for the Town and (iii) to pay costs relating to the execution and delivery of the Obligations. See “NEW MONEY PROJECT” and “PLAN OF REFUNDING” herein.

Interest on the Obligations will be payable semiannually on each July 1 and January 1, commencing July 1, 2022\*. The Obligations will be dated the date of delivery and will be issuable as fully registered obligations without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Obligations. Beneficial interest in the Obligations will be available to purchasers in amounts of \$5,000 of principal of a series due on a specific maturity date and any integral multiple thereof only under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, DTC Participants (as defined herein). Purchasers will not receive physical certificates. So long as any purchaser is the beneficial owner of an Obligation, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal and interest on such Obligations. See APPENDIX G - “BOOK-ENTRY ONLY SYSTEM” herein.

The New Money Obligations will be subject to redemption prior to their stated maturities as described herein. The Refunding Obligations will not be subject to redemption prior to their stated maturities. See “THE OBLIGATIONS – Redemption Provisions” herein.

**SEE MATURITY SCHEDULES ON INSIDE FRONT COVER PAGES**

The Obligations will be undivided, proportionate interests in the installment payments to be made by the Town pursuant to a Third Purchase Agreement, to be dated as of November 1, 2021\* (the “Purchase Agreement”), between the Town and \_\_\_\_\_, as trustee. The installment payments will be payable from and secured by a first lien on and pledge of Excise Tax Revenues (as defined herein) and State Shared Revenues (as defined herein) on a parity with the Parity Loan Agreements (WIFA) and any Additional Revenue Obligations (each as defined herein) that may be incurred on a parity as provided in the Purchase Agreement. No obligations may be incurred that would have a prior pledge of Excise Tax Revenues and State Shared Revenues to the installment payments due pursuant to the Purchase Agreement. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS” herein.

THE OBLIGATIONS WILL BE SPECIAL, LIMITED, REVENUE OBLIGATIONS OF THE TOWN AND WILL BE PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE TOWN, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF AND THE FULL FAITH AND CREDIT OF THE TOWN, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF WILL NOT BE PLEDGED FOR THE PAYMENT OF THE OBLIGATIONS.

The Obligations will be offered when, as and if executed and delivered, subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel, as to validity and tax exemption. Certain matters will be passed upon for the underwriter identified below by its counsel, Squire Patton Boggs (US) LLP, Phoenix, Arizona. It is anticipated that the Obligations in definitive form will be available for delivery through DTC on or about November \_\_, 2021\*.

*This cover page contains only a brief description of the Obligations and the security therefor. It is not a summary of material information with respect to the Obligations. Investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Obligations.*

\_\_\_\_\_

\* Subject to change.



**This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

## MATURITY SCHEDULE\*

**\$6,030,000\***

### TOWN OF CHINO VALLEY, ARIZONA PLEGDED REVENUE OBLIGATIONS, SERIES 2021

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®<sup>(1)</sup> No. 16958C</u>
2022	\$ 215,000			
2023	210,000			
2024	220,000			
2025	225,000			
2026	235,000			
2027	245,000			
2028	255,000			
2029	265,000			
2030	275,000			
2031	290,000			
2032	300,000			
2033	310,000			
2034	325,000			
2035	335,000			
2036	350,000			
2037	365,000			
2038	380,000			
2039	395,000			
2040	410,000			
2041	425,000			

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\* Subject to change.

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**MATURITY SCHEDULE\***

**\$7,350,000\***

**TOWN OF CHINO VALLEY, ARIZONA  
PLEDGED REVENUE REFUNDING OBLIGATIONS, SERIES 2021**

<u>Maturity Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP®<sup>(1)</sup> No. 16958C</u>
2022	\$ 665,000			
2023	655,000			
2024	680,000			
2025	715,000			
2026	670,000			
2027	730,000			
2028	760,000			
2029	795,000			
2030	825,000			
2031	860,000			

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\* *Subject to change.*

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# **TOWN OF CHINO VALLEY, ARIZONA**

## **MAYOR & TOWN COUNCIL**

Jack W. Miller, *Mayor*

Corey Mendoza, *Mayor Pro-Tempore*

Tom Armstrong, *Councilmember*

Eric Granillo, *Councilmember*

Cloyce A. Kelly, *Councilmember*

Annie Perkins, *Councilmember*

Lon Turner, *Councilmember*

## **TOWN ADMINISTRATIVE STAFF**

Cindy Blackmore, *Town Manager*

Joe Duffy, *Finance Manager*

## **SPECIAL COUNSEL**

Greenberg Traurig, LLP  
*Phoenix, Arizona*

## **TRUSTEE**

[TRUSTEE]  
*Location*

## REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Town of Chino Valley, Arizona (the “Town”) or Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) to give any information or to make any representations with respect to the Obligations, other than those in this Official Statement, which includes the cover page, the inside front cover pages and the appendices hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Obligations by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover pages and appendices hereto, has been obtained from representatives of the Town and the Arizona Department of Revenue and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Town or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.”

The presentation of information, including tables of receipts from taxes and other sources, shows recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Town. All information, estimates and assumptions contained herein are based on past experience and on the latest information available and are believed to be reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, opinions, assumptions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the Town has been identified by source and has not been independently confirmed or verified by the Town or the Underwriter and its accuracy cannot be guaranteed. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto will, under any circumstances, create any implication that there has been no change in the affairs of the Town or any of the other parties or matters described herein since the date hereof.

None of the Town, the Underwriter, counsel to the Underwriter or Special Counsel (as defined herein) are actuaries. None of them have performed any actuarial or other analysis of the Town’s share of unfunded liabilities of the Arizona State Retirement System and the Public Safety Personnel Retirement System.

The Obligations will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission (the “SEC”) nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Obligations for sale.

A wide variety of information, including financial information, concerning the Town is available from publications and websites of the Town and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such publications and websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The Town will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” all pursuant to Rule 15c2-12 of the SEC.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES OF THE OBLIGATIONS TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE OBLIGATIONS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET IN ORDER TO FACILITATE THEIR DISTRIBUTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**OFFICIAL STATEMENT**

**TOWN OF CHINO VALLEY, ARIZONA**

**\$6,030,000\***  
**PLEDGED REVENUE OBLIGATIONS,**  
**SERIES 2021**

**\$7,350,000\***  
**PLEDGED REVENUE REFUNDING**  
**OBLIGATIONS, SERIES 2021**

**INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page, the inside front cover pages and the appendices hereto, provides certain information concerning the Pledged Revenue Obligations, Series 2021 (the “New Money Obligations”) and the Pledged Revenue Refunding Obligations, Series 2021 (the “Refunding Obligations” and, collectively with the New Money Obligations, the “Obligations”), to be executed and delivered in the respective principal amounts indicated hereinabove. The Obligations will be undivided, participating, proportionate interests in installment payments (the “Payments”) to be made by the Town of Chino Valley, Arizona (the “Town”), pursuant to a Third Purchase Agreement, to be dated as of November 1, 2021\* (the “Purchase Agreement”), between the Town, as buyer, and \_\_\_\_\_, in its capacity as trustee (the “Trustee”), as seller. The Obligations are being executed and delivered for the purpose of providing funds (i) to finance the costs of certain public safety facilities in and for the Town as described under the heading “NEW MONEY PROJECT” (the “New Money Project”), (ii) to refinance the costs of certain capital projects for the Town (the “Refinanced Projects” and, together with the New Money Project, the “Project”) as described under the heading “PLAN OF REFUNDING” and (iii) to pay the costs and expenses relating to the execution and delivery of the Obligations. Pursuant to the Purchase Agreement, the Trustee will sell and convey to the Town, and the Town will buy and accept from the Trustee, the Projects.

The Obligations will be executed and delivered pursuant to a Third Trust Agreement, to be dated as of November 1, 2021\* (the “Trust Agreement”), between the Town and the Trustee. Certain of the Trustee’s interests under the Purchase Agreement, including, without limitation, the right to receive and collect the Payments and the right to enforce the payment of the Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations. See APPENDIX D – “SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS” in addition to the information hereinbelow for descriptions of the terms of the Purchase Agreement and the Trust Agreement. See APPENDIX A – “TOWN OF CHINO VALLEY, ARIZONA – GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION,” APPENDIX B – “TOWN OF CHINO VALLEY, ARIZONA – FINANCIAL DATA” and APPENDIX C – “TOWN OF CHINO VALLEY, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020” for information about the Town.

The Payments will be payable from and secured by a first lien on and pledge of Excise Tax Revenues and State Shared Revenues (each as defined herein) on a parity with the payments due pursuant to the Loan Agreement, dated as of January 12, 2007, by and between the Town and the Water Infrastructure Finance Authority (“WIFA”), the Loan Agreement, dated as of January 12, 2008, by and between the Town and WIFA, the Loan Agreement, dated as of December 30, 2014, by and between the Town and WIFA, the Loan Agreement (910167-16), dated as of November 23, 2015, by and between the Town and WIFA and the Loan Agreement (910168-16), dated as of November 23, 2015, by and between the Town and WIFA (collectively, the “Parity Loan Agreements (WIFA)”).

“Excise Tax Revenues” means revenues from the unrestricted transaction privilege (sales) tax, business license and franchise fees, parks and recreation fees and permits and fines and forfeitures which the Town imposes; provided that the Mayor and Council of the Town may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council. “State Shared Revenues” means revenues from any excise taxes, transaction privilege (sales) taxes, income taxes and vehicle license taxes imposed by the State of Arizona (the “State” or “Arizona”) or any agency thereof and returned, allocated or apportioned to the Town, except the Town’s share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

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\* *Subject to change.*



So long as any amounts due under the Parity Loan Agreements (WIFA) or the Purchase Agreement remain unpaid or unprovided for, the Town may not further encumber Excise Tax Revenues and State Shared Revenues on a basis equal to the pledge for the Purchase Agreement unless certain requirements are satisfied. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS – Additional Revenue Obligations” and, for detail about amounts due pursuant to the Parity Loan Agreements (WIFA) and the Purchase Agreement, see APPENDIX B – “TOWN OF CHINO VALLEY, ARIZONA – FINANCIAL DATA.” The Town may not encumber Excise Tax Revenues and State Shared Revenues on a basis prior to the pledge for the Purchase Agreement.

*The definition of “State Shared Revenues” in the Parity Loan Agreements (WIFA) will, upon execution and delivery of the Obligations, be treated as identical to the definition of “State Shared Revenues” provided in the Trust Agreement, the primary change being inclusion of “vehicle license taxes”, and the pledge of State Shared Revenues to each of the Parity Loan Agreements (WIFA) will be expanded to include such additional revenues upon execution and delivery of the Obligations.*

Under certain circumstances the pledge of Excise Tax Revenues and State Shared Revenues for the Parity Loan Agreements (WIFA) may be released by WIFA if net revenues from the wastewater treatment system of the Town (which are also pledged to such related obligations) are adequate for such purposes.

THE OBLIGATIONS AND THE OBLIGATION OF THE TOWN TO MAKE THE PAYMENTS EACH CONSTITUTE A LIMITED OBLIGATION OF THE TOWN, AND NEITHER CONSTITUTES A GENERAL OBLIGATION OF THE TOWN WITHIN THE MEANING OF THE CONSTITUTION OR LAWS OF THE STATE. THE TOWN’S OBLIGATION TO MAKE THE PAYMENTS IS NOT SUBJECT TO ANNUAL APPROPRIATION OR BUDGETING BY THE TOWN NOR IS SUCH OBLIGATION SUBJECT TO ANY CONSTITUTIONAL OR STATUTORY LIMITATION ON EXPENDITURES.

Unless and until discontinued, the Obligations will be held in book-entry form by The Depository Trust Company, New York, New York (“DTC”), a registered securities depository, and beneficial interests therein may only be purchased and sold, and payments of principal and interest on the Obligations will be made only to beneficial owners (the “Beneficial Owners”), through participants in the DTC system. Beneficial interests in the Obligations will be available to purchasers in amounts of \$5,000 of principal due on a specific payment date and any integral multiple thereof. So long as Cede & Co. is the registered Owner of the Obligations, as nominee for DTC, references in this Official Statement to “Owner” or registered Owners of the Obligations (other than with respect to the Obligations under the heading “TAX EXEMPTION”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Obligations. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM” herein.

Brief descriptions of the security for the Obligations and of matters related to the Town are included in this Official Statement together with a summary of select provisions of the Purchase Agreement and the Trust Agreement. Such descriptions do not purport to be comprehensive or definitive. All references to the Purchase Agreement and the Trust Agreement are qualified in their entirety by reference to such documents, and references herein to the Obligations are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of all of which are available for inspection at the designated corporate trust office of the Trustee.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes, or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

Neither this Official Statement nor any statement that may have been made orally or in writing in connection herewith is to be considered as, or as part of, a contract with the original purchasers or subsequent owners or beneficial owners of the Obligations.

## THE OBLIGATIONS

### General Provisions

The Obligations will be dated the date of their initial execution and delivery, and will bear interest payable semiannually on July 1 and January 1 of each year (each an “Interest Payment Date”), commencing on July 1, 2022\*, until their maturity or redemption dates, at the rates set forth on the inside front cover pages of this Official Statement. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

As described in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM,” the Obligations, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or its nominee Cede & Co., is the registered owner of all the Obligations, all payments on the Obligations and notices regarding the Obligations will be made directly to DTC.

Subject to the provisions summarized in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM,” the principal of each Obligation will be payable at the designated office of the Trustee. Interest represented by the Obligations will be paid on each Interest Payment Date by check drawn on the Trustee mailed on or before the Interest Payment Date to the registered owners as shown on the records of the Trustee as of the fifteenth day of the month immediately preceding such Interest Payment Date or, if such date is not a business day, on the next succeeding business day (the “Regular Record Date”) or the Trustee may agree with a registered Owner of \$1,000,000 or more in aggregate principal amount of the Obligations for another form of payment.

If the Trustee fails to make payments or provision for payment of interest on the Obligations when due on any Interest Payment Date, that interest shall cease to be payable to the registered Owner of such Obligations as of the applicable regular record date, and when moneys become available for payment of that interest, the Trustee shall establish a special record date for the payment of that interest, which shall be at least ten days prior to the proposed interest payment date, and notice of such special record date shall be mailed to each registered Owner at least ten days prior to the special record date.

Each Obligation will accrue interest from the Interest Payment Date next preceding the date of its execution, unless: (i) executed on an Interest Payment Date or after a Regular Record Date but before the following Interest Payment Date, in which case interest accrues from such Interest Payment Date, (ii) executed on the date of initial delivery or prior to July 1, 2022\*, in which case interest accrues from its dated date, or (iii) payment of interest is in default, in which case interest is payable from the last date to which interest has been paid or, if none, its dated date.

### Redemption Provisions\*

*Optional Redemption of New Money Obligations.* The New Money Obligations will be subject to redemption, at the option of the Town, in whole or in part on any date on or after July 1, 20\_\_, at the redemption price of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

*No Optional Redemption of Refunding Obligations.* The Refunding Obligations will not be subject to optional redemption prior to their maturity.

*Manner of Selection for Redemption.* The Obligations will be redeemed only in principal amounts of \$5,000 each or integral multiples thereof. The Town will, at least 45 days prior to the redemption date, notify the Trustee of such redemption date and of the maturities of the Obligations and the principal amount of the Obligations of any such maturity to be redeemed on such date. For the purposes of any redemption of less than all of the Obligations of a single maturity, the particular Obligations or portions of the Obligations to be redeemed shall be selected through the procedures of DTC.

*Notice of Redemption.* Redemption notices will be sent only to DTC by electronic media, not more than 60 nor less than 30 days prior to the date set for redemption. See APPENDIX G – “BOOK-ENTRY ONLY SYSTEM.” Such notice will state that if, on the specified redemption date, moneys for redemption of all the Obligations to be redeemed together with interest to the date of redemption, is held by the Trustee, then, from and after said date of redemption,

interest with respect to the Obligations will cease to accrue and become payable and that if such moneys are not so held, the redemption will not occur.

## **SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS**

### **General**

The Obligations will be special, limited, revenue obligations, taking the form of undivided, participating, proportionate interests in the Payments. The obligation of the Town to make the Payments will be limited to payment from Excise Tax Revenues and State Shared Revenues and will in no circumstances constitute a general obligation or a pledge of the full faith and credit of the Town, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

Excise Tax Revenues and State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement will constitute surplus revenues and may be used by the Town for any lawful purpose for the benefit of the Town. The Town, also, may make the Payments from its other funds as permitted by law and as the Town determines from time to time, and the Trustee will thereafter have no claim to such other funds.

Under the terms of the Trust Agreement, an irrevocable trust will be administered by the Trustee for the equal and proportionate benefit of the Owners of the Obligations, which trust includes: (1) all right, title and interest of the Trustee, as seller, in the Purchase Agreement and the right to (a) make claim for, collect or receive all amounts payable or receivable thereunder, (b) bring actions and proceedings thereunder or for the enforcement of such rights, and (c) do any and all other things which the Trustee is entitled to do thereunder; (2) amounts on deposit from time to time in the funds created pursuant to the Trust Agreement; and (3) any and all other property of any kind hereafter conveyed as additional security for the Obligations.

### **Pledge**

The Payments will be payable from and secured by a first lien on and pledge of Excise Tax Revenues and State Share Revenues on a parity with the payments due pursuant to the Parity Loan Agreements (WIFA) and any Additional Revenue Obligations.

So long as any amounts due under the Parity Loan Agreements (WIFA) or the Purchase Agreement remain unpaid or unprovided for, the Town may not further encumber Excise Taxes on a basis equal to the pledge for the Purchase Agreement unless certain requirements are satisfied. See “Additional Revenue Obligations; No Prior Lien Obligations” below. For detail about amounts due pursuant to the Parity Loan Agreements (WIFA) and the Purchase Agreement, see APPENDIX B – “TOWN OF CHINO VALLEY, ARIZONA – FINANCIAL DATA.”

If at any time the moneys in the funds held for payment of amounts due under the Purchase Agreement or the Trust Agreement are not sufficient to make the deposits and transfers required, any such deficiency will be made up from the first moneys thereafter received and available for such transfers under the terms of the Purchase Agreement and, with respect to payment from Excise Tax Revenues and State Shared Revenues, *pro rata*, as applicable, with amounts due with respect to the Parity Loan Agreements (WIFA), the Purchase Agreement and any Additional Revenue Obligations. Excise Tax Revenues and State Shared Revenues in excess of amounts, if any, required to be deposited with or held by the Trustee for payments due under the Purchase Agreement and the Trust Agreement will constitute surplus revenues and may be used by the Town for any lawful purpose for the benefit of the Town. The Town may make such payments from its other funds as permitted by law and as the Town determines from time to time, but the Trustee will thereafter have no claim to such other funds. The Purchase Agreement will not terminate so long as any of the Payments are due and owing pursuant to the terms of the Obligations.

Payment of the principal represented by the Obligations will not be secured by the Projects, and neither the Trustee nor the Owners of the Obligations have any claim or lien on the Projects or any part thereof.

THE PAYMENTS WILL NOT CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE TOWN NOR WILL THE TOWN BE LIABLE FOR THE PAYMENTS FROM AD VALOREM PROPERTY TAXES. PURSUANT TO THE TRUST AGREEMENT, THE OBLIGATIONS WILL BE SPECIAL, LIMITED REVENUE OBLIGATIONS, PAYABLE SOLELY FROM THE PAYMENTS MADE PURSUANT TO THE AGREEMENT. THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF AND WILL NOT REPRESENT OR CONSTITUTE A DEBT OR A DIRECT OR INDIRECT PLEDGE OF THE FULL FAITH AND CREDIT OF THE TOWN, THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF.

### **Coverage Requirements**

To the extent permitted by applicable law, Excise Tax Revenues will be retained and maintained so that the amounts received from Excise Tax Revenues and State Shared Revenues, all within and for the most recently completed fiscal year of the Town, will be equal to at least two (2) times the total of interest and principal requirements for the current fiscal year of the Town for, and unless the pledge of Excise Tax Revenues and State Shared Revenues provided thereby has been released by the terms of the Parity Loan Agreements (WIFA), the Parity Loan Agreements (WIFA), the Purchase Agreement and any Additional Revenue Obligations. If Excise Tax Revenues and State Shared Revenues for any such fiscal year shall not have been equal to at least one and one-quarter (1¼) times the total of the interest and principal requirements for the current fiscal year of the Town for, unless the pledge of Excise Tax Revenues and State Shared Revenues has been released by the terms of the Parity Loan Agreements (WIFA), the Parity Loan Agreements (WIFA), the Purchase Agreement and any Additional Revenue Obligations or if at any time it appears that Excise Tax Revenues and State Shared Revenues will not be sufficient to meet such requirements, the Town will, to the extent permitted by applicable law, impose new exactions of the type of the excise taxes which will be part of the excise taxes or increase the rates for the excise taxes currently imposed fully sufficient at all times, after making allowance for contingencies and errors, in each fiscal year of the Town in order that (i) Excise Tax Revenues and State Shared Revenues will be sufficient to meet all such requirements and (ii) Excise Tax Revenues and State Shared Revenues will be reasonably calculated to attain the level as required by the first sentence of this paragraph.

### **Additional Revenue Obligations; No Prior Lien Obligations**

Additional Revenue Obligations may be incurred but only if Excise Tax Revenues plus State Shared Revenues in the most recently completed fiscal year of the Town have amounted to at least two (2) times the highest combined interest and principal requirements for any succeeding fiscal year of the Town for, unless the pledge of Excise Tax Revenues and State Shared Revenues provided thereby has been released by the terms of the Parity Loan Agreements (WIFA), the Parity Loan Agreements (WIFA), the Purchase Agreement and any Additional Revenue Obligations; provided, however, that until the release of the pledge of, and lien on, Excise Tax Revenues and State Shared Revenues pursuant to the Parity Loan Agreements (WIFA), if such amount would be less than six (6) times, then the Town will not incur Additional Revenue Obligations without the prior written consent of WIFA. As shown in TABLE 6 herein, such amount will be more than six (6) times and the prior written consent of WIFA will not be requested.

### **Coronavirus Disease 2019 (“COVID-19”)**

The COVID-19 global pandemic continues to affect the nation and the State with ongoing concerns related to health and safety, appropriate preventative protocols, fiscal and economic issues, and student learning loss. At present, government and business operations in the State, following the rescindment of numerous COVID-19-related Executive Orders by Arizona Governor Doug Ducey, essentially function without government-imposed restrictions relating to the pandemic. Additionally, effective September 29, 2021, a State law will become effective retroactive to July 1, 2021, prohibiting the imposition of mask mandates for schools.

Excise Tax Revenues collections and other collections dependent on tourism or local business activity may be materially adversely affected by the continued spread of COVID-19 due to slower business activity. The Town, however, cannot predict the extent of the impact COVID-19 will have on Excise Tax Revenue collections, which could have a negative impact on Town revenues and ability to pay operating expenses and debt service on the Obligations.

The State's finances are likely to be adversely affected by the continued spread of COVID-19, the various governmental actions taken in response thereto and changes in the behavior of businesses and people, which all could affect the amount of State Shared Revenues distributed to counties and municipalities, including the Town.

Excise Tax Revenues and State Shared Revenues are major sources of revenue of the Town's general fund and the security for and source of payment of the Obligations. The Town, however, cannot predict how the spread of COVID-19, the Order, or the various governmental or private actions taken in response thereto will affect its finances or operations, including the receipt of these funds.

***[Town Specific Paragraph]***

## EXCISE TAX REVENUES AND STATE SHARED REVENUES

Excise Tax Revenues and State Shared Revenues will be pledged as security for the Payments due pursuant to the Purchase Agreement, which will be used to pay debt service on the Obligations. The major categories of such revenues are discussed more fully under this heading.

NO ASSURANCES CAN BE GIVEN THAT THE AMOUNT OF STATE SHARED SALES TAXES OR STATE SHARED INCOME TAXES DESCRIBED HEREINBELOW WILL NOT BE REDUCED OR ELIMINATED BY THE STATE LEGISLATURE IN THE FUTURE.

### Excise Tax Revenues

*Town Transaction Privilege (Sales) Tax.* The Town collects a transaction privilege (sales) tax on a variety of categories of business activity. The Town’s transaction privilege (sales) tax is levied by the Town upon persons on account of their business activities within the Town. The amount of taxes due is calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in TABLE 1.

**TABLE 1**

### Town Transaction Privilege (Sales) Tax Rates by Category Town of Chino Valley, Arizona

Category	Town Privilege Tax Rate
Advertising	4.00%
Amusements	4.00
Contracting – Prime	4.00
Contracting – Speculative Builders	4.00
Contracting – Owner Builder	4.00
Job Printing	4.00
Manufactured Buildings	2.00
Timbering and Other Extraction	4.00
Severance – Metal Mining	0.10
Publication	4.00
Hotels	4.00
Hotel/Motel (Additional Tax) (a)	4.00
Rental Occupancy	3.00
Rental, Leasing & Licensing for Use of TPP	3.00
Restaurant and Bars	4.00
Retail Sales	4.00
Maintenance, Repair, Replace and Alteration (MRRRA) Amount	4.00
Transporting	4.00
Utilities	4.00

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(a) *The Town levies an additional 4.0% transient lodging tax on any hotel, motel, apartment or individual charging for lodging space to any person for less than 30 consecutive days. This tax is restricted by State law to use for visitor and hospitality services. Such amounts are not part of the Excise Tax Revenues.*

Source: Arizona Department of Revenue.

The following table shows audited collections of the Town’s unrestricted transaction privilege (sales) tax by industry classification for fiscal years 2015/16 through and including 2019/20, projected collections for fiscal year 2020/21 and budgeted collections for fiscal year 2021/22.

**TABLE 2 [To Be Discussed]**

**Transaction Privilege (Sales) Tax Collections by Industry Classification (a)  
Town of Chino Valley, Arizona**

Industry Classification	Audited					Estimated	Budgeted
	2015/16	2016/17	2017/18	2018/19	2019/20	Actual 2020/21 (b)	2021/22 (b)
Construction	\$ 354,129	\$ 495,600	\$ 846,851	\$ 937,004	\$ 814,408	\$ 964,566	\$ 989,581
Manufacturing	78,910	30,895	112,066	207,019	188,099	222,780	228,558
Transportation, warehousing, communications & utilities	798,024	694,022	730,917	727,641	746,936	884,654	907,596
Wholesale trade	129,501	-	118,731	180,042	192,340	227,803	233,711
Retail trade	2,735,267	3,171,921	3,350,891	3,700,174	4,745,837	5,620,859	5,766,632
Restaurants, bars & lodging	501,100	573,858	600,046	655,336	696,727	825,187	846,588
Finance, insurance & real estate	348,577	378,261	399,797	430,263	534,953	633,586	650,017
Services	130,589	144,015	139,351	153,274	-	-	-
All other	282,941	89,468	13,446	19,106	43,056	50,995	52,317
Total (c)	<u>\$ 5,359,038</u>	<u>\$ 5,578,040</u>	<u>\$ 6,312,096</u>	<u>\$ 7,009,859</u>	<u>\$ 7,962,356</u>	<u>\$ 9,430,430</u>	<u>\$ 9,675,000</u>

(a) Due to the Town’s participation in the Arizona Department of Revenue (“ADOR”) sales tax collection program and ADOR’s reporting of collections on a cash basis, the totals represented here may differ from the amounts shown in TABLE 3.

(b) Projected and budgeted figures are “forward-looking” statements, subject to change upon audit and should be considered with an abundance of caution.

(c) A portion of this tax is restricted by State statute to use for visitor and hospitality services. The restricted amounts are not part of the Excise Tax Revenues pledged to payment of the Payments.

Source: Finance Department of the Town.

The following table shows the monthly Town Transaction Privilege (Sales) Tax collections of the Town for the current Fiscal Year and previous two Fiscal Years.

**TABLE 3**

**Town Transaction Privilege (Sales) Tax Collections  
Town of Chino Valley, Arizona**

Month	FY 2019	FY 2020	FY 2021 (a)
July	\$ 630,569	\$ 569,436	\$ 763,998
August	514,196	646,796	734,256
September	662,908	600,294	729,967
October	571,077	581,118	805,001
November	622,138	626,858	713,553
December	564,576	611,462	708,877
January	550,816	712,113	859,896
February	548,361	652,055	680,478
March	550,415	629,253	771,127
April	589,469	704,982	834,904
May	587,905	707,730	825,614
June	678,562	725,697	836,883
	<u>\$ 7,070,992</u>	<u>\$ 7,767,794</u>	<u>\$ 9,264,554</u>

(a) Projected collections for fiscal year 2020/21. Projected figures are “forward-looking” statements, subject to change upon audit and should be considered with an abundance of caution.

Source: Arizona Department of Revenue, for month reported.

*Franchise Fees.* The Town imposes and collects franchise fees to engage in certain activities within the Town and the right to utilize certain Town property.

*Business Licenses.* The Town imposes and collects fees for licenses to engage in certain activities within the Town and the right to utilize certain Town property. Those entities transacting more than one type of business are required to have separate business license for each activity they engage. The Town has the authority and ability to set the charge for the business license at whatever rate it determines.

*Permits.* The Town imposes and collects fees for permits to engage in certain activities within the Town the right to utilize certain Town property.

*Parks and Recreation Fees.* The Town imposes and collects fees for parks and recreation to engage in certain activities within the Town and the right to utilize certain Town property.

*Fines and Forfeitures.* The Town imposes and collects fines and forfeitures for violations of State laws or Town ordinances relating to traffic, parking, animal control and other offenses.

### **State Shared Revenues**

*State Shared Sales Taxes.* Pursuant to statutory formula, cities and towns in Arizona receive a portion of revenues from the State-levied transaction privilege (sales) tax. As TABLE 4 indicates, the rate of taxation on such tax varies among the different types of business activities taxed, with the most common rate being 5.0% of the amount or volume of business transacted.

Currently, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution share” of revenues attributable to each category of taxable activity. Each city’s or town’s allocation of the revenues available to all cities and towns is based on its population relative to the aggregate population of all cities and towns as shown by the latest census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns.



TABLE 4

**State-Transaction Privilege (Sales) Tax Rates  
Taxable Activities and Distribution Base**

Taxable Activities	State Tax Rate	Distribution Base	Education Tax Rate (a)	Combined Tax Rate
Transporting	5.000%	20.00%	0.60%	5.600%
Utilities	5.000	20.00	0.60	5.600
Telecommunications	5.000	20.00	0.60	5.600
Pipeline	5.000	20.00	0.60	5.600
Private car line	5.000	20.00	0.60	5.600
Publication	5.000	20.00	0.60	5.600
Job printing	5.000	20.00	0.60	5.600
Prime contracting	5.000	20.00	0.60	5.600
Owner builder sales	5.000	20.00	0.60	5.600
Amusement	5.000	40.00	0.60	5.600
Restaurant	5.000	40.00	0.60	5.600
Personal property rental	5.000	40.00	0.60	5.600
Retail (excluding food sales)	5.000	40.00	0.60	5.600
Transient lodging	5.500	50.00	N/A	5.500
Mining – non-metal, oil/gas	3.125	32.00	N/A	3.125
Commercial lease	0.000	N/A	N/A	0.000
Severance – metalliferous mining	2.500	80.00	N/A	2.500
Use tax utilities	5.000	20.00	0.60	5.600
Jet fuel use tax	(b)	N/A	N/A	(b)

N/A = Not applicable.

- (a) *Represents the State transaction privilege (sales) tax rate approved by voters of the State in November 2000 (the “Education Tax”) on certain of the categories of business activity at six-tenths of one percent (0.6%). **The Education Tax collections are dedicated exclusively to education and are not distributed to the Town or pledged to the payment of debt service with respect to the Obligations.***
- (b) *Does not include \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchaser in each calendar year.*

Source: Arizona Revised Statutes, Arizona Department of Revenue and the Arizona Secretary of State.

*State Shared Income Taxes.* Under current State law, Arizona cities and towns are preempted from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to receive typically 15% (18% beginning with fiscal year 2023/24) of the net proceeds of the State’s personal and corporate income tax collections for the Fiscal Year which is two Fiscal Years prior to the current Fiscal Year. Distribution of such funds is made monthly based on the proportion of each city’s or town’s population to the total population of all incorporated cities and towns in the State as determined by the latest census. Reduced economic activity or reductions in the statutory formula share could adversely affect the Town’s revenues.

*Vehicle License Tax Revenues.* Article IX, Section 11 of the Arizona Constitution provides that from and after December 31, 1973, a vehicle license tax shall be imposed as provided by law on vehicles registered for operation upon the highways in Arizona, which vehicle license tax shall be in lieu of all ad valorem property taxes on any vehicle subject to such license tax. The constitutional provision further provides that the Arizona Legislature shall provide for

the distribution of the proceeds from such vehicle license tax to the State, counties, school districts, cities and towns, including distributions to the State General Fund.

Pursuant to statutory formula, incorporated cities and towns in Arizona, including the Town, receive two separate distributions from revenues of the State vehicle license tax from the Arizona Department of Transportation, which is the State agency charged with collecting the tax: one distribution is paid directly (the "General Vehicle License Tax") and the other is made for and restricted to any transportation purpose as determined by the city or town's council (the "Transportation-Restricted Vehicle License Tax"). Currently, the General Vehicle License Tax constitutes 24.6% of moneys collected from most types of vehicles and 20.45% of money collected from alternative fuels vehicles, car rental surcharges, and private ambulances, fire-fighting vehicles and school buses. Currently, the Transportation-Restricted Vehicle License Tax constitutes 5.7% of moneys collected from most types of vehicles and 4.91% of moneys collected from alternative fuels vehicles, car rental surcharges, and private ambulances, fire-fighting vehicles and school buses. Only the amounts received by the Town from the General Vehicle License Tax will be included in State Shared Revenues. Amounts received from the Transportation-Restricted Vehicle License Tax will not be included in State Shared Revenues. The amounts and percentages distributed to the Town are beyond any control of the Town.

From time to time bills are introduced in the State Legislature to make changes in the formula to allot Vehicle License Tax Revenues. The Town cannot determine whether any such measures will become law or how such measures might affect the revenues that comprise Vehicle License Tax Revenues.

In addition, initiative measures may be circulated from time to time seeking to place on the ballot changes in State Constitution or State law which repeal or modify the imposition, collection or distribution of Vehicle License Tax Revenues. The Town cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

*Legislation Regarding Withholding of State Shared Revenues.* Section 41-194.01, Arizona Revised Statutes, permits the State to withhold from a county, city or town ("Local Jurisdiction") State revenues that would otherwise be shared with Local Jurisdictions.

Under such statute, at the request of one or more members of the State Legislature, the State Attorney General must investigate any ordinance, regulation, order or other official action ("Local Action") adopted or taken by the governing body of a Local Jurisdiction that the legislator alleges violates State law or the State Constitution. The Attorney General must make a written report within 30 days after receipt of the request. The Local Jurisdiction then has 30 days to resolve the violation. If the Attorney General determines that the violation has not been resolved within 30 days, the Attorney General must notify the State Treasurer and the State Treasurer must withhold payment to the Local Jurisdiction of State shared excise taxes otherwise due to the Local Jurisdiction pursuant to Section 42-5029(L), Arizona Revised Statutes and all State shared income taxes otherwise due to the Local Jurisdiction pursuant to Section 43-206(F), Arizona Revised Statutes, until such time as the Attorney General determines that the violation has been resolved. However, the State Treasurer may not withhold any amount that the Local Jurisdiction certifies to the Attorney General and the State Treasurer as being necessary to make deposits or payments for debt service on bonds or other long-term obligations that were issued or incurred before the Local Action occurred.

The Town is not aware of any Local Action by the Town taken or currently under consideration that does or if taken would violate State law or the State Constitution. State Shared Revenues are pledged to payments due to the Purchase Agreement. The withholding of State Shared Revenues could have a material adverse effect on the payment of principal of and interest on the Obligations during any period of withholding.

*Lack of Town's Control Over State Shared Sales Tax or State Shared Income Tax Levels; Recent Legislative Changes.* From time to time, bills are introduced in, and legislation enacted by, the Arizona Legislature to change the formulas used to allocate State Shared Sales Taxes and State Shared Income Taxes, including proposed adjustments that would reduce the distribution to cities and towns. The possibility of changes in this respect are more likely to be adverse to the Town when the State is experiencing financial difficulties. The Town cannot determine whether any such measures will become law or how they might affect State Shared Sales Taxes and State Shared Income Taxes, which comprise State Shared Revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law, which would repeal or modify State Shared Sales Taxes and State Shared Income Taxes (a

major source of funds for state revenue sharing). The Town cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

It should be noted that no assurances can be given that the amount of State Shared Sales Taxes and State Shared Income Taxes will not be reduced or eliminated by the State Legislature in the future. The State Legislature may from time to time eliminate State Shared Sales Taxes and State Shared Income Taxes or may change the amount and timing of payment of State Shared Sales Taxes and State Shared Income Taxes and is under no legal obligation to maintain the amount of State Shared Sales Taxes and State Shared Income Taxes payable to the Town at any amount or level. For example, addressing State budgetary deficiencies, adjustments that reduce the distribution of State Shared Sales Taxes could be enacted. Likewise, legislative reductions in State sales or income taxes generally could result in reductions in the amounts distributed to local governments, including the Town. Accordingly, the Town is unable to covenant to maintain State Shared Sales Taxes or State Shared Income Taxes at any certain level.

As part of the State's fiscal year 2021-22 budget, on June 30, 2021 the Governor signed Senate Bill 1828 (SB1828), which will consolidate the State's current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023-24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%. The Town cannot predict what effect the passage of SB1828 will have on its revenues from State Shared Income Taxes.

**Historical, Projected and Budgeted Excise Tax Revenues and State Shared Revenues Collections (a)  
Town of Chino Valley, Arizona**

Set forth in TABLE 5 below are audited collections of Excise Tax Revenues and State Shared Revenues for fiscal years 2015/16 through and including 2019/20, projected collections for fiscal year 2020/21 and budgeted collections for fiscal year 2021/22.

**TABLE 5**

**Town of Chino Valley, Arizona  
Historical, Projected and Budgeted Excise Tax Revenues and State Shared Revenues (a)**

Source	Audited (a)					Unaudited	Budgeted (b)
	2015/16	2016/17	2017/18	2018/19	2019/20	Actual (b) 2020/21	2021/22
City Sales Tax (c)	\$ 5,403,949	\$ 5,578,040	\$ 6,312,096	\$ 7,009,860	\$ 7,962,355	\$ 9,326,248	\$ 9,675,000
Franchise Tax	136,036	117,715	124,329	127,155	136,263	136,335	132,000
State-shared Sales Tax	1,022,547	1,020,252	1,084,425	1,179,854	1,291,713	1,467,611	1,453,000
State Shared Income Tax (d)	1,302,365	1,362,532	1,393,419	1,417,474	1,552,162	1,768,560	1,615,000
Vehicle License Tax	680,388	712,352	766,485	826,894	852,404	1,049,654	947,000
Total	\$ 8,545,285	\$ 8,790,891	\$ 9,680,754	\$ 10,561,237	\$ 11,794,897	\$ 13,748,408	\$ 13,822,000

- (a) *The Obligations will be secured by a first lien on and pledge of Excise Tax Revenues and State Shared Revenues. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”*
- (b) *Projected and budgeted figures are “forward-looking” statements, subject to change upon audit and should be considered with an abundance of caution. Projected figures are based on unaudited actual collections.*
- (c) *Excludes certain amounts that are not part of Excise Tax Revenues pledged to payment of the Payments. See footnote (a) to TABLE 1.*
- (d) *As part of the State’s fiscal year 2021/22 budget, Senate Bill 1828 (SB1828) will consolidate the State’s current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023-24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%.*

Source: The Finance Department of the Town.

**NEW MONEY PROJECT**

Proceeds of the New Money Obligations will be used to the finance the costs of the New Money Project, comprised of the acquisition of property and construction of a new police station in the Town.

## PLAN OF REFUNDING

The proceeds from the sale of the Refunding Obligations remaining after payment of certain costs of sale and execution and delivery thereof will be used to pay the principal of and interest on the following obligations being prepaid or refunded at prior to maturity as shown below (collectively, the “Obligations Being Refunded”). The Obligations Being Refunded were executed and delivered to finance or refinance the costs of the Refinanced Projects, being extension of sewer and water lines for service of residential and commercial customers, expansion and renovation of the Town’s community center including new ball fields, lighting, restrooms, concessions, new aquatic center, facilities and parking and improvement of a building to be used for administrative office space and Council Chambers. See “SOURCES AND USES OF FUNDS.”

Issue Series	Maturity Date	Coupon	Principal Amount Outstanding	Principal Being Refunded	Redemption Date*	CUSIP® <sup>(1)</sup> No. 16958C
2010	August 1, 2025	5.00%	\$ 260,000	\$ 260,000	11/__/2021	AP6
2010 REF	August 1, 2025	4.25%	\$ 1,415,000	\$ 1,415,000	11/__/2021	AX9
	August 1, 2031	4.75	4,920,000	4,920,000	11/__/2021	BE0
2016	July 1, 2022	1.77%	\$ 336,000	\$ 336,000	11/__/2021	N/A
	July 1, 2023	1.95	341,000	341,000	11/__/2021	N/A
	July 1, 2024	2.11	348,000	348,000	11/__/2021	N/A
	July 1, 2025	2.25	353,000	353,000	11/__/2021	N/A
	July 1, 2026	2.37	362,000	362,000	11/__/2021	N/A
			<u>\$ 8,335,000</u>	<u>\$ 8,335,000</u>		

\* *Subject to change.*

(1) *See footnote <sup>(1)</sup> to the inside front cover page.*

Upon execution and delivery of the Refunding Obligations, the Obligations Being Refunded will not be outstanding or secured by Excise Tax Revenues or State Shared Revenues.

## SOURCES AND USES OF FUNDS

	New Money Obligations	Refunding Obligations	Total
Principal Amount	\$6,030,000.00	\$7,350,000.00	\$13,380,000.00
[Net] Original Issue Premium/Discount			
Total Sources of Funds			
Deposit to Acquisition Fund			
Redemption of the Obligations Being Refunded			
Deposit to Costs of Issuance Fund (a)			
Total Uses of Funds			

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\* *Subject to change.*

(a) *Includes premium on the bond insurance policy, if any, and compensation and costs of the Underwriter (as defined herein).*

## ESTIMATED DEBT SERVICE REQUIREMENTS AND COVERAGE

**TABLE 6**

**Schedule of Estimated Debt Service Requirements and Coverage (a)  
Town of Chino Valley, Arizona**

Fiscal Year	Pledged Revenues (b)	Outstanding Parity Loan Agreements (WIFA)	Pledged Revenue Obligations Series 2021*		Pledged Revenue Refunding Obligations Series 2021*		Total Estimated Annual Debt Service Requirements	Projected Maximum Annual Debt Service Coverage (d)
		Debt Service	Principal*	Interest (c)	Principal*	Interest (c)		
2020/21	\$ 13,653,621							
2021/22	13,822,000	\$ 904,528	\$ 215,000	\$ 213,730(e)	\$ 665,000	\$ 260,517(e)	\$ 2,258,774	
2022/23		904,528	210,000	232,600	655,000	267,400	2,269,528	
2023/24		904,527	220,000	224,200	680,000	241,200	2,269,927	6.02x
2024/25		904,528	225,000	215,400	710,000	214,000	2,268,928	
2025/26		904,528	235,000	206,400	670,000	185,600	2,201,528	
2026/27		796,572	245,000	197,000	730,000	158,800	2,127,372	
2027/28		449,242	255,000	187,200	760,000	129,600	1,781,042	
2028/29		449,242	265,000	177,000	795,000	99,200	1,785,442	
2029/30		449,241	275,000	166,400	825,000	67,400	1,783,041	
2030/31		449,242	290,000	155,400	860,000	34,400	1,789,042	
2031/32		449,242	300,000	143,800			893,042	
2032/33		449,241	310,000	131,800			891,041	
2033/34		449,242	325,000	119,400			893,642	
2034/35		267,818	335,000	106,400			709,218	
2035/36		12,006	350,000	93,000			455,006	
2036/37		44,032	365,000	79,000			488,032	
2037/38			380,000	64,400			444,400	
2038/39			395,000	49,200			444,200	
2039/40			410,000	33,400			443,400	
2040/41			425,000	17,000			442,000	
		8,787,757	\$ 6,030,000	\$ 2,812,730	\$ 7,350,000	\$ 1,658,117	\$ 26,638,604	

\* Subject to change.

- (a) Prepared by the Stifel, Nicolaus & Company, Incorporated (the "Underwriter").
- (b) The amount of Excise Tax Revenues and State Shared Revenues used to calculate the coverage requirements is the projected amount for fiscal year 2020/21. See TABLE 5 – "Historical, Projected and Budgeted Excise Tax Revenues and State Shared Revenues." As part of the State's fiscal year 2021/22 budget, Senate Bill 1828 (SB1828) will consolidate the State's current four personal income tax rate categories into a single flat rate of 2.5% over a three-year period, beginning after December 31, 2021. Legislative reports indicate that such a rate consolidation will result in an estimated \$1.3 billion or greater annual reduction in income tax receipts by the State, with a concurrent reduction in State Shared Income Taxes for Arizona cities and towns. In order to partially mitigate impacts of the expected loss in State Shared Income Taxes, SB1828 increases, beginning in fiscal year 2023-24, the percentage of Arizona State income taxes shared with cities and towns from 15% to 18%.
- (c) Interest on the Obligations is estimated.
- (d) Debt service coverage is based on revenues available for debt service (see footnote (b)) compared to the highest combined total of the debt service requirements in any succeeding fiscal year for the Obligations and the Parity Loan Agreements (WIFA).
- (e) The first interest payment on the Obligations is due on July 1, 2022\*. Thereafter, interest payments will be made semiannually on January 1 and July 1, until maturity or prior redemption.

## TAX EXEMPTION

### General

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the Town must continue to meet after the execution and delivery of the Obligations in order that the portion of each of the Payments made by the Town pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations (the “Interest Portion”) will be and remain excludable from gross income for federal income tax purposes. The Town’s failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the Obligations. The Town has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the Town and continuing compliance by the Town with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the Interest Portion is excludable from gross income of the holders thereof for federal income tax purposes and is exempt from Arizona income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. The Interest Portion is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than Arizona.

The above opinion on federal tax matters with respect to the Obligations will be based on and will assume the accuracy of certain representations and certifications of the Town, and compliance with certain covenants of the Town to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Obligations will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of those certifications. Special Counsel will express no opinion as to any other consequences regarding the Obligations.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Interest Portion, or the ownership or disposition of the Obligations. Prospective purchasers of Obligations should be aware that the ownership of Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Obligations, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the impact of these other tax consequences.

Special Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Counsel as of the date thereof. Special Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Special Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Special Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.



## **Original Issue Discount and Original Issue Premium**

Certain of the Obligations (“Discount Obligations”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Obligation (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Obligation.

Certain of the Obligations (“Premium Obligations”) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Obligations callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Obligation, based on the yield to maturity of that Premium Obligation (or, in the case of a Premium Obligation callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Obligation), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Obligation. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Obligation, the owner’s tax basis in the Premium Obligation is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Obligation for an amount equal to or less than the amount paid by the owner for that Premium Obligation.

Owners of Discount and Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Obligations and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

## **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the Interest Portion, adversely affect the market price or marketability of the Obligations, or otherwise prevent the holders from realizing the full current benefit of the status of the Interest Portion. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the impact of any proposed or pending legislation.

## **Information Reporting and Backup Withholding**

Interest paid on tax-exempt obligations such as the Obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Obligations, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Obligations and proceeds from the sale of the Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Obligations. This withholding generally applies if the owner of the Obligations (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to

provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## LEGAL MATTERS

Legal matters incident to the authorization, sale and execution and delivery by the Town of the Obligations and with regard to the tax-exempt status of the Obligations will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, Special Counsel. A signed copy of that opinion, dated and speaking only as of the date of delivery of the Obligations, will be delivered to the Town. A draft of the form of that opinion is included as APPENDIX E hereto.

While Special Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the Town or the Obligations that may be prepared or made available by the Town or others to the bidders for or holders of the Obligations or others.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the Town and could adversely affect the secondary market value of the Obligations. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Obligations) issued prior to enactment.

The legal opinion to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## LITIGATION

To the knowledge of the Town, no litigation or administrative action or proceeding is pending, restraining or enjoining, or seeking to restrain or enjoin, the execution and delivery of the Obligations or the pledge of Excise Tax Revenues and State Shared Revenues to the payment of the Payments, contesting or questioning the proceedings and authority under which the Obligations have been authorized and are to be sold, executed or delivered, or the validity of the Obligations. An authorized Town representative will deliver a certificate to the same effect at the time of the original delivery of the Obligations.

## FINANCIAL STATEMENTS

The financial statements of the Town for the period ended June 30, 2020, which are included as APPENDIX C – “TOWN OF CHINO VALLEY, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020” of this Official Statement, have been audited by Henry & Horne, LLP. All financial information presented herein should be read in conjunction with the financial statements and accompanying Notes in APPENDIX C. **The Town neither requested nor obtained the consent of Henry & Horne, LLP to include such financial statements and Henry & Horne, LLP has not reviewed this Official Statement nor performed any procedures subsequent to rendering its opinion on such financial statements.**

**THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX C OF THIS OFFICIAL STATEMENT ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE TOWN.**

## CONTINUING DISCLOSURE

The Town will covenant for the benefit of the owners of the Obligations to provide certain financial information and operating data relating to the Town by not later than February 1 in each year commencing February 1, 2022 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the Town as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access System (“EMMA”), each as described in APPENDIX E – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Rule”). A failure by the Town to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Absence of continuing disclosure could adversely affect the Obligations and specifically their market price and transferability.

### ***[To be updated]***

The Town has been subject to continuing disclosure undertakings (the “Prior Undertakings”) during the past five years. For the fiscal years ended June 30, 2016 through June 30, 2020, the Town failed to file certain operating data until \_\_\_\_\_, 2021. The Town did not timely file a notice of rating change. Such operating data and notice has since been filed on \_\_\_\_\_.

The Town has implemented procedures to facilitate compliance with its existing continuing disclosure undertakings, the continuing disclosure undertaking related to the Obligations and future similar continuing disclosure undertakings in all material aspects.

## UNDERWRITING

The Obligations are being purchased by the Underwriter. The Underwriter has agreed to purchase from the Town the Obligations at an aggregate purchase price of \$\_\_\_\_\_ pursuant to an obligation purchase agreement between the Town and the Underwriter. The aggregate purchase price reflects compensation to the Underwriter of \$\_\_\_\_\_. The Obligations may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Obligations into investment trusts) at prices lower than the public offering prices stated on the inside cover page hereof, and such public offering prices may be changed, from time to time, by the Underwriter. The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Obligations if any Obligations are purchased.

## RATING

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) has assigned the rating of “\_\_” to the Obligations. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, California 94111. Such rating, if assigned, may be revised or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligations. The Town will covenant in its continuing disclosure undertaking with respect to the Obligations that it will file notice of any formal change in any rating relating to the Obligations. See “CONTINUING DISCLOSURE” and APPENDIX F – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” herein.

## **BOND INSURANCE AND RELATED RISK FACTORS**

The Town intends to apply, or has applied, to bond insurance companies (each a “Bond Insurer”) for a municipal bond insurance policy (the “Policy”) for the Obligations to guarantee the scheduled payments of principal of and interest on the Obligations. A commitment to provide the Policy has not been issued, and representatives of the Town have yet to determine whether, if such commitment is issued, the Policy will be purchased. If the Policy is purchased, the following are risk factors relating to bond insurance generally.

If the Town ultimately determines to obtain the Policy for the Obligations, in the event of default of the payment of principal or interest with respect to any of the Obligations when all or some become due, any owner of the Obligations on which such principal or interest was not paid will have a claim under the Policy for such payments. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Obligations will remain payable solely from the sources described under “SECURITY FOR AND SOURCES OF PAYMENT.” In the event the Bond Insurer becomes obligated to make payments with respect to the Obligations, no assurance will be given that such event will not adversely affect the market price of the Obligations and the marketability (liquidity) of the Obligations.

The long-term ratings on the Obligations will be dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer’s financial strength and claims paying ability will be predicated upon a number of factors which could change over time. No assurance will be given that the long-term rating of the Bond Insurer and of the rating on the Obligations insured by the Bond Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Obligations and the marketability (liquidity) of the Obligations.

The obligations of the Bond Insurer will be general obligations of the Bond Insurer, and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law, state receivership or other similar laws related to insolvency of insurance companies.

None of the Town, the Underwriter, or their respective attorneys, agents or consultants have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Town to pay principal of and interest on the Obligations and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

## CONCLUDING STATEMENT

The summaries or descriptions of provisions in the Purchase Agreement and the Trust Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Obligations.

The attached APPENDICES A through G are integral parts of this Official Statement and must be read together with all of the foregoing statements.

This Official Statement has been prepared on direction of the Town and has been approved by and executed for and on behalf of the Town by its authorized representative indicated below.

THE TOWN OF CHINO VALLEY, ARIZONA

By.....  
Mayor

**TOWN OF CHINO VALLEY, ARIZONA –  
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

*The following information regarding the Town is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Payments to be paid by the Town under the Purchase Agreement which are secured by a first lien pledge of Excise Tax Revenues and State Shared Revenues as described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”*

**General**

The Town is located in central Yavapai County, Arizona (the “County”), and is situated at an elevation of approximately 4,750 feet. The Town is approximately 115 miles northwest of City of Phoenix, Arizona, and fifteen miles north of the City of Prescott, Arizona (“Prescott”). The Town was the first territorial capital of Arizona and was incorporated in 1970.

The following table illustrates respective population statistics for the Town, the County and the State.

**TABLE A-1**

**POPULATION STATISTICS**

<u>Years</u>	<u>Town of Chino Valley</u>	<u>Yavapai County</u>	<u>State of Arizona</u>
2020 Census	13,020	236,209	7,151,502
2010 Census	10,817	211,033	6,392,017
2000 Census	7,835	167,517	5,130,632
1990 Census	4,837	107,714	3,665,305
1980 Census	2,858	68,145	2,718,425

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Source: Arizona Office of Economic Opportunity and the U.S. Census Bureau.

**Municipal Government and Organization**

The Town has a Council-Manager form of government and is governed by a mayor and six council members. There is protection through the Chino Valley Police Dept., Yavapai County Sheriffs Dept. and the Central Arizona Fire and Medical Authority.

**TABLE A-2**

**MAYOR & TOWN COUNCIL**

Jack W. Miller, *Mayor*  
 Eric Granillo, *Councilmember*  
 Cloyce A. Kelly, *Councilmember*  
 Annie Perkins, *Councilmember*  
 Lon Turner, *Councilmember*

**TOWN ADMINISTRATIVE STAFF**

Cindy Blackmore, *Town Manager*  
 Joe Duffy, *Finance Manager*

**Economy**

The economy of the Town is based on a mix of retail, commercial and government activities.

**TABLE A-3**

**MAJOR EMPLOYERS**

Employer	Description	Approximate Number of Employees
Chino Valley Unified School District	Education	300
Town of Chino Valley	Government, Social, & Advocacy Services	93
Safeway	Retail	70
Vastco Inc	Construction	60
Intermountain Centers	Government, Social, & Advocacy Services	50
Cornerstone Materials	Resource-Dependent Activities	40
Arizona Highway Safety Specialists Inc	Construction	40
Sonic Drive In	Consumer Services	40
Ace Hardware	Retail	30
Walgreens	Health Care	30

Source: Maricopa Association of Governments, Employer Database.

The following table illustrates unemployment averages for the Town, the County, the State and the United States of America.

**TABLE A-4**

**AREA UNEMPLOYMENT AVERAGES (a)**

<u>Calendar Year</u>	<u>Town of Chino Valley</u>	<u>Yavapai County</u>	<u>State of Arizona</u>	<u>United States of America</u>
2021 (b)	4.8%	5.8%	6.8%	6.1%
2020	6.2	7.3	9.1	9.3
2019	3.8	4.4	5.9	5.8
2018	3.7	4.4	3.8	3.8
2017	3.8	4.5	4.1	4.6
2016	4.1	4.9	4.6	5.1

(a) *Each year, historical estimates from the Local Area Unemployment Statistics (LAUS) program are revised to reflect new population controls from the Census Bureau, updated input data, and reestimation. The data for model-based areas also incorporate new seasonal adjustment, and the unadjusted estimates are controlled to new census division and U.S. totals. Sub-state area data subsequently are revised to incorporate updated inputs, reestimation, and controlling to new statewide totals.*

(b) *Data as of July 2021.*

Source: Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

**Commerce**

The following table illustrates the past five years of municipal privilege tax collections.

**TABLE A-5**

**MUNICIPAL PRIVILEGE TAX COLLECTIONS  
Town of Chino Valley, Arizona  
(\$000s omitted)**

<u>Fiscal Year</u>	<u>Amount</u>
2019/20	\$7,768
2018/19	7,071
2017/18	6,256
2016/17	5,514
2015/16	5,359

Source: Arizona Department of Revenue.



**TOWN OF CHINO VALLEY, ARIZONA –  
FINANCIAL DATA**

The following information regarding the Town is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Payments to be paid by the Town under the Purchase Agreement which are secured by a first lien pledge of Excise Tax Revenues and State Shared Revenues as described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”

**TABLE B-1**

**Current Year Statistics (For Fiscal Year 2020/21)  
Town of Chino Valley, Arizona**

General Obligation Bonds Outstanding	None
Excise Tax Revenue/State Shared Revenue Obligations Outstanding and to be Outstanding	\$13,385,000*(a)
Wastewater Revenue Obligations Outstanding	8,436,272

\* Subject to change.

(a) Includes the Obligations, net of Obligations Being Refunded.

**STATEMENTS OF BONDED INDEBTEDNESS**

**Direct General Obligation Bonded Debt Outstanding  
Town of Chino Valley, Arizona**

Total Direct General Obligation Bonded Debt Outstanding	<u>None</u>
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**TABLE B-2 (a)**

**Excise Tax Revenue/State Shared Revenue Obligations Outstanding and to be Outstanding  
Town of Chino Valley, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding	Less: Obligations Being Refunded	Balance to be Outstanding
2010	\$ 745,000	Purchase of Cameron Property	8/1/2025	\$ 260,000	\$ 260,000	\$ -
2010	7,280,000	Refunding	8/1/2031	6,335,000	6,335,000	-
2016	3,346,000	Refunding	7/1/2026	1,740,000	1,740,000	-
Total Excise Tax Revenue and State Shared Revenue Obligations Outstanding						\$ -
Plus: The Obligations						<u>13,385,000*</u>
Total Excise Tax Revenue and State Shared Revenue Obligations Outstanding and to be Outstanding						<u>\$ 13,385,000*</u>

\* Subject to change.

(a) See TABLE B-3 for detail regarding the outstanding amounts of the Parity Loan Agreements (WIFA), to which Excise Tax Revenues and State Shared Revenues are currently pledged.

**TABLE B-3**

**Wastewater Revenue Obligations Outstanding (a)**  
**Town of Chino Valley, Arizona**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date (July 1)</u>	<u>Balance Outstanding</u>
2007 (b)	\$ 1,580,000	Sewer System Improvemnts	7/1/2026	\$ 589,541
2008 (b)	4,853,000	Sewer System Improvemnts	7/1/2027	2,179,214
2014 (c)	3,442,500	Sewer System Improvemnts	7/1/2034	2,194,811
2015 (b)	331,163	Construct Sewer Line Extension	7/1/2037	188,350
2015 (b)	3,928,483	Refunding	7/1/2037	<u>3,284,356</u>
Total Wastewater Revenue Obligations Outstanding				<u>\$ 8,436,272</u>

- (a) *Represents loan agreements with the Water Infrastructure Finance Authority of Arizona.*
- (b) *These are Parity Loan Agreements (WIFA), which are secured by wastewater system revenues and Excise Tax Revenues and State Shared Revenues.*
- (c) *Secured by net wastewater system revenues only.*

**Other Indebtedness**  
**Town of Chino Valley, Arizona**

***[To be confirmed, previous capital leases paid off in their entirety in FY 2020]***

<u>Debt</u>	<u>Monthly Payment Amount</u>	<u>Last Payment Due</u>

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020 of the Town.

## GENERAL FUND

The following table sets forth the Town's general fund revenues, expenditures, other financing sources and uses, excess of revenues and other sources over expenditures and other uses, and beginning and ending general fund balances for the fiscal years indicated. Figures for fiscal years 2015/16 through 2019/20 are taken from the audited financial statements of the Town which are prepared using generally accepted accounting principles. Fiscal Year 2020/21 figures are unaudited projected amounts and fiscal year 2021/22 figures are budgeted amounts as provided by the Finance Department of the Town. Projected and budgeted figures may not be realized and should be viewed with an abundance of caution. Historical trends should not be used to indicate future trends. See "SECURITY FOR AND SOURCES OF PAYMENT" for a description of the source of payment for the Obligations. This information is not intended to indicate that the Obligations will be payable from any source other than described under such heading or to indicate future or continuing trends of the financial affairs of the Town.

**TABLE B-4**

	Audited (a)					Projected	Budgeted
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 (b)	2021/22 (b)
<b>REVENUES</b>							
Taxes	\$ 4,231,722	\$ 4,320,873	\$ 4,858,398	\$ 5,450,636	\$ 6,108,029	\$ 7,116,685	\$ 7,301,000
Licenses and Permits	351,008	557,892	707,122	448,008	481,261	591,789	544,500
Intergovernmental	3,166,952	3,257,680	3,425,178	3,626,564	4,781,528	4,279,410	4,205,500
Charges for Services	122,960	115,633	124,458	135,913	87,794	81,782	127,000
Fines and Forfeitures	247,977	296,591	275,315	234,992	205,212	159,562	160,000
Interest	4,766	17,259	47,857	130,097	99,685	4,805	5,000
Other Revenues	8,833	10,643	69,851	134,836	120,346	11,664	13,000
<b>TOTAL REVENUES</b>	<b>\$ 8,134,218</b>	<b>\$ 8,576,571</b>	<b>\$ 9,508,179</b>	<b>\$ 10,161,046</b>	<b>\$ 11,883,855</b>	<b>\$ 12,245,697</b>	<b>\$ 12,356,000</b>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General Government	\$ 3,892,539	\$ 3,877,707	\$ 3,920,816	\$ 4,453,953	\$ 4,776,120	\$ 4,893,955	\$ 5,935,950
Public Safety	2,638,663	2,875,835	3,181,239	3,304,661	3,396,451	3,396,464	3,805,100
Culture and Recreation	946,145	986,967	1,017,914	1,050,317	1,061,020	1,189,816	1,390,150
Health and Welfare	245,517	272,654	321,974	307,705	327,949	315,400	344,200
Capital outlay	67,800	140,165	166,973	202,999	500,450	364,300	641,700
<b>Debt service</b>							
Principal retirement	44,481	42,086	111,545	136,699	470,474	606,000	641,000
Interest	-	2,395	7,657	7,409	1,307	367,000	296,800
Debt issuance cost	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 7,835,145</b>	<b>\$ 8,197,809</b>	<b>\$ 8,728,118</b>	<b>\$ 9,463,743</b>	<b>\$ 10,533,771</b>	<b>\$ 11,132,935</b>	<b>\$ 13,054,900</b>
Excess of revenues over (under) expenditures	\$ 299,073	\$ 378,762	\$ 780,061	\$ 697,303	\$ 1,350,084	\$ 1,112,762	\$ (698,900)
<b>Other financing sources (uses):</b>							
Sale of Assets	\$ 1,815	\$ 750	\$ 19,214	\$ 8,735	\$ 4,209	\$ 103	\$ 1,000
Transfers in	250,000	450,000	400,000	400,000	760,861	1,373,000	1,391,500
Transfers out	(79,418)	(75,000)	(75,000)	(75,000)	(2,100,000)	(675,000)	(1,847,500)
<b>Total Other financing sources (uses)</b>	<b>\$ 172,397</b>	<b>\$ 375,750</b>	<b>\$ 344,214</b>	<b>\$ 333,735</b>	<b>\$ (1,334,930)</b>	<b>\$ 698,103</b>	<b>\$ (455,000)</b>
Fund balance at beginning of year	\$ 4,959,511	\$ 5,430,981	\$ 6,185,493	\$ 7,309,768	\$ 8,340,806	\$ 8,355,960	\$ 10,166,825
Fund balance at end of year	<u>\$ 5,430,981</u>	<u>\$ 6,185,493</u>	<u>\$ 7,309,768</u>	<u>\$ 8,340,806</u>	<u>\$ 8,355,960</u>	<u>\$ 10,166,825</u>	<u>\$ 9,012,925</u>

(a) Although these figures are taken from audited financial statements, this table has not been audited. For further information please refer to the actual audited financial statements for the Town. The most recent audited financial statements for the Town (representing figures for 2019/20) are included in this Official Statement as APPENDIX C.

(b) These amounts are "forward looking" statements which may not be realized and should be considered with an abundance of caution.

## RETIREMENT SYSTEM

### Pension and Retirement Plans

The Town contributes to the retirement plans described below: the cost-sharing Arizona State Retirement System (“ASRS”) and the multiple-employer Public Safety Retirement System (“PSPRS”). Benefits are established by State statute and, depending on the plan, provide retirement, death, long-term disability, survivor and health insurance premium benefits. Both the Town and each covered employee contribute in the case of each.

**Each of the plans has reported increases in its unfunded liabilities. The increases in unfunded liabilities is expected to result in increased future annual contributions by the Town and its employees; however the specific impact on the Town’s and its employees’ future contributions cannot be determined at this time.**

The Governmental Accounting Standards Board (“GASB”) adopted Statement Number 68, Accounting and Financial Reporting for Pensions, which requires that cost-sharing employers report their “proportionate share” of a plan’s net pension liability in their government-wide financial statements and that the cost-sharing employer’s pension expense component include its proportionate share of the system’s pension expense, the net effect of annual changes in the employer’s proportionate share and the annual differences between the employer’s actual contributions and its proportionate share. GASB’s Statement No. 67, Financial Reporting for Pensions, is designed to improve financial reporting by state and local governmental pension plans.

Starting on page 62 in APPENDIX C – “TOWN OF CHINO VALLEY, ARIZONA AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020” is information about the plans based on GASB’s Statements Nos. 67 and 68. Please refer to APPENDIX C for more specific information about the plans. In the case of any difference between what is here versus what is in APPENDIX C, the latter supersedes the former.

### The Arizona State Retirement System

ASRS is a multiple-employer defined benefit pension plan, a multiple-employer defined benefit health insurance premium benefit plan, and a multiple-employer defined benefit long-term disability plan for approximately 600,000 Arizona public employees including qualified employees of the State, municipal governments, counties and K-12 education agencies. As of June 30, 2020, the unfunded liability for ASRS was \$15.9 billion with a funding ratio of 72.8% and an assumed earning rate of 7.5%. As of June 30, 2020, the Town reported a liability of \$4,694,205 for its proportionate share of the net pension liability under ASRS. Pursuant to State statute, the contribution rate for the employer (the Town) and active members of ASRS are equal. For fiscal year 2021/22, the actuarially determined contribution rate for the Town and active members of ASRS is 12.41% (12.22% for retirement and health insurance and 0.19% for long-term disability).

The table below shows recent actuarially determined contribution rates that the active ASRS members and the Town are/were required to contribute, the plan’s funded status and the pension contributions under ASRS for the current and past four fiscal years.

Fiscal Year Ended	Retirement and Health Insurance Premiums	Long-term Disability	Total Contribution Rate	Funded Status	Pension Contributions
June 30, 2022	12.22%	0.19%	12.41%	unavailable	unavailable
June 30, 2021	12.04	0.18	12.22	unavailable	unavailable
June 30, 2020	11.94	0.17	12.11	72.8%	\$414,370
June 30, 2019	11.64	0.16	11.80	72.3	378,770
June 30, 2018	11.34	0.16	11.50	71.2	329,008

## The Public Safety Personnel Retirement System

PSPRS is an agent multiple-employer defined benefit pension plan and an agent multiple employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned to hazardous duties for which the Arizona State Legislature establishes active plan members' contribution rates and member benefits. This is not a "pooled" system – a separate account exists for the police employees of each participating political subdivision. In total, there are 258 individual plans in PSPRS. Each plan has its own financial condition, funding status, etc. which varies greatly across the system.

A 2016 amendment to the State constitution ("Prop 124") created an exception to the prohibition in the Constitution against diminishing or impairing public retirement system benefits by allowing for certain adjustments to PSPRS and preserved the State's legislature ability to modify public retirement benefits. Prop 124 allowed for, among other things, the replacement of permanent benefit increases then required by law with COLA (defined below) provisions tied to the regional consumer price indexes.

PSPRS active membership is comprised of three separate "tiers" based on date of hire which are shown in the following table.

<u>"Tier 1" Members</u>	<u>"Tier 2" Members</u>	<u>"Tier 3" Members</u>
Hired into PSPRS position before January 1, 2012	Hired into PSPRS position on or after January 1, 2012 and before July 1, 2017	Hired into PSPRS position on or after July 1, 2017

The different tiers have different types of plans. Tier 1 members have a defined benefit plan, Tier 2 members have a defined benefit or defined benefit hybrid plan and Tier 3 members have a defined contribution, defined benefit or defined benefit hybrid plan. (The hybrid plan is a pension with an additional defined contribution tax-deferred retirement savings account for Tier 2 and Tier 3 members who do not contribute to Social Security). For Tier 1 and Tier 2 members, the type of plan is determined automatically. For Tier 3 members the type of plan is an irrevocable career choice with a default to a defined benefit plan after 90 days. The actuarially determined employer contribution rate varies among the different tiers and the different types of plans as shown in the tables below.

As of June 30, 2019, the unfunded liability for Tiers 1 and 2 of PSPRS was \$9.3 billion with a funding ratio of 47.7%. When calculating, an assumed earning rate of 7.3% was used and an assumed rate of 1.75% was used for increases in the cost of living allowance ("COLA").

The following tables show the actuarially determined annual contribution rates, funded status and total audited contribution amounts for PSPRS.

**Police**

	Fiscal Year Ended				
	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
<u>Actuarially Determined Contribution Rates</u>					
Tier 1/2 Defined Benefit Employer (a)	33.72%	30.27%	30.82%	34.82%	33.55%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	11.65%	11.65%
Tier 3 Defined Benefit Employer (a)(c)	32.59%	27.89%	28.57%	32.60%	28.25%
Tier 3 Defined Benefit Employee (a)	9.94%	9.94%	9.94%	9.94%	9.94%
Tier 3 Defined Contribution Employer (a)	32.53%	28.36%	29.14%	33.17%	28.86%
Tier 3 Defined Contribution Employee	9.88%	10.41%	10.51%	10.51%	10.55%
Pension Funded Status	N/A	N/A	63.8%	66.3%	60.0%
Health Funded Status	N/A	N/A	168.5%	217.1%	160.1%
Total Town (Employer) Pension and Contribution	N/A	N/A	\$801,902	\$788,908	\$279,960

- (a) Not applicable for Tier 2 for fiscal years prior to fiscal year 2017/18. Does not include additional contribution percentage of 3% associated with Tier 2 & 3 defined benefit members additionally participating in the defined contribution plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date and 3% for Tier 3 members.
- (b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
- (c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

**Statutory Changes and Court Decisions Regarding the PSPRS**

PSPRS is operated under the umbrella of the Public Safety Personnel Retirement System and the Public Safety Personnel Retirement System Board of Trustees. Since 2011 there have been various retirement program modifications designed to mitigate the increasing unfunded liabilities in the programs. Some of these modifications were enacted by the Arizona Legislature and other changes (like Prop 124) were implemented by voter approved amendments to the State Constitution. Additionally, in some instances, modifications enacted by the Arizona Legislature were reversed based on the outcome of successful court challenges. Substantively, the modifications have included changes to contribution rates, retirement criteria, funding horizons, retirement benefits and post-retirement benefit increase calculations.

**Potential Future State Legislation Affecting ASRS and PSPRS**

Bills are frequently introduced at sessions of the State Legislature that, if enacted, could impact the administration of the ASRS and PSPRS and the eligibility, timing and payment of benefits from such plans. The Town is unable to determine whether any such bills will be enacted into legislation or in what form such legislation may be enacted and what the impact of any such legislation may be.

### **Other Post-Employment Retirement Benefits**

Beginning with the fiscal year that commenced on July 1, 2018, the Town was required to implement Government Accounting Standards Board Statement Number 54, Accounting by Employers for Post-Employment Benefits Other than Pensions (“GASB 54”), which requires reporting the actuarially accrued cost of post-employment benefits, other than pension benefits (“OPEB”), such as health and life insurance for current and future retirees. GASB 54 requires that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, GASB 54 will require the reporting of such costs as a financial statement liability.

The Town does not offer OPEBs. The Town employees, their spouses and survivors may, however, be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the Town employees that reach normal or early retirement age while working for the Town will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying the applicable health care insurance premium; such plan is available to all participants, whether retired or not, in the State’s health care program. It is not the responsibility of the Town to fund such costs.

**TOWN OF CHINO VALLEY, ARIZONA –**

**AUDITED ANNUAL FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following audited financial statements are for the fiscal year ended June 30, 2020. These are the most recent audited financial statements available to the Town. THESE FINANCIAL STATEMENTS ARE NOT CURRENT AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE TOWN.

**The Town neither requested nor obtained the consent of Henry & Horne, LLP to include such financial statements and Henry & Horne, LLP has not reviewed this Official Statement nor performed any procedures subsequent to rendering its opinion on such financial statements.**



SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

DEFINITIONS OF CERTAIN TERMS

In addition to the terms defined elsewhere herein, the following terms shall, for all purposes of the Trust Agreement and the Purchase Agreement have the following meanings:

“Acquisition Fund” means the fund of that name established pursuant to the Trust Agreement.

“Certificate of Completion” means the notice of completion, filed with the Trustee by the Town Representative, stating that the New Money Project has been substantially completed.

“Completion Date” means the date on which the Certificate of Completion is filed with the Trustee by the Town Representative.

“Costs of Issuance Fund” means the fund of that name established pursuant to the Trust Agreement.

“Defeasance Obligations” means, to the extent permitted by law (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), or (3) evidences of ownership of proportionate interests in future interest and payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, or any combination thereof.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the Town or the Trustee relating to the sale and execution and delivery of the Purchase Agreement, this Trust Agreement and the Obligations, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

“Depository Trustee” means any bank or trust company, which may include the Trustee, designated by the Town, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority.

“Event of Default” means an event of default under the Purchase Agreement as described under the subheading “THE PURCHASE AGREEMENT – Remedies Upon Default.”

“Outstanding” refers to Obligations issued in accordance with this Trust Agreement, excluding: (i) Obligations which have been exchanged or replaced, or delivered to the Trustee for credit against a mandatory redemption installment; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee; and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted by the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal of and premium, if any, and interest on such Obligations, provided, however, that if any such Obligations are to be redeemed prior to maturity, the Town shall have taken all action necessary to redeem such Obligations and notice of such redemption shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to mail shall have been given to the Trustee.

“Owner” or any similar term, when used with respect to an Obligation means the person in whose name such Obligation shall be registered.

“Payment Fund” means the fund of that name established pursuant to the Trust Agreement.

“Permitted Investments” means any investment permitted by Section 35-323, Arizona Revised Statutes, as amended, or any successor provision thereto.

“Town Representative” means the Town Manager, the Town Administrative Services Director or any other person authorized by the Town Manager or the Mayor and Council to act on behalf of the Town with respect to this Trust Agreement.

### **THE TRUST AGREEMENT**

The following, in addition to the information under the headings “INTRODUCTORY STATEMENT” and “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS”, is a summary of certain provisions of the Trust Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

**Acquisition Fund and Costs of Issuance Fund.** The Acquisition Fund and the Costs of Issuance Fund will be established by the Trustee from which the Trustee will pay the costs finance the New Project and pay Delivery Costs, respectively. On the earlier of January 1, 2022, or when all Delivery Costs to have been paid, the Trustee will transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund. Amounts in the Acquisition Fund will be used to pay principal of and interest on the Obligations if insufficient funds are otherwise available to make such payments when due. On the Completion Date, all remaining moneys in the Acquisition Fund shall be transferred to the Payment Fund and applied by the Trustee to the Payments due from the Town on the next succeeding Interest Payment Date.

**Payment Fund.** The Payment Fund will also be established by the Trustee. The moneys in the Payment Fund will be applied by the Trustee solely to pay principal of and premium, if any, and interest with respect to on the Obligations.

**Separate Funds.** Moneys and investments properly paid into and held in the funds established under the Trust Agreement will not be subject to the claims of the owners of the Additional Revenue Obligations, and the Owners of the Obligations shall have no claim or lien upon any moneys or investments properly paid into and held in the funds and accounts established under the proceedings for the Additional Revenue Obligations.

**Protection of Lien.** The Trustee and the Town will agree not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien of the Trust Agreement and that no obligations the payment of which is secured by a superior or equal claim on or interest in property or revenues pledged will be issued or delivered by either except in lieu of, or upon transfer of registration or exchange of, any Obligation.

**Investments Authorized; Allocation of Earnings.** Upon order of the Town, moneys held by the Trustee will be invested and re-invested in Permitted Investments having the highest yield reasonably obtainable. The Trustee may purchase from, or sell to, itself or any affiliate, as principal or agent, investments and may invest in funds to which the Trustee or any of its affiliates provide services as an investment advisor. The Trustee may act as purchaser or agent in the making or disposing of any investment.

Any income, profit or loss on such investments will be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds will be deposited in the fund from which such deposit was made, except as otherwise provided. At the direction of the Town, any such income, profit or interest will be applied if necessary to pay any rebate due with respect to the Obligation pursuant to the Internal Revenue Code.

**Appointment of the Trustee.** The Town will maintain as the Trustee a bank or trust company with a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority, then the

combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

**Liability of the Trustee; Standard of Care.** Except with respect to its authority and power generally and authorization to execute the Trust Agreement, the recitals of facts, covenants and agreements in the Trust Agreement and the Obligations will be taken as statements, covenants and agreements of the Town, and the Trustee will assume no responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Trust Agreement or the Obligations or will incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Obligations assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee will perform only such duties as are specifically set forth in this Trust Agreement. After the occurrence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent indenture trustee would exercise under the circumstances in the conduct of the its own.

**Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible as described hereinabove, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Protection and Rights of the Trustee.** The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such document, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be bound to recognize any person as an Owner of any Obligation or to take any action at the request thereof unless such Obligation will be deposited with the Trustee and satisfactory evidence of the ownership of such Obligation will be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed) will be deemed to be conclusively proved and established by the certificate of the appropriate representative of the Town and such certificate will be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may become the Owner of the Obligations with the same rights it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Town with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Obligations, whether or not such committee shall represent the Owners of the majority in principal amount of the Obligations then Outstanding.

The Trustee will not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds established thereunder, except only for its own willful misconduct or negligence.

No provision in the Trust Agreement will require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will not be required to take notice or be deemed to have notice of an Event of Default, except for nonpayment of amounts due under the Trust Agreement or the Purchase Agreement, unless the Trustee has actual notice thereof or is specifically notified in writing of such default by the Town or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

The will from time to time, as agreed upon between the Town and the Trustee, pay to the Trustee reasonable compensation for its services, including an hourly rate based fee after an Event of Default and will reimburse the Trustee for all its advances and expenditures, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties.

**Removal of the Trustee.** The Trustee may be removed by the Town (if not in default) or by the Owners of a majority in aggregate principal amount of the Obligations.

The Trustee may also resign effective upon the appointment of a successor the Trustee by the Town.

**Amendments Permitted.** The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement which will become effective upon the written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of certain disqualified Obligations. No such modification or amendment will (1) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon redemption thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

The Trust Agreement and the Purchase Agreement may be modified or amended at any time by a supplemental or amending agreement, without the consent of any Owners, but only (1) to provide for additions or modifications to the Project, (2) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved in the Trustee (for its own behalf) or the Town, (3) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (4) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (5) to provide for the appointment of a successor trustee pursuant to the terms hereof, (6) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the Town to continue to issue bonds or other obligations the interest on which is likewise exempt from federal and State income taxes, (7) to cure, correct or supplement any ambiguous or defective provision in the Trust Agreement and Purchase Agreement, (8) to facilitate the incurrence of the Additional Revenue Obligations, (9) with respect to rating matter, or (10) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which will not adversely affect the interests of the Owners of the Obligations. Any such supplemental or amending agreement will become effective upon execution and delivery by the parties thereto.

**Procedure for Amendment With Written Consent of Obligation Owners.** A copy of the proposed supplemental or amending agreement, together with a consent request, must be mailed to each Owner of an Obligation, but failure to mail copies of such supplemental or amending agreement and request does not affect the validity of the supplemental or amending agreement when assented to by a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations then disqualified). The supplemental or amending agreement will not become effective until the required Owners have consented and the Trustee has mailed notice to the Owners of the Obligations stating in substance that such supplemental or amending agreement has been consented to by the Owners of the required percentage of Obligations and will become effective (but failure to mail copies of said notice shall not affect the validity of such supplemental or amending agreement or consents thereto).

**Disqualified Obligations.** Obligations owned or held by or for the account of the Town or by any person directly or indirectly controlled by, or under direct or indirect common control with the Town (except any Obligations held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided therein.

**No Liability of the Town for the Trustee Performance.** The Town will have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement

**Remedies Upon Default; No Acceleration.** If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything in the Trust Agreement or in the Purchase Agreement to the contrary, there will be no right under any circumstances to accelerate the maturities of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

**Application of Funds.** All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of the Trust Agreement or the Purchase Agreement shall be applied by the Trustee in the order following, in the case of the Obligations, upon presentation of the several Obligations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Obligation Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations and, with interest on the overdue principal and installments of interest at the rate of twelve percent (12%) per annum (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

**Institution of Legal Proceedings.** If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained in the Trust Agreement.

**Power of the Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, or disposal of such action; provided, however, that the Trustee will not discontinue, or otherwise dispose of any litigation, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

**Limitation on Obligation Owners' Right to Sue.** No Owner of any Obligation will have the right to institute any action, for any remedy, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity; and (d) the Trustee shall have not complied with such request for a period of sixty (60) days.

No one or more Owners of Obligations will have any right in any manner whatever by their action to enforce any right under the Trust Agreement, except in the manner therein provided, and all proceedings with respect to an Event of Default will be pursued in the manner therein provided and for the equal benefit of all Owners of the Outstanding Obligations.

The right of any Owner of any Obligation to receive payment of said Owner's proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner.

**Defeasance.** If and when all Outstanding Obligations shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest and redemption premium, if any, with respect to all Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with a Depository Trustee, in trust for such purpose, at or before maturity, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all Obligations Outstanding, including all principal, interest and redemption premium; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are non-callable in such amount as shall be certified to the Trustee and the Town by a national firm of certified public accountants acceptable to the Trustee and the Town, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all Obligations (including all principal, premium and interest) at their respective maturity dates or prior redemption;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the Town with respect to all Outstanding Obligations will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to paragraphs (b) or (c) above and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations will continue to represent direct and proportionate interests of the Owners thereof in such funds.

If any Obligation or portion thereof will not mature within sixty (60) days of the deposit referred to in paragraphs (b) or (c) above, the Trustee shall give notice of such deposit by first class mail to the Owners.

No Payment or Obligation may be so provided for based on redemption prior to maturity unless the Trustee has mailed irrevocable notice of redemption for such Obligations or the Town has given the Trustee irrevocable instructions to redeem such Obligations.

## **THE PURCHASE AGREEMENT**

The following, in addition to the information under the headings "INTRODUCTORY STATEMENT" and "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS," is a summary of certain provisions of the Purchase Agreement to which document, in its entirety, reference is hereby made for a more complete description of its terms.

**Payments.** The obligation of the Town to make the Payments will be limited to amounts from Excise Tax Revenues and State Shared Revenues. The Town will receive a credit against amounts due with respect to the Payments equal to any amounts held and available in the Payment Fund.

The obligation of the Town to make the Payments from the sources described and to perform and observe the other agreements contained in the Purchase Agreement will be absolute and unconditional and will not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach of the Trustee of any obligation to the Town or otherwise, or out of indebtedness or liability at any time owing to the Town by the Trustee. Until such time as all of the Payments shall have been fully paid or provided for, the Town (i) will not suspend or discontinue the Payments, (ii) will perform and observe all other agreements contained in the Purchase Agreement, and (iii) will not terminate the Purchase Agreement for any cause.

**Providing for Payment.** The Town may provide for the payment of any of the Payments in any one or more of the following ways:

(a) by paying such Payment as and when the same becomes due and payable at its scheduled due date or on a date on which it can be prepaid;

(b) by depositing the with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with the Trustee and available for such Payment is fully sufficient to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are non-callable, in such amount as shall be certified by a national firm of certified public accountants acceptable to the Trustee and the Town as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Trustee and available for such Payment, to make, or cause to be made, such Payment at its scheduled due date or on a date on which it can be prepaid.

Upon any partial payment of a Payment resulting in a partial payment of redemption of Obligations, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligations remaining outstanding after the partial payment or redemption of Obligations from the proceeds of such payment so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

**Default; Remedies Upon Default.**

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the amounts due pursuant to the Purchase Agreement (including the Payments) at the time when the same are to be paid as provided in the Purchase Agreement or the Trust Agreement, (B) the violation by the Town of any other covenant or provision of the Purchase Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect, unless the pledge of Excise Tax Revenues and State Shared Revenues has been released by the terms of the Parity Loan Agreements (WIFA), the Parity Loan Agreements (WIFA) and any Additional Revenue Obligations, or (D) the insolvency or bankruptcy of the Town as the same may be defined under any law of the United States of America or the State of Arizona, or any voluntary or involuntary action of the Town or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of such amounts as required under the Purchase Agreement or the Trust Agreement on the due date, or the nonpayment of the payments on their due dates with respect to, unless the pledge of Excise Tax Revenues and State Shared Revenues has been released by the terms of the Parity Loan Agreements (WIFA), the Parity Loan Agreements (WIFA) and any Additional Revenue Obligations, (B) in the case of the breach of any other covenant or provision of the Trust Agreement or the Purchase Agreement not cured within sixty (60) days after notice in writing from the Trustee specifying such default; and (C) in the case of any default under any of, unless the pledge of Excise Tax Revenues and State Shared Revenues has been released by the terms of the Parity Loan Agreements (WIFA), the Parity Loan Agreements (WIFA) and any Additional Revenue Obligations, after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, the Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect such amounts payable by the Town under the Trust Agreement or the Purchase Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the Town under the Trust Agreement or the Purchase Agreement and with respect to Excise Tax Revenues and State Shared Revenues, without notice and without giving any bond or surety to the Town or anyone claiming under the Town, have a receiver appointed of the amounts of Excise Tax Revenues and State Shared Revenues which are pledged to the payment of amounts due thereunder, with such powers as the court making such appointment shall confer (and the Town will irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

The obligations of the Town under the Purchase Agreement, including, without limitation, its obligation to pay the Payments, will survive any action brought, and the Town will continue to pay the Payments and perform all other obligations provided in the Purchase Agreement; provided, however, that the Town will be credited with any amount received by the Trustee.

PROPOSED FORM OF APPROVING OPINION

[Closing Date]

[Trustee]

Re: Pledged Revenue Obligations, Series 2021 and Pledged Revenue Refunding Obligations, Series 2021 Evidencing Proportionate Interests of the Owners Thereof in Purchase Payments to be Made by the Town of Chino Valley, Arizona to [Trustee], as Trustee, Dated the Date Hereof

We have examined the transcript of proceedings (the “Transcript”) relating to the execution and delivery by [Trustee] (the “Trustee”) of the Pledged Revenue Obligations, Series 2021 and Pledged Revenue Refunding Obligations, Series 2021 (collectively, the “Obligations”), pursuant to a Third Trust Agreement, dated as of November 1, 2021\* (the “Trust Agreement”), between the Trustee and the Town of Chino Valley, Arizona (the “Town”). Each of the Obligations is an undivided, participating, proportionate interest in certain payments to be made by the Town pursuant to a Third Purchase Agreement, dated as of November 1, 2021\* (the “Purchase Agreement”), between the Trustee as seller and the Town as buyer to finance and refinance certain projects for the Town. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon the opinions of the Town Attorney delivered even date herewith as to the matters provided therein.

Based upon such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Obligations, the Trust Agreement and the Purchase Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof and the rights thereunder are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally; except to the extent that the enforceability thereof and the rights thereunder may be limited by the application of general principles of equity and, as to the Trust Agreement, except to the extent that the enforceability of the indemnification provisions thereof may be affected by applicable securities laws.

2. The obligations of the Town pursuant to the Purchase Agreement with respect to payment of principal and interest with respect to the Obligations are solely from the revenues and other moneys pledged and assigned pursuant to the Trust Agreement to secure such payments. Those revenues and other moneys include payments required to be made by the Town pursuant to the Purchase Agreement, and the obligation of the Town to make those payments is secured by a limited pledge of “Excise Tax Revenues” and “State Shared Revenues” as described in, and provided by, the Purchase Agreement. Such payments are not secured by an obligation or pledge of any moneys raised by taxation other than the specified taxes; the Obligations do not represent or constitute a debt or

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\* *Subject to change.*



pledge of the general credit of the Town and the Purchase Agreement, including the obligation of the Town to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the Town.

3. (a) Based on the representations and covenants of the Town and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, the portion of each payment made by the Town pursuant to the Purchase Agreement, denominated and comprising interest and received by the beneficial owners of the Obligations (the "Interest Portion"), is excludable from the gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership or disposition of, the Obligations. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Town must continue to meet after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the Town to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of execution and delivery. The Town has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. (Subject to the same limitations in the first numbered paragraph hereof as they would relate to such covenants, the Town has full legal power and authority to comply with such covenants.) In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the receipt or accrual of the Interest Portion on, or disposition or ownership of, the Obligations.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

TOWN OF CHINO VALLEY, ARIZONA

\$6,030,000\*  
**PLEDGED REVENUE OBLIGATIONS,  
 SERIES 2021**

\$7,350,000\*  
**PLEDGED REVENUE REFUNDING  
 OBLIGATIONS, SERIES 2021**

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CONTINUING DISCLOSURE UNDERTAKING

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This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the Town of Chino Valley, Arizona (the “*Town*”), in connection with the execution and delivery of \$6,030,000\* principal amount of Pledged Revenue Obligations, Series 2021 (the “*New Money Obligations*”) and \$7,350,000 principal amount of Pledged Revenue Refunding Obligations, Series 2021 (the “*Refunding Obligations*” and, collectively with the New Money Obligations, the “*Obligations*”). The Obligations are being executed and delivered pursuant to a Third Trust Agreement, dated as of August 1, 2021\* (the “*Trust Agreement*”), by and between the Town and [Trustee], as trustee (the “*Trustee*”). The Town covenants and agrees as follows:

1. **Definitions.** In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the Town prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the Town and which has filed with the Town a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Obligations, dated \_\_\_\_\_, 2021.

“*Financial Obligation*” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a

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\* *Subject to change.*

guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“GAAP” means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

“Listed Event” means the occurrence of events set forth in Exhibit II.

“Listed Events Disclosure” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

“Purchase Agreement” means the Third Purchase Agreement, dated as of August 1, 2021\*, by and between the Town and the Trustee, in its separate capacity as “Seller.”

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

“State” means the State of Arizona.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the Town as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The Town represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

3. CUSIP Number. The CUSIP Numbers of the Obligations are as follows:

**New Money Obligations**

CUSIP No. (Base 16958C)	Payment Date
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\* *Subject to change.*

## Refunding Obligations

CUSIP No.  
(Base 16958C)

Payment Date

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4. Annual Financial Information Disclosure. Subject to Section 8 of this Undertaking, the Town shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Town will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the Town shall disseminate in a timely manner, but in not more than ten (10) business days after the occurrence of the event, its Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

6. Consequences of Failure of the Town to Provide Information. The Town shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Town to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the Town to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Trust Agreement, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the Town to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the Town by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Town, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the Town (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Trust Agreement at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying GAAP to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Town to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the Town change or the fiscal year of the Town changes, the Town shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Termination of Undertaking. This Undertaking shall be terminated hereunder if the Town shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Trust Agreement.

9. Dissemination Agent. The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the Town chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the Town shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Town, the Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. Recordkeeping. The Town shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. Assignment. The Town shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the Town under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

14. Governing Law. This Undertaking shall be governed by the laws of the State.

Dated: [Closing Date]

TOWN OF CHINO VALLEY, ARIZONA

By.....  
Mayor

ATTEST:

.....  
Town Clerk

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement in TABLE 5 – Historical, Projected and Budgeted Excise Tax Revenues and State Shared Revenues (actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The Town shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2022. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements within 30 days after availability to the Town.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the Town will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

## EXHIBIT II

### EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

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 of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the Town, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, 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 Town.
13. The consummation of a merger, consolidation or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Town, any of which reflect financial difficulties.



## BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Obligations may wish to take certain steps to augment the transmission to them of notices

of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Obligations and the redemption price of any Obligation will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Obligations and the redemption price of any Obligations will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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