

RESOLUTION NO. 49

RESOLUTION PROVIDING FOR THE ISSUANCE OF TOWN OF SAN LUIS SEWER REVENUE BONDS, PROJECT OF 1981, IN THE PRINCIPAL AMOUNT OF \$765,000; PROVIDING FOR THE PAYMENT OF THE BONDS; AND DECLARING AN EMERGENCY.

WHEREAS, the Town of San Luis, Arizona (the "Town"), is a Town with a population of less than 10,000 as shown by the last Federal decennial census; and

WHEREAS, the Town wishes to aid in the construction of a wastewater treatment plant, lift stations and wastewater collection lines and the purchase of materials and equipment therefor; and to pay all necessary legal, financial consultant, engineering and all other contingent costs in connection therewith; and

WHEREAS, the Mayor and Council have heretofore determined that it is necessary, desirable and in the public interest to provide for such undertaking by the issuance of Town of San Luis Sewer Revenue Bonds, Project of 1981, in the aggregate principal amount of \$765,000; and

WHEREAS, all requirements of law have been complied with in calling and holding a special bond election on March 17, 1981, relative to the issuance of said bonds; and

WHEREAS, the Mayor and Council have heretofore canvassed the returns of the special bond election and have determined that a majority of the qualified electors voting at said election have approved the issuance of said bonds; and

WHEREAS, the Mayor and Council wish to provide for the issuance of the bonds, the form of bonds and certain covenants and conditions as to the use of the revenues from the operation of the Sewer System proposed to be improved and extended,

NOW, THEREFORE BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF SAN LUIS, ARIZONA AS FOLLOWS:

Section 1. Town of San Luis Sewer Revenue Bonds, Project of 1981 (the "Bond" or "Bonds"), in the principal amount of \$765,000 are hereby authorized to be issued and sold.

The Bonds shall not constitute a debt or general obligation of the Town within the meaning of any constitutional or statutory debt limitation, nor shall payment of the Bonds or

interest thereon be enforceable out of any funds other than the net revenues pledged to such payment, nor shall any bondholder have the right to compel any exercise of the taxing power of the Town to make such payment.

Section 2. It is expected that the Bonds will be purchased by the Farmers Home Administration, United States Department of Agriculture, as evidence of a loan to the Town from the United States of America pursuant to the Consolidated Farm and Rural Development Act. If the Bonds are purchased by the Farmers Home Administration, they may be issued as a single Bond, representing the entire series, registered as to both principal and interest in the name of the United States of America, Farmers Home Administration, with the terms and in substantially the form attached hereto as Exhibit "A" and incorporated herein by this reference, allowing those executing the Bond to cause to be made such variations, deletions and insertions as are necessary to conform the Bond to the provisions of this Resolution, the Notice Inviting Proposals for the Purchase of the Bonds and the Offer of the Farmers Home Administration to purchase the Bonds. At any time at the option of the Farmers Home Administration and at the expense of the Town, such single Bond may and must, upon the transfer of all or any part of the Bond to a holder other than the Farmers Home Administration or another agency of the United States of America and at the expense of such transferee, be surrendered to the Clerk of the Town for cancellation in exchange for coupon Bonds in the denomination of \$1,000 each or multiples thereof, numbered from one upward, with the terms and in substantially the form provided in Section 3 hereof. Such coupon Bonds shall be in the aggregate principal amount then outstanding, and shall have coupons attached representing interest from the last previous interest payment date on which all interest due was paid.

Such single Bond may be prepared, executed and delivered to the Farmers Home Administration in printed, lithographed or typewritten form and may, when all amounts to be loaned by the Farmers Home Administration in payment therefor have been advanced to the Town, be surrendered to the Clerk of the Town and exchanged for a definitive single Bond of like tenor, but without the schedule of endorsement of advances, and reflecting the amount of principal actually outstanding, with the difference between the principal amount outstanding and the aggregate authorized principal amount being reflected as reductions of the installments of principal payable in inverse order of payment dates.

Any Bond surrendered to the Clerk for exchange as provided in this Resolution shall be delivered to the Treasurer

of the Town for cancellation, together with specimens of the Bond or Bonds delivered in exchange therefor.

Section 3. The Bonds may also be issued as coupon Bonds, dated the date of their issuance, numbered from one upward, in the denomination of \$1,000 each or multiples thereof, bearing interest from the date of initial registration to the maturity of each of the Bonds at a rate of not to exceed 5% per annum, payable on January 1, 1984, and semiannually thereafter during the term of each of the Bonds, Bonds to mature on July 1 of each year in the years and amounts designated in the Notice Inviting Proposals for the Purchase of Bonds, the Bonds and interest coupons attached thereto to be payable at the Office of the Treasurer of the Town. Such coupon Bonds shall have the terms and be in substantially the form attached hereto as Exhibit "B" and incorporated herein by this reference allowing those executing the Bonds to cause to be made such variations, insertions and deletions as are necessary to conform the Bonds to the provisions of this Resolution and the Notice Inviting Proposals for the Purchase of the Bonds.

Section 4. In case any Bond becomes mutilated or be destroyed or lost, the Town shall cause to be executed and delivered a new Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond and its coupons, if any, or in lieu of and in substitution for such Bond and its coupons, if any, destroyed or lost, upon the holder's paying the reasonable expenses and charges of the Town in connection therewith and, in the case of the Bond destroyed or lost, his filing with the Clerk evidence satisfactory to the Town that such Bond and coupons, if any, were destroyed or lost, and of his ownership thereof, and furnishing the Town with a sufficient indemnity bond pursuant to § 44-3040, Arizona Revised Statutes.

Section 5. All Bonds shall be executed for and on behalf of the Town by the Mayor and countersigned by the Clerk, one of which signatures may be by facsimile, and the coupons, if any, attached thereto shall bear the facsimile signature of the Mayor and Clerk. If any officer of the Town whose signature or facsimile signature appears on any Bond or coupon attached thereto shall cease to be such officer prior to the issuance and delivery of such Bond or coupon and full payment therefor, such signature or facsimile signature shall nevertheless remain valid and sufficient as if such person had remained in office until that time. The corporate seal of the Town may, but need not, be mechanically reproduced on each Bond.

Section 6. The Treasurer of the Town shall place all amounts received as payment for the Bonds, as received, in a fund, separate and apart from all other funds of the Town, which shall be used exclusively for the purposes for which the Bonds were authorized to be issued, as provided in the Resolution ordering the special bond election.

Section 7. The Bonds herein authorized will be secured by a prior and paramount lien on and by a first pledge, which pledge will be effected in the manner and to the extent hereinafter provided, of all of the revenues of the entire Sewer System of the Town, including improvements, betterments and extensions thereto and hereafter constructed or acquired (the "System"), after deducting therefrom only the amount necessary to pay the reasonable costs of operation and maintenance of the System. The term "revenues" as used herein will mean all gross income and revenues of any kind howsoever derived from the sales and services of the System, including all fees and charges and all gross revenues of all improvements, additions and extensions to the System hereafter constructed or acquired, together with any interest earned thereon, and the term "net revenues" as used herein will mean all revenues after deducting therefrom the amount necessary to pay the reasonable costs of operation and maintenance of the System.

Section 8. No other bonds or other evidences of indebtedness payable in whole or in part, directly or indirectly, from the revenues of the System on a basis on a parity with or superior to the Bonds will be issued unless the Town shall act in full compliance with the parity bond provisions of this Resolution.

Section 9. For the purpose of making effective the prior and paramount lien of the Bonds herein authorized, the Town hereby pledges and assigns for the security of the Bonds all of the net revenues, including the revenues of improvements and extensions to the System which may hereafter be constructed or acquired. The sums required to meet the payment of principal and interest on said Bonds will be secured by an exclusive pledge, charge and lien upon all of the net revenues. All of the net revenues, together with any interest earned thereon and any other funds that may hereafter be created from the revenues for the payment of principal and interest or the better securing of the payment of principal of or interest on the Bonds, will constitute a trust fund for the security and payment of the principal of and interest on the Bonds and, except as otherwise specifically authorized by this Resolution, will not be used for any other purpose so long as the Bonds or any of them are outstanding or unpaid.

Section 10. For the purpose of providing for the payment of the principal of and interest on the Bonds, the Town covenants and agrees with the holders of the Bonds, so long as said Bonds are outstanding, to establish and maintain the following Funds in the manner hereinafter provided:

A. Revenue Fund. All revenues of the System, together with any interest thereon, will be deposited when collected with the Treasurer in a separate Fund to be designated "Town of San Luis Sewer Revenue Fund" (the "Revenue Fund"). All moneys in the Revenue Fund, after providing sufficient funds for the operation and maintenance of the System, will be set aside, transferred and deposited by the Treasurer in the following manner and order of priority in the following separate Funds, each of which will be established and maintained by the Treasurer and will be held in trust by the Treasurer and such Funds will be applied, used and withdrawn only for the purposes hereinafter authorized.

B. Interest and Redemption Fund. The Treasurer will set aside out of the Revenue Fund in a separate Fund to be designated the "Town of San Luis Sewer Bond Interest and Redemption Fund" (the "Bond Fund"), the following sums: on or before the first day of each calendar month, sums which in the aggregate are sufficient to provide for the payment of the first interest payment on the Bonds which is due on January 1, 1984; and thereafter, on or before the first day of each calendar month commencing with the month of February, 1984, a sum equal to one-fifth of the amount of the next semiannual interest payment coming due on the Bonds, such payments to be made each month until the requisite semiannual amount of interest has been paid into the Bond Fund; and on or before the first day of each calendar month commencing with the month of July, 1983, one-eleventh of the amount of the principal of the Bonds coming due and payable on the succeeding July first, such payments to be made each month until the requisite annual amount of principal has been paid into the Bond Fund.

Any moneys at any time paid into the Bond Fund will be held by the Treasurer in trust for the benefit of the holders from time to time of the Bonds and the Town will not have any beneficial right or interest in any of such moneys. All moneys in the Bond Fund will be deposited in a bank or banks which are members of the Federal Deposit Insurance Corporation and all moneys in the bank account will be secured in the manner prescribed by the laws of the State of Arizona with regard to public funds or invested in direct obligations of the United States Government. The moneys in the Bond Fund will be used solely for the purpose of paying the principal of and interest on the Bonds issued hereunder and for no other purpose.

C. Reserve Fund. There is hereby created a separate Fund to be designated the "Town of San Luis Sewer Bond Reserve Fund" (the "Reserve Fund"). There will be deposited in the Reserve Fund from the Revenue Fund an annual sum of not less than \$5,982.00 as a reserve to pay any payments of principal and interest not fully paid from the moneys then in the Bond Fund. Any time the amount of the Reserve Fund exceeds the highest amount of principal and interest payable on the Bonds in any future year, the Treasurer will cease to pay any moneys into the Reserve Fund unless or until an event occurs which causes the Reserve Fund to be reduced to an amount less than the highest amount of principal and interest payable on the Bonds in any year. In such event the Reserve Fund will be replenished as in the first instance.

The Reserve Fund may be invested in negotiable United States Government securities that may readily be converted into cash at any Bond payment date. Such investments will be deemed at all times to be part of the Reserve Fund. Whenever any matured installment remains unpaid, without further notice the Treasurer will redeem and otherwise liquidate any or all such investments as may be needed to cure any default in the payment of principal and interest on the Bonds and deposit the proceeds in the Bond Fund.

D. There is hereby created a separate fund to be designated the "Town of San Luis Sewer Bond Replacement and Extension Fund" (the "Replacement Fund"). There will be deposited in the Replacement Fund from the Revenue Fund annually a sum equal to not less than 2% of the revenues of the System, provided that no deposit to the Replacement Fund shall be required when the amount therein is not less than an amount equal to 2% of the amount at which the total tangible assets of the System are reflected in the records of the Town.

Moneys in the Replacement Fund may be used from time to time by the Town in making repairs, replacements and extensions to the System. In the event any principal or interest payment on the Bonds cannot be made when due from moneys then available in the Bond Fund and the Reserve Fund, moneys shall be transferred from the Replacement Fund to the Bond Fund to make such payment.

Section 11. The Town covenants with the holders of the Bonds herein authorized that so long as any of the Bonds remain outstanding and the principal or interest on the Bonds is unpaid or unprovided for:

A. It will pay or cause to be paid punctually the principal of and interest on the Bonds on the dates as provided in this Resolution.

B. It will commence the improvement to be made with the proceeds from the sale of these Bonds so as to be adequate to meet all payments required by this Resolution.

C. It will establish, maintain and collect user charges from all persons using the System sufficient at all times, after making due and reasonable allowance for contingencies and for a margin of error in the estimates, to carry on the efficient operation, maintenance, repair and replacement of the System, to produce an amount of net revenues in each year in an amount not less than 120% of the aggregate of the principal and interest payable on the Bonds in such year and to create and maintain the Bond Fund and Reserve Fund heretofore mentioned.

D. No persons or entities, including the Town and any subdivisions thereof, will voluntarily be permitted by the Town to receive any services from the System free of charge.

E. It will at all times preserve and protect the security of the Bonds and the rights of the holders thereof and will at all times cause the System to be maintained, preserved and kept in good repair, working order and condition and from time to time will make or cause to be made all necessary and proper repairs, replacements and improvements so that the business carried on in connection with the System may be at all times properly and advantageously conducted in a manner consistent with prudent management.

F. It will at all times keep proper books, records and accounts separate from all other records and accounts. Complete and accurate entries shall be made of all transactions relating to the System and it will furnish upon written request of the registered holder of any Bond on the first days of August and February of each year operation and income statements of the System in reasonable detail covering the previous period of six months and upon written request will furnish not more than 90 days after the close of each year's operation of the System complete financial statements in reasonable detail governing the prior year's operation, certified by the municipal auditor as complete and correct. If the Farmers Home Administration is the purchaser of the Bonds, the Town will also prepare each year an annual operating budget (Form FmHA 442-7) in the form and manner prescribed by the regulations of the Farmers Home Administration.

G. It will permit the holders of 50% of the principal amount of Bonds outstanding to inspect the System and all accounts and records thereof at reasonable times.

H. It will at all times maintain insurance on the System which will be adequate in amount and as to the risks

insured against for the benefit of the holders of the Bonds herein authorized. The holders of a majority in principal amount of the Bonds herein authorized at any time outstanding will have the right to require the Town to maintain insurance in such amounts and against such risks as are usually insurable and as they may deem necessary for the protection of their interests as Bond holders. In any event, the Town will at all times maintain the current levels of liability and property damage insurance in the amounts of \$500,000 for each occurrence of bodily injury; \$100,000 for property damage; and \$1,000,000 for each occurrence under umbrella coverage. It will also carry a reasonable amount of casualty insurance on all above-ground structures of the System. In the event of any loss or damage, the Town will repair or reconstruct the lost or damaged portions of the System and will apply the proceeds of the insurance covering loss for that purpose. It will begin the work of repair or reconstruction promptly after such loss or damage occurs and will continue and properly complete the same as expeditiously as possible and will pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith so that the same will be completed and the System will be free and clear of all mechanics' liens and claims. If the proceeds received by reason of such loss exceed the cost of repairs or reconstruction, the excess will be used exclusively to pay the principal of and interest on the Bonds then outstanding.

I. It will from time to time duly pay and discharge or cause to be discharged, all taxes, assessments or other governmental charges lawfully imposed upon the System or any part thereof or upon any revenues therefrom when the same become due, as well as any lawful claims for labor, materials or supplies which if unpaid might by law become a lien or charge upon the System or any part thereof or which might impair the security of the Bonds and, subject to the provisions of this Resolution, will duly observe and conform to all applicable and valid requirements of any governmental authority relative to the System or any part thereof and to all covenants, terms and conditions of this Resolution.

J. If all or any part of the System is taken by eminent domain proceedings or other proceedings authorized by law, the net proceeds realized therefrom will be deposited in a special fund in trust, subject to the right of the holders of the Bonds to share in such net proceeds.

K. It will not mortgage or otherwise encumber, pledge or place any charge upon the System or any of said revenues and will not sell, lease or otherwise dispose of the System or any part thereof necessary to the operation, use or

maintenance of said System, or enter into any lease or agreement which impairs or impedes the operation of the System or any part thereof necessary to secure adequate revenues for the payment of the principal of or interest on the Bonds, or which would otherwise impair the rights of the Bond holders with respect to said revenues or the operation of the System.

Section 12. Any holder of the Bonds will have the right to mandamus or other appropriate remedy at any time while any of the Bonds are outstanding and unpaid, to compel the performance by the Town and each and every officer thereof including the Mayor and members of the Council of the duties herein imposed upon and assumed by the Town and the Town hereby consents to any such action or proceedings at law or in equity in any court of competent jurisdiction, state or federal, and hereby waives the benefit of any law now or hereafter enacted restricting, limiting or impairing the remedy of the holder of any one or more of the Bonds. The remedies herein referred to will not be exclusive of any other remedy now or hereafter given by law to the holders of any of the Bonds to enforce the rights herein created in respect to the System, but each and all of such remedies will be cumulative and may be exercised at any time or from time to time and as often as may be necessary by the holder of any of the Bonds.

Section 13. In case any one or more of the following events of default occurs and continues:

- A. default in the payment of any installment of interest upon any Bonds as and when the same shall become due and payable; or
- B. default in the payment of the principal of any of the Bonds as and when the same become due and payable, either at maturity or upon call for redemption or otherwise; or
- C. failure on the part of the Town to duly observe or perform any of the covenants and agreements in the Bonds or in this Resolution contained;

then in each and every such case mentioned in subparagraphs A, B and C of this Section, the holders of twenty-five percent (25%) in principal amount of the Bonds then outstanding shall be entitled to the appointment of a receiver in any court of competent jurisdiction, state or federal, and such receiver may enter upon and take possession of the System and may prescribe rates, charges and tolls for the use of the System and collect and receive and apply all of the revenues arising therefrom in

the same manner and with the same effect as the Town itself might do and such receiver will be vested with the sole and exclusive jurisdiction of the System and will maintain and operate the System for the direct benefit of the holders of the Bonds issued hereunder and out of the proceeds of the revenues collected therefrom will pay the principal of and interest on the Bonds issued in the form and manner as in this Resolution provided. Such receiver will remain in possession, control and operation of the System until the delinquent installments and the interest thereon, together with all costs incurred in the receivership including attorneys' fees, have been paid in full. Nothing in this Section is to be construed to limit or restrict the rights of the holder of any Bond as otherwise provided for under the provisions of Title 9, Chapter 5, Article 3, Arizona Revised Statutes, and any amendments thereto.

Section 14. Notwithstanding anything in this Resolution contained, the Town will not be required to advance any moneys derived from the levy or collection of taxes or from any other source of income other than the System for any of the purposes in this Resolution mentioned, whether for the payment of the principal of or interest on the Bonds, or for the maintenance or operation of the System or any repairs or renewals thereof. Neither the Town nor any officer thereof will be liable for any payment agreed to be made or contemplated to be made pursuant to any of the terms of this Resolution, save and except solely and exclusively from the income and revenues of the System.

Section 15. The Town may not sell, mortgage or encumber any of the real property of the System unless provision is made that all of the proceeds from the sale or mortgage of the real property are deposited in the Bond Fund. However, the Town may in its discretion dispose of portions of the real and personal property of the System which by reason of obsolescence or nonuse are no longer required or suitable for the Town's use in connection with the System. All of the proceeds from the sale of the property as provided in the preceding sentence will be deposited in the Reserve Fund.

Section 16. The Town covenants and agrees with the holders of the Bonds that additional bonds, herein called "parity bonds", having a lien upon and payable from revenues (including all revenues from any improvements or additions to the System, which may include the addition of one or more utility undertakings to the System) may be issued on a parity with the Bonds issued hereunder, but only as provided in this Section and only for the purpose of improving the System or for the purpose of acquiring, constructing or improving additions or improvements to the System, including the addition of one or more utility undertakings to the System, or for the

purpose of refunding the Bonds, or for any combination of such purposes, and subject to the following conditions:

A. It will not at the time of the issue of such parity bonds be in default under this Resolution or under any resolution providing for parity bonds;

B. The issuance of parity bonds will be duly authorized at an election, if required by law, except as to any bonds to be issued exclusively for the purpose of refunding then outstanding bonds;

C. The issuance of parity bonds will be provided for by a resolution duly adopted by the Mayor and Council, and such parity bonds will mature and interest will be paid on the same days of the year as the Bonds authorized by this Resolution;

D. The annual net revenues of the System for the twelve consecutive months ending with the calendar month next preceding the date of the adoption by the Mayor and Council of a resolution authorizing the issuance and sale of parity bonds, or for the last full fiscal year preceding the adoption of such resolution, as shown by an audit certificate of an independent public accountant employed by the Town, are equal to at least 125% of the highest year's debt service on all of the Bonds then outstanding and on the parity bonds to be issued.

For the purposes of this paragraph D, additional amounts may be added to the net revenues as shown on the accountant's report in the following circumstances:

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

(2) If all or part of the proceeds of the parity bonds are to be expended for the acquisition of existing System

properties or facilities, or existing property or facilities of a utility undertaking to be added to the System, there may be added to the net revenues of such preceding twelve-month period or fiscal year the net revenues derived from the operation of such properties or facilities to be acquired as converted to net revenues which would have been derived from the operation of such properties or facilities had such properties or facilities been operated by the Town under the Town's applicable rate schedule during the entire twelve-month period or fiscal year, such converted net revenues to be estimated by an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.

(3) If prior to the issuance of parity bonds and subsequent to the first day of such preceding twelve-month period or fiscal year, the Town shall have increased its rates or charges imposed for services of the System, there may be added to the net revenues of such twelve-month period or fiscal year the additional net revenues which would have been received from the operation of the System during such twelve-month period or fiscal year had such increase been in effect throughout such twelve-month period or fiscal year, such additional net revenues to be estimated by an independent engineer or firm of such engineers having a favorable reputation with respect to such matters.

In the event parity bonds are to be issued exclusively for the purpose of refunding or retiring a portion of the Bonds then outstanding, for the purpose of the calculation required under this paragraph D, the percentage requirement on the Bonds and on such parity bonds will be taken into consideration only in any future year in which any fractional part of the Bonds will remain outstanding after the issuance of such parity bonds; provided that nothing in this Resolution contained will limit or restrict the issuance of any parity bonds if, before or as a result of the issuance and delivery of such parity bonds, the Bonds theretofore issued will no longer be outstanding, or full payment for the Bonds outstanding will be provided for by funds from the bond proceeds.

Section 17. All of the provisions of this Resolution shall constitute a contract between the Town and the holder or holders of the Bonds. From and after the sale and delivery of the Bonds, no amendments, alterations or modifications of this Resolution will be made which will in any manner impair, impede or lessen the rights of the holder of the Bonds except as in this Section provided, to-wit: this Resolution may be amended, modified or altered at any time or from time to time hereafter in the manner provided, subject to the condition that no such amendment, modification or alteration will reduce the

principal amount of any Bond, alter the rate of interest thereon, change the date of maturity thereof, or reduce the percentage of assenting Bond holders required to effect such amendment. By resolution of its Mayor and Council, the Town may propose any such amendment, modification or alteration and submit the same for approval by the holders of these Bonds. The amendment will become effective if the approval of the holders of seventy-five percent in principal amount of the Bonds then outstanding is secured, which approval will be evidenced in writing in such manner as may be prescribed by the Mayor and Council. The Mayor and Council will adopt appropriate regulations for the purpose of evidencing the written consent of the holders of the required percentage of Bonds to such amendment. Such amendment, modification or alteration effected in the manner aforesaid will be binding on the holders of all of the then issued and outstanding Bonds herein authorized. The provisions of this Section will not prevent any Bond holder from accepting any amendment of this Resolution as to the particular Bond held by him provided that due notation thereof is endorsed on the Bond.

Section 18. Whenever the Bonds and all interest then accrued have been fully paid and discharged, the agreements of this Resolution will cease and terminate, and the Town will be under no further obligation to apply the revenues of the System to the payment of the Bonds as herein required or otherwise to do and perform any of the covenants or conditions of this Resolution.

Section 19. The Mayor and Council are aware that purchasers of these Bonds are induced to purchase the Bonds because the interest income derived therefrom is exempt from Federal income taxation and that such exemption constitutes a portion of the consideration flowing from the Town to the purchaser of these Bonds. Therefore, the Town covenants with the holders of the Bonds that it will take no action at any time which will cause these Bonds to become arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of the United States of America (Section 601 of the Tax Reform Act of 1969), as amended.

Section 20. The Town has received a commitment from the Farmers Home Administration of the United States Department of Agriculture to acquire the full amount of the Bonds authorized by this Resolution (\$765,000) at a net interest cost of 5% per annum and in the event that no bid is received from a responsible bidder at the public sale of the Bonds which offers to purchase the Bonds or any part of the issue at a net interest cost of less than 5% per annum, the Bonds or parts of the issue not sold to private bidders will be sold under the terms of the Farmers Home Administration commitment. If the

Bonds are sold to the Farmers Home Administration, notwithstanding other provisions of this Resolution, so long as the United States Government or any agency thereof is the registered holder of the Bonds, the Town covenants and agrees as follows:

A. Definitions. As used in this Section only:

"Bonds" means the obligations which the Government has agreed to purchase under the Loan Agreement.

"Government" means the Farmers Home Administration or any other agency of the United States of America.

"Loan Agreement" means the contract between the Government and the Town covering the System and includes the Terms and Conditions and the Special Conditions appended to the Government's Offer.

B. Prepayment. Prepayment of scheduled installments, or any portion thereof, may be made on any of the Bonds at any time at the option of the Town. Payments made on the Bond, regardless of when made, shall be applied first to interest due through the next installment due date and the balance to principal in accordance with the terms of the Bond. Payments on delinquent accounts will be applied in the following sequence: (1) billed delinquent interest, (2) past due interest installments, (3) past due principal installments, (4) interest installment due, and (5) principal installment due. Extra payments and payments made from security-depleting sources shall be applied to the principal last to come due on the Bond.

C. Evidence of Loan. The Bonds are issued as evidence of a loan made by the Government to the Town pursuant to the Consolidated Farm and Rural Development Act, as amended, and as long as the Government is the registered holder thereof will be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof.

D. Improvement Fund. All proceeds from the sale of the Bonds will be deposited at the time of sale in accordance with the provisions of Section 6 of this Resolution; provided, however, that the Fund in which the proceeds are deposited will be a separate account and the proceeds will be used for the purpose set forth in the ballot, and withdrawals therefrom will be made only in accordance with payment authorization procedures of the Farmers Home Administration.

E. Prerequisites to Government's Obligation. The Government will be under no obligation to purchase the Bonds under the Loan Agreement if:

(1) Representations. Any representation made by the Town to the Government in connection with the application or loan is incorrect or incomplete in any material respect or the Government determines that the Town has failed to proceed promptly with the financing of the System;

(2) Financial Condition. The financial condition of the Town has changed unfavorably in a material degree from its condition as heretofore represented to the Government;

(3) Concurrence by Government. The Town, having submitted to the Government the documents mentioned in Paragraph G of this Section, has proceeded without having been advised by the Government that the same are satisfactory, it being the purpose of this provision to insure that no action will be taken in the acquisition of the System which would result in legal or contractual violation rendering it impossible for the Government to make the loan hereunder or for the parties to accomplish the objects of the Loan Agreement;

(4) Number of System Users. The Town has not certified that there will be at least 377 sewer connections within one year after completion of the sewer project.

F. Purchase of the Bonds. It will initiate and prosecute to completion all proceedings necessary to the authorization, issuance and sale of the Bonds and to the security thereof. When the proceedings have been completed to the point of but not including the delivery of the Bonds to the Government, the Town may request the Government to purchase the Bonds. The request will be supported by such data as the Government requires to determine whether the Government is obligated under the provisions of the Loan Agreement to honor such request. If the Government is so obligated, it will purchase the Bonds covered by the request, within the limitations, however, specified in the Loan Agreement. If the Government purchases the Bonds, one single installment Bond will be issued to evidence the entire issue of Bonds.

G. Legal Matters. It will furnish the Government with a transcript of proceedings for the authorization, issuance, sale and security of the Bonds evidencing that the Bonds,

when delivered and paid for, will constitute a binding and legal obligation payable and secured in accordance with their tenor, and that all proceedings for the financing and the improvement and extension of the System preliminary to the delivery of the Bonds to the Government have been had and adopted in due time, form and manner as required by law.

H. Opinion of Bond Counsel. Simultaneously with the delivery of the Bonds to the Government, it will furnish to the Government the approving opinion letter of Bond Counsel who is satisfactory to the Government, covering generally the Bonds issued and sold to the Government. Said letter will also contain the opinion of Bond Counsel that the interest on all of said Bonds is exempt from all Federal income taxes and State of Arizona personal income taxes under existing statutes, regulations and court decisions.

I. Prerequisites to Loan Disbursements. Prior to the Government disbursing any portion of the loan proceeds, it will present satisfactory evidence that:

(1) it has obtained or can obtain all land, rights-of-way, leases, easements, permits, franchises, federal, state, county and municipal approvals required in connection with the construction and operation of the System;

(2) this Resolution is satisfactory in form and substance to the Government;

(3) it has adopted ordinances or resolutions satisfactory in form and substance establishing charges, rules and regulations relating to the use of the System, including provisions that there will be no free use thereof.

J. Approvals and Permits. It will obtain all approvals and permits required by law as a condition precedent to the acquisition and operation of the System.

K. Submission of Proceedings and Other Documents. It will submit to the Government such data, reports and records relative to the operation of the System and financial condition of the Town as the Government may require prior to the sale and delivery of the Bonds.

L. Liens and Encumbrances. It represents that, after improvement and extension of the System is complete, there will be no liens or encumbrances of any nature whatsoever on or

against the System or the revenues derived or to be derived from the operation thereof other than as heretofore disclosed to the Government.

M. Retention of Title. So long as the Government holds the Bonds, it will not dispose of its title to the System or to any useful parts thereof, including any facility necessary to the operation and use of the System and the lands and interests in land comprising the site of the System.

N. Existence. It will maintain its legal identity and existence so long as any of the Bonds herein provided for remain outstanding.

O. Right of Inspection. The Government and its duly authorized agents and representatives will have the right to inspect the System and all properties thereof at all reasonable times.

P. Competent Management. It will at all times while any of the Bonds herein authorized are outstanding employ sufficient experienced and competent management personnel for the System.

Q. Equal Opportunity of Employment. It hereby authorizes its appropriate officers to execute for and on its behalf, and to deliver to the Government prior to the purchase of any Bonds by the Government, Form FmHA 400-1 entitled "Equal Opportunity Agreement" required by Administration Letter 797 (400) of the Farmers Home Administration dated October 3, 1969, as amended.

R. Assurance Agreement. It hereby authorizes its appropriate officers to execute for and on its behalf, and to deliver to the Government prior to the purchase of any Bonds by the Government, Form FmHA 400-4 entitled "Assurance Agreement" as required by Administrative Letter 937 (400) of the Farmers Home Administration dated January 13, 1965, as amended.

S. Loan Resolution. It hereby authorizes its appropriate officers to execute for and on its behalf, and to deliver to the Government prior to the purchase of any Bonds by the Government, Form FmHA 442-47 entitled "Loan Resolution".

T. Availability of Other Financing. It has held or will hold a public sale of these Bonds and will call for bids on these Bonds in the manner prescribed by law. If no bids are received by the date set for opening bids or if all bids received require an interest rate in excess of 5%, it will then certify that the Government is the most favorable bidder for the Bonds and the Town will to that extent be unable to obtain

sufficient credit elsewhere to finance the improvement of its System at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in its locality for loans for similar purposes and periods of time. If at any time during which the installment Bond purchased by the Government is not fully paid, it appears to the Secretary of Agriculture that the Town may be able to obtain sufficient credit to refund such Bonds elsewhere at reasonable rates and terms taking into consideration said rates and terms, the Town, upon request by the Secretary and to the extent permitted by law, will apply for and accept such credit in sufficient amount to refund such Bonds.

U. Waiver of Published Notice of Redemption. By taking delivery of the installment Bond, the Government agrees, as long as it holds said Bond, to waive the requirement for a published notice of redemption of the whole or any installment of said Bond.

V. Interest of Congressmen. No member of or delegate to the Congress of the United States will be admitted to any share or part of the Loan Agreement or to any benefit arising therefrom.

W. Interest Payment. It will make all interest payments on the installments of principal so long as the Government is the registered holder thereof to the order of the United States of America, Farmers Home Administration, and interest payments will be made at the Town Hall, 23222 First Street, San Luis, Arizona, 85349, Arizona, unless thereafter notified to the contrary by the Government.

X. Fidelity Bond. The Town will provide sufficient bond coverage for the positions of officials entrusted with the receipt and disbursement of its funds and the custody of any property for this project. The amount of the bond will be at least equal to the maximum amount of money that the Town will have on hand at any one time, exclusive of loan funds deposited in a supervised bank account. If permitted by State law, the United States will be named co-obligee in the bond. Said bond will guarantee that the funds disbursed under the Loan Agreement are used solely in the manner set forth in this Resolution and the Loan Agreement.

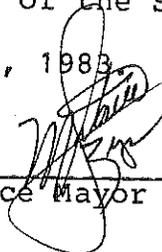
Y. Full Force and Effect. All other sections of this Resolution not repugnant to this Section will remain in full force and effect.

Section 21. If any section, paragraph, subdivision, sentence, clause or phrase of this Resolution is for any reason

held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Resolution. The Mayor and Council hereby declare that they would have adopted this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, and authorized the issuance of the Bonds pursuant hereto, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held illegal, invalid or unenforceable.

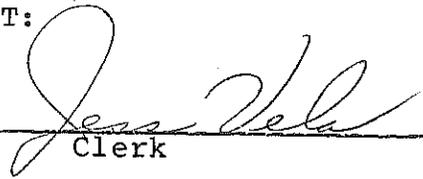
Section 22. The immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety of the Town, and an emergency is hereby declared to exist, and this Resolution will be in full force and effect from and after its passage and approval by the Mayor and Council and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

PASSED AND ADOPTED on March 9, 1983



Vice Mayor

ATTEST:



Clerk

APPROVED AS TO FORM:



Town Attorney

UNITED STATES OF AMERICA

STATE OF ARIZONA COUNTY OF YUMA

TOWN OF SAN LUIS SEWER REVENUE BOND
PROJECT OF 1981

No. R-1

\$765,000

KNOW ALL MEN BY THESE PRESENTS, that the Town of San Luis, Arizona, for value received, hereby promises to pay to the United States of America, Farmers Home Administration, solely from the revenues specified herein, an amount not to exceed the principal sum of SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS (\$765,000) in installments payable on July 1 in the amounts and years as follows:

Amount	Year	Amount	Year
\$12,000	1984	\$25,000	1999
13,000	1985	27,000	2000
14,000	1986	28,000	2001
14,000	1987	29,000	2002
15,000	1988	31,000	2003
16,000	1989	33,000	2004
16,000	1990	34,000	2005
17,000	1991	36,000	2006
18,000	1992	38,000	2007
19,000	1993	40,000	2008
20,000	1994	42,000	2009
21,000	1995	44,000	2010
22,000	1996	46,000	2011
23,000	1997	48,000	2012
24,000	1998		

unless before such respective date the Town has paid all or any portion of such scheduled installments by prepayment under the prepayment provisions of the Resolution authorizing the issuance of this bond, together with interest on the outstanding principal amount at the rate of FIVE PERCENT (5%) per annum from the date of each advance of principal as endorsed hereon, payable January 1, 1984, and semiannually thereafter on July 1 and January 1 in each year until maturity or until fully paid if called for redemption prior to fixed maturity date. Principal and interest will be paid at the office of the Treasurer of the Town of San Luis, Arizona. This bond may be refunded at any time.

The outstanding principal sum of this bond shall equal the aggregate of the advances in payment herefor, as endorsed hereon. Any amount by which the aggregate authorized principal amount of this bond exceeds the aggregate of such advances shall be deemed unissued, and the amount of such excess shall be deemed applied pro tanto to cancel the installments of principal

payable in inverse order of scheduled payment dates. Interest hereon shall be determined on the Government's aggregate of payments herefor from the respective dates of payment as endorsed hereon by the Treasurer.

This bond is issued pursuant to the Constitution and laws of the State of Arizona, including particularly Title 9, Chapter 5, Article 3, Arizona Revised Statutes, and resolutions adopted by the Mayor and Council of the Town to make improvements to the Sewer System of the Town. This bond is payable as to both principal and interest solely from the revenues of the operation of the System after provision has been made for the payment from said revenues of the reasonable and necessary expenses of operating and maintaining the System. This bond does not constitute an indebtedness or a pledge of the general credit of the Town within the meaning of any constitutional, charter or statutory provisions relating to the incurring of debt and no holder of this bond shall have any right to compel any exercise of the taxing power of the Town to pay principal of or interest on this bond.

The Town has covenanted and is by law required to establish, maintain and collect rates, fees and charges for all services supplied by its Sewer System sufficient to pay the reasonable costs of maintaining and operating said System, to pay principal of and interest on all obligations payable from the revenues produced thereby, including this bond, and to provide reserves for such purposes.

The Resolution of the Mayor and Council of the Town pursuant to which its Town of San Luis Sewer Revenue Bonds are issued provides the terms and conditions with regard to the issuance of the bonds on a parity with this bond. The Resolution further provides the manner in which the Resolution may be amended and sets forth the general covenants and provisions pursuant to which this bond is issued.

This bond is given as evidence of a loan to the Town made by the United States of America acting through the Farmers Home Administration, United States Department of Agriculture, pursuant to the Consolidated Farm and Rural Development Act and shall be subject to the present regulations of the Farmers Home Administration and to its future regulations not inconsistent with the express provisions hereof, of the Resolution of the Mayor and Council authorizing the issuance of this bond and of the laws of the State of Arizona. The Town has the unlimited right to pay all or any portion of any installment of principal of this bond prior to its definite payment date without payment of premium. The Farmers Home Administration has waived any requirement for published notice of prepayment of the whole or any part of the principal of and interest on this bond.

Should prepayments of principal be made, such prepayments will be applied to the installment or installments last to become due under this bond and will not affect the obligation of the Town to pay the remaining installments as scheduled in the Resolution authorizing this bond.

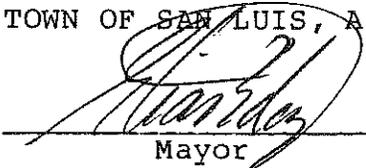
It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this bond exist, have occurred and have been performed as so required.

The Farmers Home Administration has the unlimited right to exchange this bond for negotiable, serial, coupon, bonds of the Town of like tenor as to source of payment, payable to bearer but registrable as to principal; such bonds to be issued upon the surrender of this bond and shall be in an aggregate principal amount equal to all principal hereon unpaid at the date of surrender and shall have attached thereto coupons bearing interest on such sum from the last interest payment date shown hereon.

The registered holder of this bond is the United States of America, Farmers Home Administration, 1520 Market Street, St. Louis, Missouri 63103.

IN WITNESS WHEREOF, the Town of San Luis, Arizona, has caused this bond to be executed in its name by its Mayor and attested by its Clerk, and this bond to be dated _____

TOWN OF SAN LUIS, ARIZONA



Mayor

ATTEST:



Clerk

TOWN OF SAN LUIS SEWER REVENUE BOND
 PROJECT OF 1981
 \$765,000

RECEIPT OF PAYMENT OF PRINCIPAL AND INTEREST

Date Due	Principal Due	Interest Due	Date Received
1/1/84			
7/1/84	\$12,000		
1/1/85			
7/1/85	13,000		
1/1/86			
7/1/86	14,000		
1/1/87			
7/1/87	14,000		
1/1/88			
7/1/88	15,000		
1/1/89			
7/1/89	16,000		
1/1/90			
7/1/90	16,000		
1/1/91			
7/1/91	17,000		
1/1/92			
7/1/92	18,000		
1/1/93			
7/1/93	19,000		
1/1/94			
7/1/94	20,000		
1/1/95			
7/1/95	21,000		
1/1/96			
7/1/96	22,000		
1/1/97			
7/1/97	23,000		
1/1/98			
7/1/98	24,000		
1/1/99			
7/1/99	25,000		
1/1/00			
7/1/00	27,000		
1/1/01			
7/1/01	28,000		
1/1/02			
7/1/02	29,000		
1/1/03			
7/1/03	31,000		
1/1/04			
7/1/04	33,000		

Date Due	Principal Due	Interest Due	Date Received
1/1/05			
7/1/05	\$34,000		
1/1/06			
7/1/06	36,000		
1/1/07			
7/1/07	38,000		
1/1/08			
7/1/08	40,000		
1/1/09			
7/1/09	42,000		
1/1/10			
7/1/10	44,000		
1/1/11			
7/1/11	46,000		
1/1/12			
7/1/12	48,000		

UNITED STATES OF AMERICA
STATE OF ARIZONA COUNTY OF YUMA
TOWN OF SAN LUIS SEWER REVENUE BOND
PROJECT OF 1981

No. _____ \$____,000

KNOW ALL MEN BY THESE PRESENTS, that the Town of San Luis, Arizona, for value received, hereby promises to pay to the bearer hereof or, if this Bond is registered as to principal, then to the registered holder hereof, solely from the revenues specified herein, on July 1, 19____, the principal amount of _____ THOUSAND DOLLARS (\$____,000) and to pay solely from said revenues, interest on the principal amount at the rate of _____ percent (____%) per annum from the date of this bond to its maturity, payable on _____, 19____, and semiannually thereafter on _____ 1 and _____ 1 of each year during the term of this bond, unless this bond is called for redemption prior to maturity and payment provided therefor. Such interest, accrued and to accrue, is evidenced by interest coupons hereto attached. Interest on this bond is payable only upon presentation and surrender of the interest coupons as they severally become due. The principal of and interest on this bond are payable at the Office of the Treasurer of the Town of San Luis, Arizona, in lawful money of the United States of America on the respective dates when principal and interest become due.

This bond is one of an issue of \$765,000 principal amount of bonds of like date, tenor and effect except as to number and maturity date issued pursuant to the Constitution and laws of the State of Arizona, including particularly Title 9, Chapter 5, Article 3, Arizona Revised Statutes, and resolutions adopted by the Mayor and Council of the Town to make improvements to the Sewer System of the Town. This bond and the issue of bonds of which it is a part is payable as to both principal and interest solely from the revenues of the operation of the System after provision has been made for the payment from said revenues of the reasonable and necessary expenses of operating and maintaining the System. This bond does not constitute an indebtedness or a pledge of the general credit of the Town within the meaning of any constitutional, charter or statutory provisions relating to the incurring of debt and no holder of this bond shall have any right to compel any exercise of the taxing power of the Town to pay principal of or interest on this bond.

The Town has covenanted and is by law required to establish, maintain and collect rates, fees and charges for all services supplied by its Sewer System sufficient to pay the

reasonable costs of maintaining and operating said System, to pay principal of and interest on all obligations payable from the revenues produced thereby, including this bond and the issue of bonds of which it is a part, and to provide reserves for such purposes.

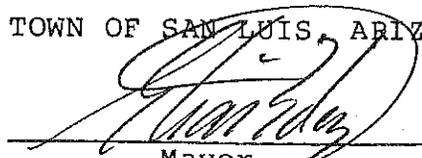
The Resolution of the Mayor and Council of the Town pursuant to which its Town of San Luis Sewer Revenue Bonds are issued provides the terms and conditions with regard to the issuance of the bonds on a parity with this bond. The Resolution further provides the manner in which the Resolution may be amended and sets forth the general covenants and provisions pursuant to which this bond is issued.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this bond exist, have occurred and have been performed as so required.

This bond is by statute made fully negotiable but may be registered as to principal only in the manner and with the effect for which provision is made hereon.

IN WITNESS WHEREOF, the Town of San Luis, Arizona, has caused this bond to be executed in its name by its Mayor and attested by its Clerk, the signature of the _____ being by facsimile, under the mechanically reproduced seal of the Town, and has caused the coupons hereto attached to be executed by the facsimile of such signatures and this bond to be dated _____.

TOWN OF SAN LUIS, ARIZONA



Mayor

ATTEST:

Clerk

(Form of Coupon)

No. _____

\$ _____

On the first day of January/July, 19__, the Town of San Luis, Arizona, promises to pay to the bearer hereof, unless the bond to which this coupon is attached has been called for

redemption prior to maturity and payment provided thereof, at the Office of the Treasurer of the Town of San Luis, Arizona, upon presentation and surrender of this coupon the amount shown herein, being the interest then due on its Town of San Luis Sewer Revenue Bond, Project of 1981, dated _____ and numbered _____.

(Facsimile)

Mayor

(Facsimile)

Clerk

REGISTRATION CERTIFICATE

This bond may be registered as to principal only in the name of the holder on the books of the Clerk of the Town of San Luis, Arizona, which registration will be noted by the Clerk in the blank below. Upon presentation of this bond by a registered holder in person or by a bank or trust company authorized to do business in Arizona acting as the attorney-in-fact for the holder with a written request that it be registered in the name of another person or to bearer, the Clerk will so register it. While registered in the name of the holder, the principal will be payable only to such registered holder or his legal representative.

NOTE: There must be no writing in the space below except by the Clerk of the Town of San Luis, Arizona.

DATE OF REGISTRATION	NAME AND ADDRESS OF REGISTERED HOLDER	SIGNATURE OF REGISTRAR
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_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____