

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 30, 2021

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: See “**RATING**” herein.

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

*In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming the accuracy of certain representations and certifications and the continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes. Further, interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See “**TAX EXEMPTION**” herein for a description of certain other federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona.*

*The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See “**QUALIFIED TAX-EXEMPT OBLIGATIONS**” herein.*

\$4,300,000*

**GLADDEN FARMS (PHASE II) COMMUNITY FACILITIES DISTRICT
(MARANA, ARIZONA)
GENERAL OBLIGATION BONDS, SERIES 2021
(BANK QUALIFIED)**

Dated: Date of Initial Delivery

Due: As shown on the inside front cover page

The Gladden Farms (Phase II) Community Facilities District (Marana, Arizona) General Obligation Bonds, Series 2021 (the “Bonds”) will be issued by Gladden Farms (Phase II) Community Facilities District (the “District”) in the form of fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available initially to ultimate purchasers through the book-entry-only system maintained by DTC in amounts of \$5,000 of principal and integral multiples in excess thereof due on specified maturity dates. Interest on the Bonds (except defaulted interest, if any) will be paid semiannually on each January 15 and July 15 of each year, commencing January 15, 2022*. Payments of principal and interest will be paid by wire transfer to DTC for subsequent disbursements to DTC participants which will remit such payments to the beneficial owners of the Bonds. See APPENDIX C — “**BOOK-ENTRY-ONLY SYSTEM**” herein.

SEE INSIDE FRONT COVER PAGE FOR MATURITY SCHEDULE

The Bonds are authorized pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended, and an election held on May 13, 2008 in and for the District, a community facilities district formed within the boundaries of the Town of Marana, Arizona (the “Town”), and will be issued pursuant to a resolution of the District Board of the District adopted on June 15, 2021, and a Series 2021 Indenture of Trust and Security Agreement, to be dated as of September 1, 2021*. The Bonds will be payable as to both principal and interest from ad valorem taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. Debt service with respect to the Bonds will also be payable from amounts to be paid pursuant to a Series 2021 Standby Contribution Agreement, to be dated as of September 1, 2021* (the “Standby Contribution Agreement”), as described herein and may also be payable under certain circumstances from amounts to be held pursuant to a Series 2021 Letter of Credit Depository Agreement, to be dated as of September 1, 2021* (the “Depository Agreement”), which will not be subject to replenishment as described herein. See “**SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS**” herein. The Standby Contribution Agreement and the Depository Agreement will be terminated, in each case, under certain circumstances described under “**SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS**” and “**RISK FACTORS**” herein.

The Bonds will be subject to redemption by the District prior to maturity as described herein*. See “**THE BONDS – Redemption Provisions**” herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company.



Proceeds of the sale of the Bonds will be used to pay (i) costs of acquisition by the District of certain public infrastructure benefitting the District, (ii) capitalized interest on the Bonds through July 15, 2022* and (iii) costs of issuance of the Bonds.

Investment in the Bonds involves certain risks that each prospective investor should consider prior to investing. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” and “RISK FACTORS” herein.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OF ARIZONA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

The Bonds are offered when, as and if issued and subject to the approval of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel. Certain legal matters will be passed upon for the District by the District Counsel, for the Underwriter by its counsel, Sherman & Howard L.L.C., Phoenix, Arizona, and for the Gladden Phase II, LLC, by its counsel, Fennemore Craig P.C., Phoenix, Arizona. It is expected that delivery of the Bonds will be made through the facilities of DTC on or about September 29, 2021*.

This cover page contains certain information for general reference only. It is not a summary of the issue of which the Bonds are a part. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

HilltopSecurities

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. 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.

\$4,300,000*
GLADDEN FARMS (PHASE II) COMMUNITY FACILITIES DISTRICT
(MARANA, ARIZONA)
GENERAL OBLIGATION BONDS, SERIES 2021
(BANK QUALIFIED)

MATURITY SCHEDULE*

Maturity Date (July 15)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No. 37642N
2024	\$95,000	%	%	
2025	125,000			
2026	130,000			
2027	135,000			
2028	140,000			
2029	140,000			
2030	150,000			
2031	150,000			
2032	155,000			
2033	165,000			
2034	165,000			
2035	170,000			
2036	180,000			
2037	185,000			
2038	195,000			
2039	200,000			
2040	210,000			
2041	215,000			
2042	230,000			
2043	235,000			
2044	245,000			
2045	335,000			
2046	350,000			

\$ ___ % Term Bond Due 7/15/20___, Price ___ % CUSIP ___
 \$ ___ % Term Bond Due 7/15/20___, Price ___ % CUSIP ___
 \$ ___ % Term Bond Due 7/15/20___, Price ___ % CUSIP ___

* Subject to change.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2021 CGS. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor, the Underwriter, the Owner or their agents or counsel assume responsibility for the accuracy of such numbers.

GLADDEN FARMS (PHASE II) COMMUNITY FACILITIES DISTRICT

DISTRICT BOARD

Ed Honea, *Chairperson*

Jon Post, *Vice Chairperson*

Patti Comerford, *Member*

Jackie Craig, *Member*

Herb Kai, *Member*

John Officer, *Member*

Roxanne Ziegler, *Member*

DISTRICT ADMINISTRATIVE STAFF

Terry Rozema
District Manager

Yiannis Kalaitzidis
District Treasurer and Chief Financial Officer

Jane Fairall, Esq.
District Counsel

Cherry Lawson
District Clerk

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

U.S. Bank National Association
Phoenix, Arizona

REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, should be considered in its entirety, and no one subject should be considered less important than another by reason of location in the text. Brief descriptions of the Bonds, the Bond Resolution, the Indenture, the Standby Contribution Agreement, the Depository Agreement, the security for the Bonds, the District, the Owner and the public infrastructure to be financed by the Bonds (as such terms are defined herein) and other information are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds, the Bond Resolution and any documents are qualified in their entirety by reference to such documents, copies which may be obtained from Hilltop Securities Inc. (the “Underwriter”), at 2398 East Camelback Road, Suite 340, Phoenix, AZ 85016.

No dealer, broker, salesperson or other person has been authorized by the District, the Underwriter or Stifel, Nicolaus & Company, Incorporated (the “Financial Advisor”), to give information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Underwriter, the Financial Advisor or the Owner.

The information set forth herein, has been obtained from the District, the Owner 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 has not been independently confirmed or verified by the District, the Underwriter, the Owner (except the section entitled “LAND DEVELOPMENT”) or the Financial Advisor, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the District, the Underwriter, the Owner (except the section entitled “LAND DEVELOPMENT”) or the Financial Advisor.

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 District. 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 District has been identified by source and has not been independently confirmed or verified by the District, the Underwriter, the Financial Advisor or the Owner 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 District or any of the other parties or matters described herein since the date hereof.

The Bonds 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 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 Bonds for sale.

A wide variety of information, including financial information, concerning the District is available from publications and websites of the District and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. References to web site 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 web sites and the information nor 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 District will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS, AND THE UNDERWRITER MAY OVERALLOT OR ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICES OF THE BONDS 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.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

TABLE OF CONTENTS

	<u>Page</u>
MAP SHOWING LOCATION OF THE DISTRICT AND GLADDEN FARMS IN THE CONTEXT OF THE SURROUNDING AREA	vi
MAP OF THE DISTRICT	vii
THE DISTRICT	1
THE BONDS	2
Authorization and Purpose	2
General Description	2
Redemption Provisions	3
SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS	4
General	4
The Standby Contribution Agreement	5
The Depository Agreement	6
<i>Ad valorem</i> Property Taxation in the District.....	7
SOURCES AND USES OF FUNDS	14
BOND INSURANCE	15
Bond Insurance Policy	15
Build America Mutual Assurance Company.....	15
RISK FACTORS RELATED TO BOND INSURANCE	17
ESTIMATED DEBT SERVICE REQUIREMENTS (a)	18
OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS.....	19
Overlapping General Obligation Bonded Indebtedness.....	19
LAND DEVELOPMENT.....	21
The District – General.....	21
District Board and Administrative Staff	22
Land Development.....	22
The Owner.....	25
RISK FACTORS	25
General Risks of Real Estate Investment and Development; Certain Factors Which May Adversely Affect Development; Consequences	26
Coronavirus Disease 2019.....	26
Postponed Foreclosures.....	27
Concentration of Ownership; Subsequent Transfer.....	28
Failure or Inability to Complete Proposed Development	28
Completion of the Public Infrastructure and the Other Infrastructure.....	28
Availability of Utilities	29
Effect of Valuation of Property	29
Direct and Overlapping Indebtedness and Taxes	29
Bankruptcy and Foreclosure Delays	29
Availability of Standby Contribution Agreement and Depository Agreement Amounts.....	30
Amendment of Documents Referenced	30
Environmental Matters.....	30
Projections	31
No Review of Filings	31
Tax Cuts and Jobs Act	31
Risk of Internal Revenue Service Audit.....	31
LITIGATION.....	32
The District.....	32
The Owner.....	32
TAX EXEMPTION.....	32
In General.....	32
Original Issue Discount and Original Issue Premium.....	33
Changes in Federal and State Tax Law	34
Information Reporting and Backup Withholding	34

QUALIFIED TAX-EXEMPT OBLIGATIONS	34
RATING	35
FINANCIAL STATEMENTS	35
LEGAL MATTERS	35
UNDERWRITING	35
CONTINUING DISCLOSURE	36
FINANCIAL ADVISOR	36
RELATIONSHIPS AMONG PARTIES	36
CONCLUDING STATEMENT.....	37
APPENDIX A: TOWN OF MARANA, ARIZONA	
APPENDIX B: FORM OF LEGAL OPINION OF BOND COUNSEL	
APPENDIX C: BOOK-ENTRY-ONLY SYSTEM	
APPENDIX D: FORM OF CONTINUING DISCLOSURE UNDERTAKING	
APPENDIX E: SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE	
APPENDIX F: AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2020	
APPENDIX G: SPECIMEN MUNICIPAL BOND INSURANCE POLICY	

**MAP SHOWING LOCATION OF THE DISTRICT AND GLADDEN FARMS IN THE
CONTEXT OF THE SURROUNDING AREA**



MAP OF THE DISTRICT



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\$4,300,000*
GLADDEN FARMS (PHASE II) COMMUNITY FACILITIES DISTRICT
(MARANA, ARIZONA)
GENERAL OBLIGATION BONDS, SERIES 2021
(BANK QUALIFIED)

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, provides certain information concerning the issuance of \$4,300,000* principal amount of Gladden Farms (Phase II) Community Facilities District (Marana, Arizona) General Obligation Bonds, Series 2021 (the “Bonds”). **Certain capitalized terms not defined in the text of this Official Statement are defined in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions of Certain Terms.”** Copies of any of the documents referenced herein are available upon request to the Underwriter (as defined herein) at: 2398 East Camelback Road, Suite 340, Phoenix, Arizona 85016.

THE DISTRICT

The Community Facilities District Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the “Enabling Act”), was enacted to provide a method of financing (including through the issuance by a community facilities district of general obligation bonds) certain “public infrastructure purposes” (as such term is defined in the Enabling Act) relating to the community facilities district. As provided by, and with the limitations set forth in, the Enabling Act, once formed, a community facilities district is a legally constituted municipal corporation and political subdivision within defined boundaries, separate and apart from the municipality in which a community facilities district is formed.

Pursuant to the Enabling Act and in response to a petition by the then owners of all interests in the real property therein, the Council (the “Town Council”) of the Town of Marana, Arizona (the “Town”), formed Gladden Farms (Phase II) Community Facilities District (the “District”) on December 11, 2007. See the maps on pages (vi) and (vii) for the location of the District. The Town Council serves, *ex officio*, as the District Board of the District (the “Board”) and the Town Manager of the Town currently serves as the District Manager.

Among other things, pursuant to a District Development, Financing Participation and Intergovernmental Agreement, dated as of January 1, 2008, as amended by an amendment dated as of August 1, 2019 (as so amended, the “Development Agreement”), among the Town, the District, Gladden Phase II, LLC, a Delaware limited liability company (the “Owner”) and Petrus Land Investors II, L.P., a Delaware limited partnership (“Petrus”), the District is intended to provide the vehicle for financing certain public infrastructure purposes necessary for development of the land within the boundaries of the District. See APPENDIX A – “TOWN OF MARANA, ARIZONA” for certain information about the Town, and “LAND DEVELOPMENT” for a description of the Owner.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OF ARIZONA (THE “STATE”), OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

The District has the authority to issue general obligation bonds in an aggregate principal amount of not to exceed \$60,000,000, in more than one series, in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs and the costs of issuing bonds, payable from *ad valorem* taxes, (without limitation as to rate or amount) levied on all taxable property within the boundaries of the District. On August 22, 2019, the District issued \$1,245,000 aggregate principal amount of such general obligation bonds (the “2019 Bonds”).

* *Subject to change.*

In addition to the levy of *ad valorem* property taxes for the payment of Debt Service on the Bonds, pursuant to the results of the Election (as defined herein), the District also is authorized to levy and collect an *ad valorem* tax at a tax rate of not to exceed \$0.30 per \$100 of Net Limited Assessed Property Value (as defined herein) on all taxable property within the boundaries of the District for operation and maintenance expenses of the District (the “Operation and Maintenance Tax”). The District is currently levying and collecting the Operation and Maintenance Tax at a rate of \$0.30 per \$100 of Net Limited Assessed Property Value.

THE BONDS

Authorization and Purpose

Pursuant to the results of a vote of the owners of land in the District at a special bond election held in and for the District on May 13, 2008 (the “Election”), the District has the authority to issue general obligation bonds in an aggregate principal amount of not to exceed \$60,000,000, in more than one series, in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs and the costs of issuing bonds, payable from *ad valorem* taxes (without limitation as to rate or amount) levied on all taxable property within the boundaries of the District.

The Bonds are authorized pursuant to the Election and the Enabling Act and will be issued pursuant to a resolution adopted by the Board on June 15, 2021 (the “Bond Resolution”), and the Series 2021 Indenture of Trust and Security Agreement, to be dated as of September 1, 2021* (the “Indenture”), from the District to U.S. Bank National Association, as the trustee (“Trustee”).

Proceeds from the sale of the Bonds will be used to pay costs of acquisition by the District of certain “public infrastructure” (as such term is defined in the Enabling Act) benefitting the District, capitalized interest on the Bonds through July 15, 2022* and costs of issuance related to the Bonds. The District will have \$54,455,000* remaining authorized, but unissued, general obligation bonds for future issuance after the sale and delivery of the Bonds. In addition, certain amounts of net premium on general obligation bonds of the District reduce the principal amount of authorized but unissued general obligation bonds of the District. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – *Ad valorem* Property Taxation in the District” and “OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS – Overlapping General Obligation Bonded Indebtedness – Additional General Obligation Bonded Indebtedness of the District”. Additional bonds may be issued in the future pursuant to authority approved at the Election or at future elections held in and for the District. See “SOURCES AND USES OF FUNDS.”

General Description

The Bonds will be dated the date of their initial delivery, and will mature and bear interest as set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be paid semiannually on January 15 and July 15 of each year, commencing January 15, 2022* (each such date being referred to herein as an “Interest Payment Date”). The Bonds will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid, from the date of their initial delivery, calculated on the basis of a 360-day year of twelve 30-day months.

The principal of, redemption price for and interest on the Bonds will be payable when due to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). The District has chosen the first (1st) day (whether or not a Business Day) of the calendar month of each Interest Payment Date as the record date. DTC will act as the securities depository of the Bonds for a book-entry-only system (the “Book-Entry-Only System”). The Bonds will be available in minimum denominations of \$5,000 of principal amount due on a specified maturity date and any integral multiple in excess thereof. See APPENDIX C –“BOOK-ENTRY-ONLY SYSTEM.”

* *Subject to change.*

Redemption Provisions*

Optional Redemption. The Bonds maturing before or on July 15, 20__ will not be subject to redemption prior to maturity. The Bonds maturing on and after July 15, 20__ will be subject to redemption at the option of the District as a whole or in part on July 15, 20__ or any date thereafter (each a “Redemption Date”) upon payment of the Redemption Price, which shall consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date, without a premium.

Mandatory Redemption. The Bonds maturing on July 15 of the following years (the “Term Bonds”) will be subject to mandatory redemption and will be redeemed on July 15 of the respective years and in the principal amounts set forth below, by payment of the principal amount of each Bond redeemed, plus interest accrued to the date fixed for redemption, but without premium:

Term Bond Maturing July 15, 20__ *

Year	Principal Amount
20__	\$
20__	
20__	
20__ (maturity)	

Term Bond Maturing July 15, 20__ *

Redemption Dates	Principal Amount
20__	\$
20__	
20__	
20__ (maturity)	

Term Bond Maturing July 15, 20__ *

Redemption Dates	Principal Amount
20__	\$
20__	
20__	
20__ (maturity)	

Whenever Term Bonds are redeemed (other than pursuant to mandatory redemption) or are delivered to the Trustee for cancellation, the principal amount of the Term Bonds of such maturity so retired shall satisfy and be credited against the mandatory redemption requirements for such maturity on a pro rata basis, to the extent practicable provided, however, that each remaining mandatory payment shall be in an amount of at least \$5,000 of principal.

Selection of Bonds for Redemption. In case of any redemption at the election of the District of less than all of the Bonds Outstanding, the District will, at least 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the Stated Maturities and principal amounts of Bonds to be redeemed. If less than all the Bonds Outstanding of a Stated Maturity of the Bonds are to be redeemed, the particular Bonds of such Stated Maturity of the Bonds to be redeemed will be

* Subject to change.

selected not more than 45 days prior to the Redemption Date by the Trustee from the Bonds Outstanding that have not previously been called for redemption, by such random method as the Trustee shall in its sole discretion deem appropriate and that may provide for the selection for redemption of portions (equal to \$5,000 of principal amount or an integral multiple thereof) of the principal of Bonds of a denomination larger than the authorized denomination of that Bond.

Notice of Redemption. Notice of redemption will be given by the Trustee, not less than 30 days nor more than 60 days prior to the Redemption Date, to DTC. Neither the failure to mail any such notice, nor any defect in any notice so mailed, will affect the sufficiency of such notice or the redemption otherwise effected by such notice. Notice of any redemption will also be sent to the Municipal Securities Rulemaking Board (the “MSRB”), currently through the MSRB’s Electronic Municipal Market Access system (“EMMA”), in the manner required by the MSRB. Neither the failure to provide such notice via EMMA, nor any defect in any notice so provided to EMMA, will affect the sufficiency of such notice or the redemption otherwise effected by such notice.

If moneys for the payment of the Redemption Price are not held by the Trustee prior to sending the notice of redemption, such redemption shall be conditional on such moneys being so held on or prior to the Redemption Date and if not so held by the Redemption Date the redemption shall be cancelled and be of no force and effect. The notice of redemption shall describe the conditional nature of the redemption.

Effect of Redemption. Notice of redemption having been given as aforesaid, the Bonds so to be redeemed will, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the District shall default in the payment of the Redemption Price) such Bonds will cease to bear interest.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

After the Bonds are issued, State law requires that the Board annually levy and cause an *ad valorem* property tax to be collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described in the Enabling Act and which may be available pursuant to the Indenture including pursuant to the terms of the hereinafter described Standby Contribution Agreement and the Depository Agreement, to pay Debt Service when due. Such taxes are to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected. The proceeds of the taxes, any payments pursuant to the Standby Contribution Agreement and the Depository Agreement and, initially, a portion of the proceeds of the Bonds representing capitalized interest will be kept in the Tax Account of the Bond Fund (the “Tax Account”) and will be used only for the payment of principal and interest as above-stated. Following collection and deposit of the taxes in the Tax Account, moneys credited to the Tax Account will be invested in accordance with the provisions of State law.

For each year until the Bonds are paid or otherwise provided for, the Board will levy and cause to be collected an *ad valorem* property tax on all taxable property within the boundaries of the District (which does not include the Operation and Maintenance Tax), sufficient, with moneys, if any, available pursuant to the Series 2021 Standby Contribution Agreement, to be dated as of September 1, 2021* (“Standby Contribution Agreement”), by and among the District, the Owner and the Trustee, to pay Debt Service. The Standby Contribution Agreement will be terminated under certain circumstances. It is expected that, based on anticipated development as described herein under the heading “LAND DEVELOPMENT – Land Development,” the amount of *ad valorem* taxes expected to be collected from year to year at a tax rate of \$2.50 per \$100 of Net Limited Assessed Property Value on all taxable property within the boundaries of the District will, each year, pay an increasing amount of Debt Service and ultimately will be sufficient alone to pay Debt Service.

* *Subject to change.*

Simultaneously with the delivery of the Bonds, the Owner will cause the Letter of Credit Bank to issue the initial Letter of Credit (the "Letter of Credit") for the benefit of the District and in favor of the Trustee, as depository (the "Depository"), in the stated amount of \$468,758.33* to be held pursuant to the Series 2021 Letter of Credit Depository Agreement, to be dated as of September 1, 2021* (the "Depository Agreement"), by and between the District and the Depository. The Draw (as defined herein) upon the Letter of Credit in the total stated amount may be available under certain circumstances to pay Debt Service (but not debt service with respect to any subsequently issued bonds of the District) if there has been levied and assessed an *ad valorem* tax of at least \$2.50 per \$100 of Net Limited Assessed Property Value (which does not include the Operation and Maintenance Tax) on all taxable property within the boundaries of the District and amounts to pay Debt Service are not available pursuant to the Standby Contribution Agreement. The amount to be held pursuant to the Depository Agreement as a result of the Draw upon the Letter of Credit will not be subject to replenishment if applied as described hereinabove, and the Depository Agreement will be subject to termination under certain circumstances.

The District and the Trustee will acknowledge pursuant to the Indenture that the Bonds and any other general obligation and general obligation refunding bonds of the District hereafter issued will be payable on a parity basis with respect to the collection and application of property tax revenues of the District and that such property taxes will be allocated to each series of general obligation and general obligation refunding bonds in accordance with any debt service then due and, in either case, taking into account other funds held by the District for such payment.

Property tax revenues allocated for any series of bonds will be deposited into the applicable fund or account set aside for such series.

Investment in the Bonds involves certain risks that each prospective investor should consider prior to investing. See "RISK FACTORS."

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO THE PAYMENT OF DEBT SERVICE FOR THE BONDS.

The Standby Contribution Agreement

Pursuant to the Standby Contribution Agreement, in any Fiscal Year prior to termination of the Standby Contribution Agreement, so long as the District has, with respect to any Interest Payment Date occurring on January 15, levied for Debt Service for that Fiscal Year a tax rate of at least \$2.50 per \$100 of Net Limited Assessed Property Value (which does not include the Operation and Maintenance Tax) and, with respect to any Interest Payment Date occurring on July 15, levied such tax rate for the immediately preceding Fiscal Year (provided, however, that the tax rate in any such Fiscal Year for such purpose may be less than \$2.50 if the Board expects that such lower rate would produce secondary *ad valorem* property tax revenues sufficient to pay in full Debt Service and the Depository Agreement has been, or is in the process of being, terminated pursuant to its terms), the Owner will be obligated to pay to the Trustee on each October 12 prior to a January 15 Interest Payment Date and on each April 11 prior to a July 15 Interest Payment Date the amount equal to the amount estimated by the Trustee to be the difference between one-half of the aggregate amount due as Debt Service on the next January 15 and July 15 and one-half of the tax revenues for such year expected to be produced at such tax rate based on the then current Net Limited Assessed Property Value of taxable property in the District (assuming a five percent delinquency factor) less the amount then held in the Tax Account of the Bond Fund for such purpose. As provided in the Indenture, the Trustee will submit a request for payment under the Standby Contribution Agreement for such moneys to be used to pay Debt Service. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Bond Fund." The Standby Contribution Agreement allows for submission of an additional request for payment under the Standby Contribution Agreement immediately before payment of Debt Service if any shortfall arises after the initial request.

* *Subject to change.*

The Standby Contribution Agreement will terminate upon the earlier of (i) the payment of or the provision for the payment in full of all of the Bonds Outstanding or (ii) receipt by the District Treasurer and Chief Financial Officer (the "District Chief Financial Officer") of evidence satisfactory to the District Chief Financial Officer that, for any consecutive three years (the first of which may not be sooner than the year ending December 31, 2022), a tax rate of \$2.50 per \$100 of Net Limited Assessed Property Value of property within the boundaries of the District owned by other than the Owner or Petrus or any entity owned or controlled by, or which owns or controls, the Owner or Petrus for each such tax year would have been sufficient to pay the annual debt service with respect to the Bonds and any other outstanding general obligation or general obligation refunding bonds of the District hereafter issued such tax years. Such evidence will consist of a written projection, prepared by the District Chief Financial Officer upon a written request of the Owner, that is based upon the application of such secondary tax rate in light of the actual Net Limited Assessed Property Value of the property within the boundaries of the District for each such tax year, assuming a delinquency factor equal to the greater of five percent or the historic, average, annual percentage delinquency factor for the District as of such tax year and without credit for any fund balances or investment income accruing during such tax year. After receipt of proof that such condition has been satisfied, the Board will approve in writing the termination of the Standby Contribution Agreement, such approval not to be withheld unreasonably. See "RISK FACTORS – Availability of Standby Contribution Agreement and Depository Agreement Amounts."

Upon the occurrence of any failure to pay amounts due pursuant to the Standby Contribution Agreement, the Trustee will proceed directly against the Owner under the Standby Contribution Agreement without proceeding against or exhausting any other remedies which it may have against the District, or any other person, firm or corporation and without resorting to any other security held by the District or the Trustee for the amounts so due. Before taking any such action, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses and to protect against all liability, except liability that is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

The Depository Agreement

The Letter of Credit will be issued for the benefit of the District and in favor of the Depository. To the extent described in and pursuant to the terms of the Depository Agreement, the draw upon the Letter of Credit in the total stated amount (the "Draw") will be made by the Depository and held pursuant to the Depository Agreement and may be paid over to the Trustee in amounts necessary to supplement *ad valorem* property tax revenues of the District for the payment of Debt Service if amounts are not available for such purpose pursuant to the Standby Contribution Agreement. See "The Standby Contribution Agreement" above. To be able to make the Draw to have such amounts available pursuant to the Depository Agreement for the payment of such Debt Service before the Depository Agreement is terminated according to its terms, the Board must have levied the tax rates required by the Standby Contribution Agreement.

If such taxes have been so levied, the Draw also will be made and held pursuant to the Depository Agreement and paid for such purpose upon (a) the failure to obtain and deliver to the Depository an Alternate Letter of Credit pursuant to the Depository Agreement as hereafter described or an "Alternate Letter of Credit" pursuant to the similar depository agreement with respect to the 2019 Bonds or (b) the Letter of Credit Bank (i) commencing a proceeding under any federal or state insolvency, reorganization or similar law, or having such a proceeding commenced against it and either having an order of insolvency or reorganization entered against it or having the proceeding remain undismissed and unstayed for 90 days or (ii) having a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property, and the Owner fails to obtain and deliver to the Depository an Alternate Letter of Credit within the ninety (90) day period in clause (i). The Owner may, at its option, provide for the delivery to the Depository of an Alternate Letter of Credit to take effect on the Letter of Credit Termination Date of the then effective Letter of Credit. For an Alternate Letter of Credit to be effective, prior to 60 Business Days prior to the Letter of Credit Termination Date, the Depository and the District must have received the following, in form and substance acceptable to the District Chief Financial Officer: evidence that the rating of the issuer of the Alternate Letter of Credit is as indicated in the definition of "Alternate Letter of Credit"; an opinion of counsel for the issuer of the Alternate Letter of Credit that it constitutes a legal, valid and binding obligation of the issuer in accordance with its terms; an opinion of nationally recognized bond counsel that such replacement is authorized pursuant to the Depository Agreement and will not cause interest on the Bonds to become includable in gross income for federal income tax purposes; and the Alternate Letter of Credit, meeting all of the

other requirements provided in the definition of “Alternate Letter of Credit” and being unconditionally binding and effective as of the Letter of Credit Termination Date.

If the Draw has occurred because of the events described in clause (i) or (ii) in the preceding paragraph, the District Chief Financial Officer may, in his sole and absolute discretion and pursuant to the same terms and conditions for provision of an Alternate Letter of Credit and whatever additional terms and conditions the District Chief Financial Officer deems appropriate, instruct the Depository to exchange the proceeds of the Draw for a new letter of credit meeting the qualifications in the definition of “Alternate Letter of Credit.” After such exchange, such new letter of credit will be treated as the Letter of Credit for all purposes of the Depository Agreement.

After the Draw, on each July 2 and January 2, the Trustee will notify the Depository of the Debt Service coming due on the next succeeding July 15 or January 15, as the case may be, and state the amounts then on deposit in the Bond Fund and the accounts therein under the Indenture including amounts received pursuant to the Standby Contribution Agreement. Based on the amounts indicated to the Depository but subject to the next sentence, the Depository will pay to the Trustee for deposit in the Bond Fund, as described in APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Bond Fund,” an amount sufficient to pay the remaining amount of Debt Service due on the Bonds on the next succeeding July 15 or January 15, as the case may be, such amount to be paid on July 8 and January 8, respectively. **Notwithstanding the foregoing, amounts held pursuant to the Depository Agreement shall be paid as otherwise directed in a request by the District Chief Financial Officer to enforce performance of the obligations of the parties to the Standby Contribution Agreement.**

Amounts held pursuant to the Depository Agreement after a Draw will be invested in certain Permitted Investments. Earnings on amounts held by the Depository pursuant to the Depository Agreement will be deposited with the Depository and held pursuant to the Depository Agreement.

The Depository Agreement will terminate upon the earlier of (i) termination of the Standby Contribution Agreement or (ii) the payment of all of the Draw for purposes of the Depository Agreement. After receipt of proof of satisfaction of such condition, the Board will approve in writing the termination of the Depository Agreement, such approval not to be withheld unreasonably.

Ad valorem Property Taxation in the District

Taxable Property. Real property and improvements and personal property are either valued by the Assessor of Pima County, Arizona (the “County”) or the Arizona Department of Revenue (the “Department of Revenue”). Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: Full Cash Value and Limited Property Value (both as defined herein). Centrally valued property is assigned one value: Full Cash Value.

Full Cash Value. In the context of a specific property parcel, full cash value (“Full Cash Value”) is statutorily defined to mean “the value determined as prescribed by statute” or if a statutory method is not prescribed it is “synonymous with market value, which means the estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach. Full Cash Value is used as the ceiling for determining Limited Property Value. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value. In the context of a specific property parcel, limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. Except as described in the next sentence, for locally assessed property in existence in the prior year, Limited

Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year for such specific property parcel. In the following circumstances, Limited Property Value is established at a level or percentage of Full Cash Value that is comparable to that of other properties of the same or a similar use or classification: property that was erroneously totally or partially omitted from the property tax rolls in the preceding tax year, except as a result of the matters described in this sentence; property for which a change in use has occurred since the preceding tax year and property that has been modified by construction, destruction, or demolition since the preceding valuation year such that the total value of the modification is equal to or greater than 15% of the Full Cash Value. (Limited Property Value of property that has been split, subdivided or consolidated varies depending on when the change occurred.) A separate Limited Property Value is not provided for centrally valued property.

Full Cash Value and Limited Property Value for Taxing Jurisdictions. The Full Cash Value in the context of a taxing jurisdiction is the sum of the Full Cash Value associated with each parcel of property in the jurisdiction. Full Cash Value of the jurisdiction is the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona, including the District.

The Limited Property Value in the context of a taxing jurisdiction is the sum of the Limited Property Value associated with each parcel of locally assessed property within the jurisdiction plus the sum of the Full Cash Value associated with each parcel of centrally valued property within the jurisdiction. Limited Property Value of the jurisdiction is used as the basis for levying both primary and secondary taxes. See “Primary Taxes” and “Secondary Taxes” below.

Property Classification and Assessment Ratios. All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 1

Property Tax Assessment Ratios (Tax Year)

Property Classification (a)	2017	2018	2019	2020	2021
Mining, utilities, commercial and industrial (b)	18%	18%	18%	18%	18%
Agricultural and vacant land	15	15	15	15	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property (c)	15	14	15	15	15

(a) *Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.*

(b) *The assessment ratio for this property classification will decrease to 17.5% for tax year 2022, 17% for tax year 2023, 16.5% for tax year 2024 and 16% for each tax year thereafter.*

(c) *This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.*

Source: *State and County Abstract of the Assessment Roll, Arizona Department of Revenue.*

Primary Taxes. Per State statute, taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” Primary taxes are levied against Net Limited Assessed Property Value (as defined herein). “Net Limited Assessed Property Value” is determined by excluding the value of property exempt from taxation from Limited Assessed Property Value of locally assessed property and from Full Cash Assessed Value of centrally valued property and combining the resulting two amounts.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year's levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

The combined taxes on owner occupied residential property only, for purposes other than voter-approved bonded indebtedness and overrides and certain special district assessments, are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on the combined tax levies for owner occupied residential property is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid.

Secondary Taxes. Per State statute, taxes levied for payment of bonds like the Bonds, voter-approved budget overrides, and the maintenance and operation of special purpose districts such as sanitary, fire, road improvement, and career technical education districts, are "secondary taxes." Like primary taxes, secondary taxes are also levied against Net Limited Assessed Property Value. There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments.

Tax Procedures. The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The tax roll is then forwarded to the Treasurer of the County. (The Assessor of the County is required to have completed the assessment roll by December 15th of the year prior to the levy. This roll identifies the valuation and classification of each parcel located within the County for the tax year.)

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then levied upon each non-exempt parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll due to appeals or other reasons reduces the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years and liens imposed by the United States. Set forth on the following page is a record of property taxes levied and collected in the District for a portion of the current fiscal year and the previous five fiscal years.

TABLE 2

**Property Taxes Levied and Collected (a)
Gladden Farms (Phase II) Community Facilities District**

Fiscal Year	District Tax Rate	Adopted District Tax Levy	Collected to June 30th of Initial Fiscal Year		Cumulative Collections to April 30, 2021	
			Amount	% of Adj. Levy	Amount	% of Adj. Levy
2021/22 (b)	\$ 2.8000	\$ 160,895	-	-	-	-
2020/21	2.8000	55,069	(c)	(c)	\$ 45,098	81.89%
2019/20	2.8000	11,852	\$ 11,835	99.86 %	11,835	99.86
2018/19	0.3000	267	266	99.71	266	99.71
2017/18	0.3000	200	200	100.00	200	100.00
2016/17	0.3000	173	173	100.00	173	100.00
2015/16	0.3000	183	183	100.00	183	100.00

(a) *Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.*

(b) *2021/22 taxes in course of collection:
First installment due 10-01-21; delinquent 11-01-21
Second installment due 03-01-22; delinquent 05-01-22*

(c) *2020/21 taxes in course of collection:
First installment due 10-01-20; delinquent 11-01-20
Second installment due 03-01-21; delinquent 05-01-21*

Source: Office of the Treasurer of the County.

Delinquent Tax Procedures. The property taxes due the District are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum, prorated monthly at a rate of 1.33% as of the first day of the month. (Interest and penalties for delinquent taxes are waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer's deed to the certificate holder as prescribed by law.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing

administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect *ad valorem* taxes on property of a taxpayer within the District. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor’s estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that “tax sale investors” may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the District, the Underwriter, the Financial Advisor (as defined herein), the Owner or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District’s tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

TABLE 3

**Net Limited Assessed Property Value by Property Classification
Gladden Farms (Phase II) Community Facilities District**

Description	2021/22	2020/21	2019/20	2018/19	2017/18
Commercial, industrial, utilities & mines	\$ 44,934	\$ 26,836	\$ 29,063	\$ 25,888	\$ 9,055
Agricultural and vacant	2,217,892	1,788,258	394,037	57,197	57,204
Residential (owner occupied)	1,002,985	44,955	-	-	-
Residential (rental)	2,480,423	107,329	93	50	50
Total (a)	<u>\$ 5,746,234</u>	<u>\$ 1,967,378</u>	<u>\$ 423,193</u>	<u>\$ 83,135</u>	<u>\$ 66,309</u>

(a) Totals may not add up due to rounding.

Source: *Abstract of Values*, the Pima County Department of Finance and Risk Management and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

See also in this respect the discussion under “LAND DEVELOPMENT – Land Development.”

TABLE 4

**Net Limited Assessed Property Value of Major Taxpayers
Gladden Farms (Phase II) Community Facilities District**

Major Taxpayer (a)	2020/21 Net Limited Assessed Property Value	As % of 2020/21 Net Limited Assessed Property Value
Fidelity National Title Agency Inc Tr 60488 (b)	\$ 362,490	18.43 %
Title Security Agency LLC Tr 201820 T (b)	295,050	15.00
Fidelity National Title Tr 60423 (b)	254,491	12.94
Fidelity Natl Title Agency Tr 60480 (b)	138,774	7.05
Title Security Agency of AZ Tr 201804-S (b)	135,375	6.88
Title Security Agency Tr 201952-S (b)	48,997	2.49
Title Security Agency LLC 201665-T (b)	46,831	2.38
	\$ 1,282,008	65.16 %

(a) *Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the Commission's public reference facilities at 100 F Street, N.E., Washington, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the Internet on the Commission's EDGAR database at <http://www.sec.gov>. No representative of the District, the Financial Advisor, the Underwriter or the Owner or counsel to any of them has examined the information set forth in the Filings for accuracy or completeness, nor do they assume responsibility for the same.*

(b) *The beneficiary of Fidelity National Title TR 60423 is Gladden Phase II, LLC (Owner); the beneficiary of Fidelity National Title Agency TR 60480 and Fidelity National Title Agency Inc TR 60488 is Richmond American Homes of Arizona, Inc.; the beneficiary of Title Security Agency LLC TR 201820 T and Title Security Agency TR 201952-S is Meritage Homes; the beneficiary of Title Security Agency LLC 201665-T is KB Home; and the beneficiary of Title Security Agency of AZ TR 201804-S is Lennar Arizona, Inc.*

Source: The Assessor of the County. The information above represents prior year data and is the most current information available from the Assessor of the County.

See "RISK FACTORS – General Risks of Real Estate Investment and Development; Certain Factors Which May Adversely Affect Development; Consequences" and "RISK FACTORS – Concentration of Ownership; Subsequent Transfer".

TABLE 5

**Comparative Net Limited Assessed Property Values
Gladden Farms (Phase II) Community Facilities District**

<u>Fiscal Year</u>	<u>Gladden Farms (Phase II) Community Facilities District</u>	<u>Town of Marana</u>	<u>Pima County</u>	<u>State of Arizona</u>
2021/22	\$ 5,746,234	\$ 671,072,055	\$ 9,696,149,954	\$ 74,200,233,397
2020/21	1,967,378	620,250,845	9,140,425,898	69,914,763,468
2019/20	423,193	579,412,886	8,729,964,922	66,158,541,837
2018/19	83,135	535,042,025	8,333,892,906	62,328,439,592
2017/18	66,309	505,088,721	8,074,957,717	59,406,279,473

Source: *Abstract of Values*, the Pima County Department of Finance and Risk Management, *Property Tax Rates Assessed Values*, Arizona Tax Research Association and *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

TABLE 6

**Estimated Net Full Cash Value History
Gladden Farms (Phase II) Community Facilities District**

<u>Fiscal Year</u>	<u>Estimated Net Full Cash Value (a)</u>
2021/22	\$ 56,929,320
2020/21	14,995,234
2019/20	3,031,059
2018/19	526,323
2017/18	432,809

Source: *Abstract of Values*, the Pima County Department of Finance and Risk Management.

TABLE 7

**Direct General Obligation Bonded Debt Outstanding and to be Outstanding
Gladden Farms (Phase II) Community Facilities District**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 15)	Balance Outstanding and to be Outstanding*
2019	\$ 1,245,000	Acquisition of public infrastructure	2044	\$ 1,215,000
Total General Obligation Bonded Debt Outstanding				\$ 1,215,000
Plus: The Bonds				4,300,000*
Total General Obligation Bonded Debt Outstanding and to be Outstanding				<u>\$ 5,515,000*</u>

* Subject to change.

SOURCES AND USES OF FUNDS

Sources

Principal Amount	\$4,300,000.00*
Original Issue Premium (a)	
	<hr/>
Total Sources of Funds	<u>\$</u>

Uses

Costs of Acquisition	\$
Costs of Issuance (b)	
	<hr/>
Total Uses of Funds	<u>\$</u>

* Subject to change.

(a) Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.

(b) Will include costs of issuance of the Bonds, including Underwriter's compensation and the premium for the Policy (as defined herein).

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com. BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$488.6 million, \$165.5 million and \$323.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted

herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RISK FACTORS RELATED TO BOND INSURANCE

The following are risk factors relating to bond insurance generally. In the event of default of the payment of principal or interest with respect to any of the Bonds when all or some become due, any owner of the Bonds 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 Bonds will remain payable solely from *ad valorem* property taxes, as described under “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance will be given that such event will not adversely affect the market price of the Bonds and the marketability (liquidity) of the Bonds.

The long-term ratings on the Bonds 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 Bonds insured by the Bond Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Bonds and the marketability (liquidity) of the Bonds.

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 District, the Underwriter, the Owner, the Financial Advisor 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 District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

ESTIMATED DEBT SERVICE REQUIREMENTS (a)

The following table illustrates (i) the annual debt service on the 2019 Bonds, (ii) the estimated annual debt service on the Bonds and (iii) the estimated combined annual debt service requirements after issuance of the Bonds.

TABLE 8

Fiscal Year	Bonds Outstanding		The Bonds*		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest (b)	
2021/22	\$ 35,000	\$ 48,344		\$134,321 (c)	\$217,665
2022/23	35,000	46,944		158,025	239,969
2023/24	35,000	45,544	\$95,000	158,025	333,569
2024/25	40,000	44,144	125,000	155,175	364,319
2025/26	40,000	42,544	130,000	151,425	363,969
2026/27	40,000	40,944	135,000	147,525	363,469
2027/28	40,000	39,344	140,000	143,475	362,819
2028/29	45,000	37,744	140,000	139,275	362,019
2029/30	45,000	35,944	150,000	135,075	366,019
2030/31	50,000	34,256	150,000	130,575	364,831
2031/32	50,000	32,381	155,000	126,075	363,456
2032/33	50,000	30,506	165,000	121,425	366,931
2033/34	55,000	28,631	165,000	116,475	365,106
2034/35	55,000	26,569	170,000	111,525	363,094
2035/36	55,000	24,369	180,000	106,425	365,794
2036/37	60,000	22,169	185,000	99,000	366,169
2037/38	60,000	19,769	195,000	91,369	366,138
2038/39	65,000	17,369	200,000	83,325	365,694
2039/40	65,000	14,769	210,000	75,075	364,844
2040/41	70,000	12,169	215,000	66,413	363,582
2041/42	70,000	9,281	230,000	57,544	366,825
2042/43	75,000	6,394	235,000	48,056	364,450
2043/44	80,000	3,300	245,000	38,363	366,663
2044/45			335,000	28,256	363,256
2045/46			350,000	14,438	364,438
	<u>\$ 1,215,000</u>		<u>\$4,300,000</u>		

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the "Financial Advisor").

(b) Interest is estimated.

(c) The first interest payment on the Bonds will be due on January 15, 2022*. Thereafter, interest payments will be made semiannually on July 15 and January 15 until maturity or prior redemption.

**OVERLAPPING, ADDITIONAL AND ADDITIONAL
OVERLAPPING INDEBTEDNESS**

TABLE 9

Overlapping General Obligation Bonded Indebtedness

Overlapping general obligation bonded indebtedness is shown below including a breakdown of each overlapping jurisdiction’s applicable general obligation bonded indebtedness, Net Limited Assessed Property Value and combined tax rate per \$100 of Net Limited Assessed Property Value. Outstanding bonded indebtedness is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. The applicable percentage of each jurisdiction’s Net Limited Assessed Property Value which lies within the District’s boundaries was derived from information obtained from the Assessor of the County. See “**RISK FACTORS - Direct and Overlapping Indebtedness.**”

Direct and Overlapping Jurisdiction	2021/22 Net Limited Assessed Property Value	General Obligation Bonded Debt Outstanding (b)	Proportion Applicable to the District (a)		2021/22 Tax Rates Per \$100 Net Limited Assessed Property Value (c)
			Approximate Percent	Net Debt Amount	
State of Arizona	\$ 74,200,233,397	None	0.01%	None	None
Pima County	9,696,150,355	\$ 133,965,000	0.06	\$ 79,392	\$4.7527(d)
Pima County Community College District	9,696,150,355	None	0.06	None	1.2733
Pima County Fire District Assistance Tax	9,696,150,355	None	0.06	None	0.0394
Pima County Library District	9,696,150,355	None	0.06	None	0.5353
Pima County Flood Control District (e)	8,794,451,623	None	0.07	None	0.3335
Central Arizona Water Conservation District	9,696,150,355	None	0.06	None	0.1400
Northwest Fire District	1,373,136,865	29,525,000	0.42	123,555	3.0495
Pima Joint Technological Education District	9,200,588,338	None	0.06	None	0.0500
Marana Unified School District No. 6	1,033,704,839	143,070,000	0.56	795,308	5.9491
Town of Marana	671,072,055	None	0.86	None	0.0000
The District (f)	5,746,234	5,515,000*	100.00	5,515,000*	2.8000
Total Net Direct and Overlapping General Obligation Bonded Debt				<u>\$ 6,513,254*</u>	<u>\$18.9228</u>

* Subject to change.

(a) Proportion applicable to the District is computed on the ratio of Net Limited Assessed Property Value for fiscal year 2021/22.

(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various special assessment bonds, as those bonds are presently being paid from special assessments against property for such purpose.

Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future as indicated in the following table. Authorized but unissued amounts in the following table may be subject to additional reductions based on net premium amounts but such reductions are not reflected in the table. Additional bonds may also be authorized by voters within overlapping jurisdictions pursuant to future elections.

Overlapping Jurisdiction

General Obligation Bonds
Authorized but Unissued

<i>Northwest Fire District</i>	<i>\$4,030,000</i>
<i>The District (g)</i>	<i>54,455,000*</i>

* *Subject to change.*

Also does not include the obligation of the Central Arizona Water Conservation District (“CAWCD”) to the United States Department of the Interior (the “Department of the Interior”), for repayment of certain capital costs for construction of the Central Arizona Project (“CAP”). CAP is a 336-mile long system of aqueducts, tunnels, pumping plants and pipelines which delivers water from the Colorado River to Maricopa, Pinal and Pima Counties in Arizona (including the Town). The obligation to CAP is evidenced by a master contract between CAWCD and the Department of the Interior. In April 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD’s obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages are fixed for the entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD’s boundaries. At the date of this Official Statement, the tax levy is limited to 14 cents per \$100 of Net Limited Assessed Property Value, of which 14 cents is being levied. (See Sections 48-3715 and 48-3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

- (c) The combined tax rate includes the tax rate for debt service payments and the tax rate for all other purposes such as maintenance and operation and capital outlay.*
- (d) Includes the “State Equalization Assistance Property Tax” which is levied by the County and has been set at \$0.4263 per \$100 of Net Limited Assessed Property Value for fiscal year 2021/22. Such amount is adjusted annually pursuant to Section 41-1276, Arizona Revised Statutes.*
- (e) The assessed value of the Pima County Flood Control District does not include any personal property assessed valuation of the County.*
- (f) Includes the Bonds.*
- (g) Reflects reduction in authorization from the Election in connection with the issuance of the Bonds.*

Source: The various entities and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and the Pima County Department of Finance and Risk Management.

Additional General Obligation Bonded Indebtedness of the District. In addition to the Bonds, the District retains the right to issue, in accordance with the procedures set forth in the Enabling Act, additional series of bonds payable from *ad valorem* property taxes levied on all taxable property in the District. See TABLE 7 – “Direct General Obligation Bonded Debt Outstanding and to be Outstanding.” See also **“RISK FACTORS - Direct and Overlapping Indebtedness and Taxes.”**

The Enabling Act provides that the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged will not exceed 60 percent of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure owned or to be acquired by the District with the proceeds of the bonds. (Based solely on the Full Cash Value of the District as reported by the County Assessor, the Board has determined that issuance of the Bonds will meet the test set forth above. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – *Ad valorem* Property Taxation in the District – Full Cash Value.”)

Pursuant to the Election, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed \$60,000,000 and will have \$54,455,000* of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs. Such remaining authorized but unissued amount is subject to further reduction based on the amount of net premium on the general obligation bonds of the District. Additional general obligation indebtedness could be authorized for the District in the future pursuant to other elections.

Additional Overlapping General Obligation Bonded Indebtedness. The District has no control over the amount of additional indebtedness payable from *ad valorem* property taxes on all or a portion of the property within the District that may be issued in the future by other political subdivisions, including but not limited to, the Town, the County, Marana Unified School District No. 6 of Pima County Arizona, Pima County Community College District, Pima County Flood Control District, Northwest Fire District or other entities having jurisdiction over all or a portion of the land within the District. Additional indebtedness could be authorized for such overlapping jurisdictions in the future. See **“RISK FACTORS - Direct and Overlapping Indebtedness and Taxes.”**

Other Debt of the District. The District does not have any other outstanding obligations.

LAND DEVELOPMENT

The information contained in this section under “Land Development” and “The Owner” relates to and has been obtained from the Owner and none of the District, the Underwriter or the Financial Advisor assumes any responsibility for the accuracy or completeness thereof. None of the District, the Underwriter or the Financial Advisor makes any representation regarding projected development plans within the District, the financial soundness of the Owner or other property owners and developers or the managerial ability of such persons and entities to complete development as planned. The Owner makes no representation regarding projected development plans within the District (except for those of the Owner), the financial soundness of the other property owners and developers (excluding Owner) or the managerial ability of such persons and entities to complete development as planned. The development of the District Land may be affected by factors, such as governmental policies with respect to land development, the availability of utilities, the availability of energy, construction costs, interest rates, competition from other developments and other political, legal and economic conditions beyond the control of the District, the Owner, or other property owners and developers. Further, the District Land may be subject to encumbrances as security for obligations payable to various parties, the default of which could adversely affect construction activity. See “RISK FACTORS.”

The District – General

The District encompasses approximately 633 acres (the “District Land”) located in the northwest portion of the Town. The Town is located in the County. See APPENDIX A – “TOWN OF MARANA, ARIZONA,” which includes certain information about the Town and surrounding area, and, generally, the maps on pages (vi) and (vii).

The Town formed the District pursuant to a resolution adopted on December 11, 2007. The District is a special purpose, tax levying public improvement district for certain constitutional purposes and a municipal corporation for certain other statutory purposes. The District has the power to implement the District's general plan for public infrastructure primarily through the issuance of general obligation, assessment or revenue bonds. The District has no current plans to issue assessment or revenue bonds. The District's current plan consists of financing only the acquisition or construction of certain public infrastructure through the issuance of general obligation bonds.

District Board and Administrative Staff

In accordance with State law, the Mayor and Council of the Town serve, *ex officio*, as the Chairman and members of the Board. Additionally, the Board has appointed Terry Rozema, the Town Manager, as the District Manager; Yiannis Kalaitzidis, the Town Finance Director, as the District Treasurer and Chief Financial Officer; Cherry Lawson, the Town Clerk, as the District Clerk; and Jane Fairall, the Town Attorney, as the District Counsel.

Land Development

The District Land is being developed by the Owner pursuant to a Development Agreement (the "Town Development Agreement") between the Town and FC/M Gladden II, LLC (subsequently assigned to the Owner), dated as of March 8, 2006, amended as of December 19, 2006, August 7, 2018, October 16, 2018, December 18, 2019 and December 16, 2020. The Town Development Agreement addresses various issues including, among other things, land uses and protected development rights; public infrastructure development; Town services; formation of the District; and reimbursements to the Owner for certain public infrastructure. The District Land is being developed as a master planned, mixed use development known as "Gladden Farms (Phase II)" (the "Project").

The Project is the further extension of the adjacent Gladden Farms (Phase I) master-planned community. Gladden Farms (Phase I) consists of 1,747 residential lots and 42 acres of commercial land. All of the residential lots have been developed such that full residential build-out of Gladden Farms (Phase I) has now been achieved. In addition, a new convenience store opened in January 2021 on a commercial parcel within the community. Gladden Farms (Phase I) also contains a K-6 elementary school, the Gladden Farms Community Park and splash park, a trail system, and over 190 acres of open space.

Construction began on Gladden Farms (Phase II) in April 2018. The initial construction work included sanitary sewer facilities, potable water system expansion, grading, non-potable water mains, storm sewer and drainage improvements, electric, gas, cable, and communication facilities, curbs, sidewalks, and approximately 2,300 linear feet of new collector roadway pavement. This work is complete.

The first phase of the Project consists of 347 residential lots. The lot sizes vary from 5,250 square feet to over 9,900 square feet. Infrastructure for the first phase includes extensions of sanitary sewer mains, public potable and non-potable water mains, public roadway improvements, storm sewer, surface drainage, electric, gas, cable, and communication facilities, trail systems, and private common area landscaping and recreational improvements.

All 347 of the first phase residential lots were sold to major homebuilding companies – Lennar Communities, Meritage Homes, and Richmond American Homes - and have now been fully developed. As of August 1, 2021, 342 homes have been constructed (leaving only 5 vacant developed lots), 312 of which have been sold, 4 of which are being used as model homes, and the remaining 26 homes are currently under construction.

The second phase of the Project consists of 176 residential lots. The lot sizes vary from 4,470 square feet to 7,925 square feet. Infrastructure for the second phase includes extensions of sanitary sewer mains, public potable and non-potable water mains, public roadway improvements, storm sewer, surface drainage, electric, gas, cable, and communication facilities, trail systems, and private common area landscaping and recreational improvements.

All 176 of the second phase residential lots were sold to major homebuilding companies – KB Home and Meritage Homes - and have now been fully developed. As of August 1, 2021, 166 residential homes have been constructed (leaving 10 vacant developed lots), 47 of which have been sold, 1 is being used as a model home, and the remaining 118 homes are currently under construction.

The third phase of the Project consists of 520 residential lots. The lot sizes varying from 4,400 square feet to 9,870 square feet. Infrastructure for the third phase includes extensions of sanitary sewer mains, public potable and non-potable water mains, public roadway improvements, storm sewer, surface drainage, electric, gas, cable, and communication facilities, trail systems, and private common area landscaping and recreational improvements. The third phase also includes approximately 3,200 linear feet of new collector roadway pavement. All of these improvements are nearing completion.

All 520 of the third phase residential lots have been sold to major homebuilding companies – Lennar Communities, Richmond American Homes, KB Home, Pulte Home Company, Mattamy Homes, and Meritage Homes. New home construction in the third phase began in April 2021 and as of August 1, 2021, construction has started on 112 residential homes.

The fourth phase of the Project consists of 173 acres. The fourth phase of the Project has approved preliminary plats for 794 residential lots. Final Plats are currently being processed for approval and recordation. Infrastructure for the fourth phase will include extensions of sanitary sewer mains, public potable and non-potable water mains, public roadway improvements, storm sewer, surface drainage, electric, gas, cable, and communication facilities, trail systems, and private common area landscaping and a 6-acre recreational park. The fourth phase will also include approximately 12,200 linear feet of new collector roadway pavement.

212 of the fourth phase residential lots have been sold to Lennar. 425 residential lots are currently in escrow for sale to three major homebuilding companies, all of whom are currently building homes within the Project. The remaining 157 residential lots are planned for a single-family rental community, which is anticipated to commence development in September 2021.

Two commercial blocks, totaling 60 acres, have been sold. Community Health Systems (CHS), doing business locally as Northwest Medical Center, purchased 58 acres in 2007, and the Northwest Fire District, the local fire safety/emergency response entity, purchased approximately 2 acres in 2018. A fire station on that site opened in 2019.

The Project is served by the Marana Unified School District No. 6 of Pima County (“MUSD”). The MUSD opened the Gladden Farms Elementary School, offering grades K-6, in 2016. The school was the first computer science immersion school in Arizona. The attendance boundaries for the school include all of the Gladden Farms community, and the school has capacity for approximately 750 students. MUSD has also acquired a 15-acre parcel within the Project, and has indicated the land acquisition is in anticipation of a new K-8 public school.

Municipal services within the Project for police, sewer, and water services are provided to residents in the normal course of operations by the Town. See “RISK FACTORS – Availability of Utilities.” Fire protection is provided by the Northwest Fire District. Trash collection is available from private companies. Electrical, telephone, gas, and cable services are provided to residents by Tucson Electric Power Company, Southwest Gas, and Comcast Cable.

All of the District Land is within the boundaries of the Tangerine Farms Road Improvement District, which was formed in 2006 to fund the construction of Tangerine Road. Tangerine Road is a four-lane arterial roadway connecting the Project to Interstate 10. Tangerine Road includes sidewalks, bike lanes, landscaped medians, traffic signals, lighting, drainage facilities, and shoulder landscaping and pathways. The roadway improvements were completed in 2008 and the Tangerine Farms Road Improvement District assessments are scheduled to be retired in 2025.

Although the number of acres devoted to each particular land use may ultimately vary, the Project is currently expected to include the following land uses:

TABLE 10

EXPECTED LAND USES WITHIN GLADDEN FARMS (PHASE II)

Type of Development	Approximate Acres of District Land
Residential	434
School	15
Commercial	105
Open Space / Parks	<u>79</u>
Total	633

Information herein relating to anticipated future sales and development is provided based on information and projected activity in existence on the date of this Official Statement. Notwithstanding anything in this Official Statement to the contrary, no homebuilders or other prospective purchasers have agreed to final pricing except as otherwise stated herein and there can be no assurance now or at the time the Bonds are issued that the projected activity will be realized or that present or subsequent landowners will have the financial capability to, or will, commence or complete development on any other portion of the District Land acquired. See “RISK FACTORS – Concentration of Ownership; Subsequent Transfer” and “- Failure or Inability to Complete Proposed Project.”

Below are the Owner’s absorption projections for the Project and the District. Although the following absorption projections were made by the Owner in good faith, based on the Owner’s historical experience in similarly situated projects, such projections are the Owner’s own, and are not the result of any specific investigation or independent research. **There can be no guarantee that these projections will occur. Such projections are “forward looking” statements and should be considered with an abundance of caution.**

TABLE 11

GLADDEN FARMS (PHASE II) ESTIMATED ABSORPTION SCHEDULE

Fiscal Year Ending	Residential Units	Residential Cumulative	Commercial Square Feet	Commercial Cumulative
2019 (actual)	66	66	0	0
2020 (actual)	187	253	0	0
2021 (actual)	345	598	0	0
2022	288	886	0	0
2023	288	1,174	0	0
2024	288	1,462	0	0
2025	288	1,750	0	0
2026	288	2,038	0	0

Source: The Owner.

As stated above, there is no guarantee that the foregoing absorptions will occur. In addition, there can be no guarantee that any owners of the District Land (such as any production home builder) has or will have the financial capabilities to complete development on any land so acquired. There can be no assurance that any sales will be consummated or that the projected activity will occur. There are no restrictions on the ability of the Owner to sell all or portions of the District Land to one or more other developers and there can be no assurance now or at the time the Bonds are issued or at any later date that any existing or subsequent owners will have the financial capability to, or

will, commence or complete development on any portion of the District Land so acquired. See “RISK FACTORS – Concentration of Ownership; Subsequent Transfer” and “—Failure or Inability to Complete Proposed Project.”

In addition to the Public Infrastructure, the Project includes non-public infrastructure such as trails and amenities (including private parks, walking paths, landscaping, artwork, entry features, signage and lighting) and is planned to include additional such non-public infrastructure. In addition, on site improvements (for individual lots, including grading, sewer, water, drainage, dry utilities and paving) (the “Project Infrastructure”) have been completed, other on site improvements are currently underway, and other on site improvements are planned. None of the Project Infrastructure will be financed with proceeds from the sale of the Bonds, but instead has been financed, and is planned to be financed in the future, by the Owner or the homebuilders through a combination of equity (the sources of which will be additional equity contributions by the members in the Owner entity and/or the homebuilders and/or proceeds of land sales within the Project) and/or new private debt of the Owner or the homebuilders. There can be no assurance that such additional equity or private debt will be available to the Owner or the homebuilders in the future.

As part of the due diligence process associated with the acquisition of the District Land, outside consultants were employed to evaluate environmental, cultural, and biological impediments to the development of the site. The reports reflected no material impediment to development of the Project.

The District is being developed based upon a finding and certification of the Federal Emergency Management Agency Flood Insurance Rate Map, dated June 16, 2011, that the District is not within a 100-year regulatory floodplain. The property is designated as an area protected by levee.

The Owner

The original developer was FC/M Gladden II, LLC. The Owner, an entirely unrelated entity to the original developer, acquired the Project in January 2013. The Owner was formed by Petrus and an affiliate, Crown West Realty, L.L.C., a New York limited liability company (“Crown West”). Petrus is the managing member of the Owner. The Owner was formed in 2012 and is in good standing in the State of Arizona. Petrus and Crown West own the Owner in its entirety.

Petrus was organized by Petrus Partners Ltd. (“Petrus Partners”) and Crown West to invest in residential land investment opportunities. It has total equity capital commitments of \$50 million and since formation it has acquired approximately 9,152 residential lots in Arizona and Nevada at a cost of approximately \$44.6 million, excluding additional investments and capital expenditures during its ownership of such residential land investments.

Petrus Partners, a New York investment firm, is an experienced owner and manager of land developments and office, industrial, and mixed use properties. Since 1992 Petrus Partners and Crown West, its operating subsidiary, have completed a number of acquisition, development, and redevelopment projects and currently own and manage over 5 million square feet of commercial properties and 7,000 residential lots. Crown West has been an active buyer and owner of residential land and commercial property in the western U.S. and has property holdings today in the Phoenix region, Marana, Tucson, the Reno-Sparks region, and the Spokane region. Crown West’s Tucson office performs asset and property management for Petrus’ acquired residential land properties in the western U.S.

RISK FACTORS

Investment in the Bonds involves a significant degree of risk and is speculative in nature. The relatively high interest rates borne by the Bonds are intended to compensate the investor for such risks. The Bonds will be secured solely by ad valorem property taxes to be levied on all taxable property within the boundaries of the District and payments pursuant to the Standby Contribution Agreement and the Depository Agreement. Anyone considering investing in the Bonds should carefully examine this Official Statement, including the Appendices hereto. INVESTMENT IN THE BONDS SHOULD BE UNDERTAKEN ONLY BY PERSONS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME SUCH RISK. THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS.

PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET FORTH IN THIS OFFICIAL STATEMENT, BEFORE MAKING AN INVESTMENT DECISION.

This discussion of risk factors is not, and is not intended to be, exhaustive, and such risk factors are not necessarily presented in the order of their magnitude.

General Risks of Real Estate Investment and Development; Certain Factors Which May Adversely Affect Development; Consequences

Investments in developing real estate such as undeveloped areas in the District are generally considered to be speculative in nature and to involve a high degree of risk. Owners of land in the District will be subject to the risks generally incidental to real estate investments and development including those described hereinbelow.

Construction of houses on the lots within the District may be affected by changes in the income tax treatment of real property ownership; changes in national, regional and local market and economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls, including, without limitation, drought mitigation and other governmental actions taken to address certain water resource allocations; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in the Project, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the owners of such land. Land development within the District also could be affected adversely by changes in governmental policies, including, but not limited to, governmental policies to restrict or control development. (Any approvals needed in the future for the development must come from the Town, over which the District has no control.)

The residential development business, particularly with respect to communities such as the Project, is highly competitive in the Tucson metropolitan area. The business of merchant builders building in the District will face competition from a number of competitors in the Town and other developments throughout the Tucson metropolitan area, many of which offer or intend to offer lots and parcels in similar communities to a similar target market.

Decreased absorption rates associated with future slowdown could adversely affect land values and reduce the ability or desire of the property owners to pay ad valorem property taxes. In that event, there could be a default in the payment of principal of and interest on the Bonds. Although home product segmentation within the Project consists of various lot sizes, it is possible that some of the homebuilders may overlap as to lot sizes, interior square footage, floor plans, features and pricing. This overlap may result in slower absorptions by some homebuilders as well as price pressures on houses constructed within the District.

Development requires obtaining a variety of governmental approvals and permits. Such approvals and permits are necessary to initiate construction and to allow the sale and occupancy of homes and to satisfy conditions included in the approvals and permits. There can be no assurance that all of these permits and approvals can be obtained or that the conditions to the approvals and permits can be fulfilled. The failure to obtain any of the required approvals or fulfill any one of the conditions could cause materially adverse financial results.

Coronavirus Disease 2019

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 (the “Governor”), 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 certain schools.

The District does not anticipate that the collection of property taxes, which may be a significant revenue source for operating purposes and is the security and source of payment of principal and interest due on the Bonds, will be affected unless severe economic hardship causes a significant decrease in property tax collections. Such a decline in property tax collections could negatively affect the District's ability to pay debt service on the Bonds.

The District cannot predict how the spread of COVID-19 (including COVID-19 variants such as the delta variant and future, similar variants) or the various governmental or private actions taken in response thereto will affect its finances or operations, including the receipt of property tax collections.

The residential housing market, which provides the majority of the proceeds to fund the District obligations, has experienced a limited impact from the COVID-19 pandemic to-date. Although the pace of home sales decreased at the onset of COVID-19 and through state stay-at-home mandates, home pricing has continued to increase, and the sales pace has returned to levels consistent with levels prior to the onset of the COVID-19 pandemic.

Postponed Foreclosures

On March 26, 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the CARES Act, certain homeowners may be eligible to receive forbearance and pause payments for a minimum of six months, with the possibility of an additional six months. The CARES Act provides for the suspension of foreclosure actions and evictions. Homeowners subject to any of the following federally-backed loans may be eligible: (i) loans insured by the Federal Housing Administration (FHA) under Title II of the National Housing Act, which is the main title under which FHA insures residential mortgage loans; (ii) loans insured under National Housing Act section 255, which addresses home equity conversion (i.e., reverse) mortgage loans insured by FHA; (iii) loans guaranteed under Housing and Community Development Act of 1992, sections 184 or 184A, which address loans related to Native American families and housing authorities and loans related to Native Hawaiian families and authorities; (iv) loans guaranteed or insured by the U.S. Department of Veterans Affairs (VA); (v) loans Guaranteed or insured by the U.S. Department of Agriculture (USDA); (vi) loans originated by the USDA; or (vii) loans purchased or securitized by Fannie Mae or Freddie Mac. On July 31, 2021, the Federal Housing Administration (FHA), the U.S. Department of Agriculture (USDA), the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of Treasury, and the U.S. Department of Veterans Affairs (VA) announced extensions of their moratorium on evictions for foreclosed borrowers and their occupants through September 30, 2021. The extensions are part of President Biden's announcement on July 29, 2021, that federal agencies will use their authority to extend their respective eviction moratoria through the end of September, which will provide continued protection for households in federally-insured, single-family properties. Similarly on July 31, 2021, the Federal Housing Finance Agency (FHFA) announced that Fannie Mae and Freddie Mac (the Enterprises) are extending the moratorium on single-family real estate owned (REO) evictions until September 30, 2021. The REO eviction moratorium applies to properties that have been acquired by an Enterprise through foreclosures or deeds-in-lieu of foreclosure. The current moratorium was set to expire on July 31, 2021. Additionally, other mortgage lenders have announced similar suspensions of foreclosures or forbearance options in connection with loans that may not be backed by the federal government. Any impact of such suspension of foreclosures on the properties within the District with delinquent property taxes cannot be predicted at this time. Any impact of such forbearance options mortgage payments, which may include property taxes (including, ad valorem property taxes securing repayment the Bonds) that are collected by the mortgage lender with monthly mortgage payments and then remitted to the Treasurer, cannot be predicted at this time. On March 24, 2020, the Governor signed Executive Order 2020-14: "Postponement of Eviction Actions," which mandates that Arizona law enforcement officers shall temporarily delay enforcement of eviction action orders for residential premises under certain circumstances related to the effects of COVID-19, which has been extended through October 31, 2020. Although the Governor's Executive Order only pertains to rental property evictions, governors of other states have announced temporary suspensions of residential mortgage foreclosure actions in response to the COVID-19 outbreak. Whether the Governor will sign a similar Executive Order temporarily suspending residential mortgage foreclosure actions in Arizona, and the impact of any such potential Executive Order on foreclosures on properties within the District with delinquent ad valorem property tax payments, cannot be determined at this time.

Concentration of Ownership; Subsequent Transfer

There can be no assurance that the Owner has the financial capability to complete development within the Project. Because there can be no assurance that the members of the limited liability company that form the Owner will provide additional funds to the Owner, nor that bank loans will be available to the Owner sufficient to pay all costs attributable to the Project, the Owner may have to depend on revenues from sales of lots and parcels to generate cash flow and otherwise make funds available to pay all costs associated with the ownership, operation and development of the Project. If the Owner has to depend on sales of lots and parcels to generate cash flow, there can be no assurance that sufficient funds will be available to the Owner to pay all of its obligations and liabilities, including, without limitation, property taxes (including those relating to property then owned by the Owner to be applied to pay the Bonds), as such obligations and liabilities become due and payable.

See “LAND DEVELOPMENT – Land Development” and TABLE 4 with regard to the concentration of ownership of property in, and obligation for payment of property taxes of, the District in certain entities.

In addition, the Owner has transferred and intends to continue to transfer ownership of parcels (or portions thereof) designated for residential development within the District to homebuilders prior to completion of development therein. There are no restrictions on the ability of the Owner to sell parcels (or portions thereof). There can be no assurance that any builder will ultimately acquire and develop all of the lots, nor any assurance that any builder will be able to obtain the projected sales prices for any houses to be constructed on the lots.

Failure or Inability to Complete Proposed Development

The development of each phase of the Project will be staged so that a particular phase will not be developed at one time. The funding for each phase of development of the Project will be provided by the Owner and other sources. The availability of funding for the completion of the Project will depend upon the demand for residential lots or units within the Project and local, regional and national market and economic conditions. No assurance is given that funding will be obtained for all phases of development of the Project, or, if obtained, will be in an amount sufficient to complete development of the Project. If satisfactory funding is unavailable, completion of the development of the balance of the Project may be delayed or suspended.

Public and private on-site and off-site improvements may increase the public and private debt for which the land within the District is security. The burden of additional debt would be placed on the land within the District to complete the necessary improvements. See “RISK FACTORS - Direct and Overlapping Indebtedness and Taxes.”

Completion of the Public Infrastructure and the Other Infrastructure

The assessed valuation of the taxable property in the District may increase if and as the development of the Project continues. However, less than expected increases or decreases in the future assessed valuation of the taxable property in the District may reduce the willingness of landowners to pay the ad valorem property taxes securing the Bonds or adversely affect the interest of potential buyers of such property at any foreclosure sale for purposes of paying such taxes. See also “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – *Ad valorem* Property Taxation in the District.”

The construction of infrastructure for development of the land in the District is not yet complete. See “LAND DEVELOPMENT.” The cost and time for completion of all of such improvements is uncertain and may be affected by changes like those described hereinabove. If cost overruns result in delay of construction, or if other delays are experienced, the sale of lots and construction of homes may be delayed. Failure or inability to complete proposed development including development of necessary utilities could affect adversely development of the land in the District.

Availability of Utilities

Water and sewer service to the District will be provided by the Town as described under the subheading “LAND DEVELOPMENT – Land Development.” Failure or inability to complete proposed development including development of necessary utilities could affect adversely development of the land in the District. See “RISK FACTORS – Failure or Inability to Complete Proposed Development.”

Effect of Valuation of Property

Information is provided herein with respect to the valuation of land within the District. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – *Ad valorem* Property Taxation in the District.” Such valuation, and particularly decreases therein, may reduce the willingness of landowners to pay the ad valorem taxes securing the Bonds, as well as adversely affect the interest of potential buyers of such property at any foreclosure sale for purposes of paying such taxes.

Direct and Overlapping Indebtedness and Taxes

The ability of an owner of land within the District to pay the ad valorem property taxes of the District could be affected by the existence of other taxes and assessments imposed upon the property. The District and other public entities whose boundaries overlap those of the District could, without the consent of the District and, in certain cases, without the consent of the owners of the land within the District, impose additional ad valorem property taxes or assessment liens on the property within the District in order to finance public improvements to be located inside or outside of the District. (The existing public debt relating to the District is set forth in “OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS.”) The lien created on the property within the District through the levy of ad valorem property taxes would be on a parity with the ad valorem property taxes securing the Bonds. The imposition of additional parity liens, or subordinate liens in the case of future special assessments, or for that matter for private financing, may reduce the ability or willingness of the landowners to pay the ad valorem property taxes securing the Bonds as well as, in the case of failure of payment thereof, the existence of buyers of such property at any foreclosure sale for purposes of paying such taxes. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – *Ad valorem* Property Taxation in the District.”

Bankruptcy and Foreclosure Delays

It should be noted that in the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the “Bankruptcy Code”), the law is currently unsettled as to whether a lien can be attached against the taxpayer’s property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on a property of a taxpayer within the District. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor’s estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that “tax sale investors” may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections becomes uncertain.

In the event the District is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District’s tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

It cannot be determined what impact any deterioration of the financial condition of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the District, the Underwriter, the Owner (except with respect to itself), the Financial Advisor or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Availability of Standby Contribution Agreement and Depository Agreement Amounts

If amounts to be available pursuant to the Standby Contribution Agreement or the Depository Agreement are not available for any reason (including financial difficulties or bankruptcy of the Owner or exhaustion of funds available under the Depository Agreement), the Bonds will be payable only from District ad valorem property taxes, resulting in increased District tax rates and increased reliance upon District tax revenues collected within the District to pay Debt Service.

The District's ability to retire the indebtedness evidenced by the Bonds solely from ad valorem property taxes is dependent upon the development and maintenance of an adequate tax base from which the District may collect revenues. The District's ability to achieve a tax base adequate to generate ad valorem property tax revenues for timely payment of the Bonds will depend upon the continued and successful development of the Project. The District faces competition from other residential developments in surrounding areas within the Tucson metropolitan area. Such competition may adversely affect the rate of development within the District. Many unpredictable factors could influence the actual rate of construction within the District, including the prevailing interest rates, availability of funds, market and economic conditions generally, supply of housing in the greater Tucson metropolitan area, construction costs, labor conditions, access to building supplies, availability of water and water taps, availability and costs of fuel and transportation costs, among other things.

Amendment of Documents Referenced

The reports, inspections and other documents described in this Official Statement may be modified, updated or amended (as new reports and/or inspections may be obtained), and such modifications may materially and adversely affect the development of the property (e.g., updating of environmental reports).

The development of the property within the District is described under the subheading "LAND DEVELOPMENT". There is currently additional development activity within the District. Circumstances could change as the development process continues and other issues are raised or new developers or owners become involved. Accordingly, the Owner anticipates that there may be significant changes to the agreements and contracts summarized in this Official Statement to address any such issues. Because the existing contracts and agreements are subject to change, the summaries of any contracts or agreements contained hereinabove may not accurately reflect the future conditions relating to the development of the District; however, the Owner does not presently anticipate that any modifications of the current contracts or agreements would materially affect the repayment of the Bonds.

Environmental Matters

The Project will be subject to risks arising out of environmental, archaeological and biological considerations generally associated with the ownership of real estate and the construction of improvements located thereon. Such risks include, in general, potential liability arising as a result of any contamination later discovered on the site and the possibility of a decline in property values in the Project resulting from any contamination on the site or from the proximity of the site to other contaminated areas; or discovery of archaeological artifacts located on the site or in the vicinity of the site; discovery of endangered species of animals, plants or other habitat for endangered species and a determination of the waterways of the United States against dredging or fill. In addition, liability may arise under a variety of federal, state or local environmental laws and regulations, including, but not limited to, the

Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Endangered Species Act and the National Historical Preservation Act.

For example, development may require approvals and actions under the Clean Water Act and the National Environmental Protection Act may limit, delay or change materially the number and type of development on the site. Beginning in January 2022, Arizona will operate under a drought contingency plan and receive a reduced allocation of Colorado River water for agricultural purposes through CAP. (See the third paragraph to footnote (b) to Table 9 for a description of CAP.) (Representatives of the Owner have been informed that the Town does not anticipate any near-term disruption to the provision of water to the Project by the Town because the reductions do not affect municipal water supply, and the Town is expected to receive its full water allocation from CAP and otherwise has available water resources to continue providing water service to the Project as is currently provided.)

Projections

Included in this Official Statement are various projections for lot closings, completion dates, completion costs and other items. The projections are based on assumptions concerning future events and should be viewed with an abundance of caution. Circumstances that may not yet be ascertainable, which the Owner believes to be significant and which the Owner cannot control may also exist. There are usually differences between projections and results because events frequently do not occur as expected, and those differences may be material. There can be no assurances that the various projections set forth in this Official Statement can be achieved.

No Review of Filings

As described in footnote (a) to Table 4, none of the District, the Underwriter, the Owner, the Financial Advisor, Bond Counsel, counsel to the Underwriter or counsel to the Owner have examined the information set forth in the Filings for accuracy or completeness, or examined similar information for entities or their parent companies that are not subject to same or similar informational requirements.

Tax Cuts and Jobs Act

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within the District. However, neither the Town nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in the District, the pace at which homes in the District are sold to individual homeowners or the ability or willingness of homeowners to pay property taxes.

Risk of Internal Revenue Service Audit

The Internal Revenue Service (the “Service”) has announced a program of auditing tax-exempt bonds which can include those issued by special purpose governmental units, such as the District, for the purpose of determining whether the Service agrees (a) with the determination of bond counsel that interest on the Bonds is tax-exempt for federal income tax purposes or (b) that the District is in or remains in compliance with Service regulations and rulings applicable to governmental bonds such as the Bonds. The commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds, regardless of the final outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the Bonds could be expected to adversely impact the secondary market, if any, for the Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the Bonds can be sold. The Bond Resolution and the Indenture do not provide for any adjustment to the interest rates borne by the Bonds in the event of a change in the tax-exempt status of the Bonds. Owners of the Bonds should note that, if the Service audits the Bonds, under current audit procedures the Service will treat the District as the taxpayer during the initial stage of the audit, and the owners of the Bonds will have limited rights to participate in such procedures. There can be no assurance that the District will have revenues available to contest an adverse determination by the Service. No transaction participant, including the District, Bond Counsel, counsel to the Underwriter, or the Underwriter is obligated to pay or reimburse the owner of

any of the Bonds for audit or litigation costs in connection with any legal action, by the Service or otherwise, relating to the Bonds.

There can be no assurance that an audit by the Service of the Bonds will not be commenced. However, the District has no reason to believe that any such audit will be commenced, or that if commenced, an audit would result in a conclusion of noncompliance with any applicable Service position, regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of the Bonds. See also "TAX EXEMPTION" herein.

LITIGATION

The District

At the time of delivery and payment for the Bonds, appropriate representatives of the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, overtly threatened against the District affecting the existence of the District, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture and the Bond Resolution, or the collection or application of any revenues providing for the payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution, the Development Agreement, the Indenture, the Standby Contribution Agreement, the Depository Agreement, any action of the District contemplated by any of the said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

The Owner

At the time of delivery and payment for the Bonds, an authorized representative of the Owner will certify that no litigation or administrative action or proceeding is pending or, to the knowledge of such authorized representative, threatened, restraining or enjoining, or seeking to restrain or enjoin, the effectiveness of the actions authorizing the Owner to execute and deliver the documents executed by it in connection with issuance of the Bonds, or contesting or questioning the proceedings and authority under which such resolution or such documents have been authorized and are delivered and executed.

At the time of delivery and payment for the Bonds an authorized representative of the Owner will also certify that there are no legal proceedings to which the Owner is party or to which any of its properties are subject, other than routine litigation incident to its business which is covered by insurance or an indemnity or which are not expected to have a material adverse effect on the Owner. It is possible, however, that the Owner could incur claims for which it is not insured or that exceed the amount of its insurance coverage.

TAX EXEMPTION

In General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the District must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The District's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The District and the Owner have covenanted in the Indenture and the Development Agreement, respectively, to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the District and continuing compliance by the District and the Owner with the tax covenants referred to above, under existing

statutes, regulations, rulings and court decisions, the interest on the Bonds will be excludable from gross income of the owners thereof for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that the interest on the Bonds will be exempt from income taxation under the laws of the State. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than the State.

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

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds 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 Bonds, (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 on the Bonds, (iii) the inclusion of the interest on the Bonds 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 on the Bonds 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 interest on the Bonds 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 Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Service or the courts; rather, such opinions represent Bond 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 Bonds ("Discount Bonds") 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 Bond 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 Bond 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 Bond (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 Bonds, 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 Bond.

Certain of the Bonds ("Premium Bonds") 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 Bonds 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 Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond 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 Bond), 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 Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond 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 Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Owners of Discount and Premium Bonds 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 Bonds 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 interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. 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 Bonds. Prospective purchasers of the Bonds 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 bonds such as the Bonds is subject to information reporting to the Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds 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 Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of the Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Bonds. This withholding generally applies if the owner of the Bonds (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 Bonds 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code as the Board reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3) of the Code) which will be issued for or by the District in calendar year 2021, will not exceed \$10,000,000.

RATING

S&P is expected to assign the rating of “AA” to the Bonds with the understanding that the Policy will be delivered by the Bond Insurer simultaneously with the issuance of the Bonds. Such rating reflects only the view of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, CA 94111. Such rating may be revised or withdrawn entirely at any time 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 Bonds. The District will covenant in its continuing disclosure undertaking with respect to the Bonds that it will file notice of any formal change in any ratings relating to the Bonds. See “CONTINUING DISCLOSURE” and APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” hereto.

FINANCIAL STATEMENTS

The financial statements of the District as of June 30, 2020, and for its fiscal year then ended, which are included as APPENDIX F to this Official Statement, have been audited by Henry & Horne LLP as stated in their opinion which appears in APPENDIX F – “AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2020.” The District neither requested nor obtained the consent of Henry & Horne LLP to include their report and Henry & Horne LLP has performed no procedures subsequent to rendering their opinion on the financial statements. In addition, as a “blended component unit” of the Town, certain information regarding the District is contained in the Town’s comprehensive annual financial reports. The Town’s comprehensive annual financial report for the fiscal year ended June 30, 2020, is publically available and is available upon request from the District Treasurer.

The Owner is not required to, nor does it prepare, financial statements that are separately audited.

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the legal opinion of Bond Counsel. (See “TAX EXEMPTION” herein.) Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered upon the initial delivery of the Bonds in substantially the form of APPENDIX B hereto. Certain legal matters will be passed upon for the District by District Counsel, for the Underwriter by its counsel, Sherman & Howard L.L.C., Phoenix, Arizona, and for the Owner by its counsel, Fennemore Craig, P.C., Phoenix, Arizona. See “RELATIONSHIPS AMONG PARTIES.”

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions 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.

UNDERWRITING

The Bonds will be purchased by Hilltop Securities Inc. (the “Underwriter”) at an aggregate purchase price of \$_____, pursuant to a bond purchase agreement (the “Bond Purchase Agreement”) entered into by and between the District and the Underwriter. If the Bonds are sold to produce the yields or prices shown on the inside front cover page hereof, the Underwriter’s compensation will be \$_____. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds so offered if any are purchased. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields state on the inside front cover page hereof. The initial offering prices or yields set forth on the inside front cover page hereof may be changed, from time to time, by the Underwriter without amendment of the Official Statement.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of certain beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than February 1 of each year commencing on 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 and the Notices of Listed Events will be filed by the District with the MSRB through the EMMA system. The specific nature of the information to be contained in the Annual Reports and in the Notices of Listed Events is set forth in APPENDIX D — “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” which includes the form of continuing disclosure undertaking which will be executed by the District with respect to the Bonds (the “Undertaking”).

These covenants will be made in order to assist the Underwriter in complying with the Commission Rule 15c2-12 (the “Rule”). The form of the Undertaking necessary pursuant to the Rule is included as APPENDIX D hereto. A failure by the District 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 Bonds in the secondary market. Also pursuant to Arizona law, the ability of the District to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants. Should the District not comply with such covenants due to a failure to appropriate for such purposes, the District has covenanted to provide notice of such fact in the same fashion it provides the Notices of Listed Events. Absence of continuing disclosure could adversely affect the Bonds and specifically their market price and transferability.

The District was late filing its Fiscal Year 2019 and 2020 operating data without notice of late filing, and that filing did not include all required information. The missed information, along with a failure to file notice, was filed in August 2021.

The District has implemented procedures to facilitate compliance with the Undertaking, current similar undertakings and future similar undertakings.

FINANCIAL ADVISOR

The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement: “The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.”

RELATIONSHIPS AMONG PARTIES

Greenberg Traurig, LLP, Bond Counsel, has acted as counsel to the underwriter in other transactions underwritten by the Underwriter and by the Financial Advisor and as bond counsel in other transactions underwritten by the Underwriter and by the Financial Advisor. Sherman & Howard L.L.C., Phoenix, Arizona, counsel to the Underwriter, has acted as bond counsel in other transactions underwritten by the Underwriter and by the Financial Advisor. Greenberg Traurig, LLP has also acted as bond counsel and/or counsel to the underwriter with respect to bonds issued by the Town and other overlapping political subdivisions.

The Underwriter and the Financial Advisor have underwritten or acted as financial advisor with respect to bonds issued by the Town and other overlapping political subdivisions. The Underwriter and the Financial Advisor have underwritten or acted as financial advisor on other transactions together and expect to do so in the future.

CONCLUDING STATEMENT

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 opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the District from official and other sources and is believed by the District to be accurate and reliable. Information other than that obtained from official records of the District has not been independently confirmed or verified by the District and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as part of a contract with the original purchasers or subsequent owners of the Bonds.

This Official Statement has been approved, executed and delivered by the District.

GLADDEN FARMS (PHASE II) COMMUNITY
FACILITIES DISTRICT

By: _____
Chairman, District Board

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TOWN OF MARANA, ARIZONA

The following information regarding the Town is provided for background information only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District; consequently no representation is made as to the relevance of the data to the District or the Bonds. THE BONDS WILL NOT BE OBLIGATIONS OF THE TOWN. The Bonds will be direct obligations of the District, payable solely from ad valorem property taxes levied against all taxable property in the District as described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

General

The Town adjoins the north border of Tucson and extends to the northern border of the County and also includes about 440 acres located in Pinal County. The Town encompasses an approximate area of 122 square miles and sits at an elevation of 2,055 feet above sea level. The Town was incorporated in 1977.

POPULATION STATISTICS

<u>Years</u>	<u>Town of Marana</u>	<u>Pima County</u>	<u>State of Arizona</u>
2020 Census	51,908	1,043,433	7,151,502
2010 Census	34,961	980,263	6,392,017
2000 Census	13,556	843,746	5,130,632
1990 Census	2,187	666,957	3,665,305
1980 Census	1,674	531,443	2,716,546
1970 Census	1,154	351,667	1,775,399

Source: United States Census Bureau.

Municipal Government and Organization

The Town operates under the Council-Manager form of government. The Mayor and six council members are elected at large for staggered four-year terms. The Town Council appoints a Town Manager who has full responsibility for carrying out council policies and administering Town operations. Functions of government and operation are provided by a staff of approximately 402 full-time employees. The Town provides police, sewer, and water services to its residents.

Tucson Electric Power Corporation and Trico Electric Cooperative provide electricity to the Town’s residents. Southwest Gas Corporation provides natural gas. Water is provided by the Town, as well as certain public and private providers. Sewer services are provided by the Town. Telephone and internet services are provided by Century Link and Comcast. Waste disposal and sanitation services are provided by various private disposal companies.

Economy

The economy of the Town and the area surrounding the Town has historically been dominated by agricultural activities. Though agriculture is still a large part of the economy, commercial, retail and industrial elements are becoming large contributors. The Town's agricultural elements include a variety of irrigated crops.

The commercial elements of the economy have developed due to the growth of the Town and the growth of Tucson. The Town has become a retail trade center for suburban northern Tucson and the rural outlying areas surrounding the Town. Also, the Town's proximity to both the cities of Phoenix and Tucson has attracted business. Many residents commute from the Town to the Tucson metropolitan area for employment as well.

The following table is a partial list of major employers within the Town.

MAJOR EMPLOYERS Town of Marana, Arizona

Employer	Description	Approximate Number of Employees
Marana Unified School District	Education	1,657
Ascent Aviation	Engineering	525
Top Golf	Recreation	435
Town of Marana	Government	402
Wal-Mart	Retail	343
The Ritz-Carlton, Dove Mountain	Hospitality	320
Sargeant Aerospace & Defense	Engineering	313
Tucson Hauling & Transfer	Logistics	300
Costco	Retail	250
Northwest Fire District	Public safety	249

Source: ArizonaCommerce.com, Marana Chamber of Commerce, Pima County, Northwest Fire District.

The following table illustrates unemployment rate averages for the Town.

UNEMPLOYMENT RATE AVERAGES

Calendar Year	Town of Marana (a)
2021 (b)	4.7%
2020	5.7
2019	3.5
2018	3.4
2017	3.6
2016	3.9

(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 re-estimation. 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, re-estimation, and controlling to new statewide totals.

(b) Data through July 2021.

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

Commerce

The Town is home to numerous retail establishments that accommodate the needs of the Town’s growing population.

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

MUNICIPAL PRIVILEGE TAX COLLECTIONS
Town of Marana, Arizona
(\$000s omitted)

Fiscal Year	Amount
2019/20	\$40,069
2018/19	42,079
2017/18	39,628
2016/17	37,500
2015/16	35,442

Source: The Finance Department of the Town.

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FORM OF LEGAL OPINION OF BOND COUNSEL

[LETTERHEAD OF GREENBERG TRAUERIG]

[Closing Date]

District Board
Gladden Farms (Phase II) Community Facilities District
c/o Town of Marana, Arizona
11555 West Civic Center Drive
Marana, Arizona 85345

Re: Gladden Farms (Phase II) Community Facilities District (Marana, Arizona) General
Obligation Bonds, Series 2021

We have acted as Bond Counsel in connection with the issuance by Gladden Farms (Phase II) Community Facilities District (hereinafter referred to as the "Issuer") of the captioned bonds, dated the date hereof (hereinafter referred to as the "Bonds"). The Issuer, pursuant to Section 10.05.E. of the hereinafter defined Indenture, has designated the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (hereinafter referred to as the "Code"), and has represented that it meets the requirements for such designation.

We have examined, and in rendering the opinions herein have relied upon, original or certified copies of the proceedings had in connection with issuance of the Bonds; certifications executed by officers of the Issuer relating to, among other things, the expected use of proceeds of the sale of the Bonds and certain other funds of the Issuer and to certain other facts within the knowledge and control of the Issuer; representations made by the officers of Gladden Phase II, LLC (hereinafter referred to as the "Owner"), as to plans to develop and sell land owned within the boundaries of the Issuer and such other material and matters of law as we deem relevant to the matters discussed hereinbelow. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified or photostatic copies and the accuracy of the statements contained in such certifications and representations. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings, certifications, representations, material and matters.

We are of the opinion, based upon such examination and subject to the reliance, assumptions and exceptions hereinabove and hereinafter set forth, that, under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Bonds are valid and legally binding obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein and are secured by a Series 2021 Indenture of Trust and Security Agreement, dated as of September 1, 2021 (hereinafter referred to as the "Indenture"), from the Issuer to U.S. Bank National Association, as trustee (hereinafter referred to as the "Trustee"), except to the extent that the enforceability thereof and such provision of the security therefor may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Issuer is to annually levy and cause an *ad valorem* property tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property within the boundaries of the Issuer, sufficient, together with any moneys from the sources described in Section 48-717, Arizona Revised Statutes including amounts from a Series 2021 Standby Contribution Agreement, dated as of September 1, 2021, by and among the Issuer, the Trustee, and the Owner and a Series 2021 Letter of Credit Depository Agreement, dated as of September 1, 2021, by and between the Issuer and U.S. Bank National Association, as depository, if any, to pay debt service on the Bonds when due. All of the taxable property within the Issuer is subject to the levy of a tax, without limitation as to rate or amount, to pay the principal of and interest on the Bonds.

3. Under existing statutes, regulations, rulings and court decisions, subject to the reliance and assumption stated in the last sentence of this paragraph, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Based on the designation of the Issuer as described in the first paragraph hereof, and subject to the requirements of section 265(b)(3) of the Code, the Bonds are “qualified tax-exempt obligations” for purposes of section 265(b)(3) of the Code. (We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds.) The Code includes requirements which the Issuer and the Owner must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the Issuer or the Owner to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Issuer and the Owner have either indicated their compliance with, or covenanted to take the actions required by, applicable provisions of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. In rendering the opinion expressed above, we have relied on certifications of the Issuer with respect to certain matters necessary for, and have assumed continuing compliance with certain covenants by the Issuer and the Owner included in, respectively, the Indenture and a District Development, Financing Participation and Intergovernmental Agreement (Gladden Farms (Phase II) Community Facilities District), dated as of January 1, 2008, as amended by a First Amendment to District Development, Financing Participation and Intergovernmental Agreement (Gladden Farms (Phase II) Community Facilities District), dated as of August 1, 2019, by and among, as applicable, the Issuer, the Town of Marana, Arizona, and the Owner (which are, as to their enforceability, subject to the same exceptions described in paragraph 1 hereinabove) that must be met after the issuance of the Bonds in order that, interest on the Bonds not be included in gross income for federal tax purposes.

4. The interest on the Bonds 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 ownership, receipt or accrual of interest on, or disposition of, the Bonds.)

This 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.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Trustee for 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.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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 Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Bonds and the redemption price of any Bond 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 District 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds 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 District 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 Bonds at any time by giving reasonable notice to the District 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 District 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 District believes to be reliable, but none the District, the Owner, Bond Counsel, the Owner, the Financial Advisor, the Underwriter or counsel to any of them takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

\$4,300,000*

GLADDEN FARMS (PHASE II) COMMUNITY FACILITIES DISTRICT
(MARANA, ARIZONA)
GENERAL OBLIGATION BONDS, SERIES 2021

(CUSIP BASE NUMBER 37642N)

This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered by Gladden Farms (Phase II) Community Facilities District (the “Issuer”), in connection with the issuance of the captioned municipal securities (the “Securities”) for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries), or any person that is treated as the owner of any of the Securities for federal income tax purposes.

Section 1. Definitions.

“Annual Report” shall mean any annual report provided by the Issuer pursuant to, and as described in, Section 2.

“Authorizing Document” shall mean the resolution or resolutions authorizing the issuance of the Securities.

“Dissemination Agent” shall mean any agent which has executed a dissemination agent agreement with the Issuer and such successors and assigns of such agent.

“EMMA” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“Financial Obligation” shall mean 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 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 Municipal Securities Rulemaking Board consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 3(a).

“Notice of Listed Event” shall mean any notice provided by the Issuer pursuant to, and as described in, Section 3 herein.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

* *Subject to change.*

Section 2. Contents and Provision of Annual Reports.

(a) (i) ***SUBJECT TO ANNUAL APPROPRIATION TO COVER THE COSTS OF PREPARATION AND MAILING THEREOF, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN FEBRUARY 1 OF EACH YEAR, COMMENCING FEBRUARY 1, 2022, PROVIDE THROUGH EMMA AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION.***

(ii) ***IF THE ISSUER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE THROUGH EMMA ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT.***

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information of the type in TABLES 2, 3 and 4 of the Official Statement, dated _____, 2021, with respect to the Securities for the preceding tax year of the Issuer.

(B) Audited financial statements for the preceding fiscal year, such statements to be prepared on the basis of generally accepted accounting principles as applied to governmental units. ***IF THE FISCAL YEAR OF THE ISSUER CHANGES, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.***

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final offering documents of debt issues of the Issuer or related public entities which have been submitted to the Municipal Securities Rulemaking Board. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) ***If audited financial statements are to be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than thirty (30) days) after such audited financial statements become available, the audited financial statements shall be provided through EMMA.***

Section 3. Reporting of Listed Events.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events (the "Listed Events") with respect to the Securities:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) 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 with respect to the tax status of the security, or other material events affecting the tax status of the security.

(vii) Modifications to rights of security holders, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the securities, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar events of the obligated person, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(xiii) The consummation of a merger, consolidation or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, 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.

(xiv) Appointment of a successor or additional trustee or the change of the name of the trustee, if material.

(xv) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(xvii) Notice of a failure of the obligated person to provide required annual financial information on or before the date specified in Section 2 above, including any non-appropriation to cover applicable costs.

(b) Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

(c) ***SUBJECT TO ANNUAL APPROPRIATION TO COVER THE COSTS OF PREPARATION AND MAILING THEREOF, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY, BUT NOT MORE THAN TEN (10) BUSINESS DAYS THEREAFTER, FILE A NOTICE OF LISTED EVENT OF EACH SUCH OCCURRENCE (LISTED IN SECTION 3(a) ABOVE) THROUGH EMMA.***

Section 4. Termination of Reporting Obligation. The obligations of the Issuer pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. ***SUBJECT TO ANNUAL APPROPRIATION TO COVER THE COSTS OF PREPARATION AND MAILING***

THEREOF, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION THROUGH EMMA AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE.

Section 5. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such 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 Issuer or type of business conducted; (ii) 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 of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as bond counsel) unaffiliated with the Issuer or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authorizing Document at the time of the amendments.

(b) The Annual Report 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 the accounting principles to be followed in preparing financial statements, the Annual Report 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 and those prepared on the basis of the former 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 on the presentation of the financial information in order to enable investors to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE ISSUER CHANGE, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.***

Section 6. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer 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 Report or Notice of Listed Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or Notice of Listed Event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Listed Event.

Section 7. Default. In the event of a failure of the Issuer to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Authorizing Document, and the sole remedy under this Undertaking in the event of any failure of the Issuer to comply with this Undertaking shall be an action to compel performance pursuant to the terms of this Undertaking.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in satisfying the obligations of the Issuer hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and, to the extent permitted by applicable law, the Issuer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties

of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Dissemination Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Dated: [Closing Date]

GLADDEN FARMS (PHASE II) COMMUNITY
FACILITIES DISTRICT

By _____
Chairman, District Board

ATTEST:

By _____
District Clerk

APPROVED AS TO FORM:

By _____
District Counsel

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture to which reference is hereby made for a more complete description of its terms.

Definitions of Certain Terms

The following are certain terms defined in the Indenture and used in this Official Statement.

“*Alternate Letter of Credit*” means an irrevocable, single-draw standby letter of credit authorizing a draw thereunder by the Depository issued by a bank, a trust company or other financial institution rated by S&P at least “BBB-” and which has a term of not less than one year from the date of its issuance, which Alternate Letter of Credit shall be the same in all other material respects (except as to expiration date) as the Letter of Credit.

“*Bond Fund*” means the fund with that name established pursuant to the Indenture.

“*Business Day*” means any day on which payments can be affected on the Fedwire System other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the place of payment or in the city where the principal corporate trust office of the Trustee or the office of the account bank of the Letter of Credit Bank is located. (If the specified date for any payment, submission, certification, determination or other action pursuant to the Indenture shall be other than a Business Day, then such payment, submission, certification, determination or other action may be made or done on the next succeeding day which is a Business Day without, in the case of any payment, additional interest (except in the event of a moratorium) and with the same force and effect as if made or done on the specified date.)

“*Debt Service*” means, collectively, (i) the principal of and interest and premium, if any, on the Bonds when due, subject to the limitations of the Refunding Act, (ii) expenses and costs of the District arising from the activities of the District (such activities being the financing of certain public infrastructure purposes including the issuance of the Bonds) including particularly, but not by way of limitation, expenses and costs for agents or third parties required to administer the Bonds, levy and collect taxes for payment of the Bonds, prepare annual audits, budgets and materials with respect to continuing disclosure and provide for any purposes otherwise related to such activities of the District and (iii) amounts due with regard to Rebate.

“*Fiscal Year*” means a period of twelve (12) consecutive months commencing on July 1 and ending on June 30 or any other consecutive 12-month period which may be established hereinafter as the fiscal year of the District for budgeting and appropriate purposes.

“*Governmental Obligations*” means (1) direct obligations of, or obligations the timely payment of principal of which is fully and unconditionally guaranteed by, the United States of America, (2) obligations described in Section 103(a) of the Internal Revenue Code of 1954 or the Code, provision for the payment of the principal of and premium, if any, and interest on which shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in Clause (1) the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the principal of and premium, if any, and interest on such obligations, and which securities described in Clause (1) are not available to satisfy any claim, including any claim of the trustee or escrow agent, or any claim of one to whom the trustee or escrow agent may be obligated which, at the time of deposit for purposes of defeasing the Bonds, have been assigned ratings in the highest rating categories of S&P or Moody’s, but in the case of both Clause (1) and Clause (2) of this paragraph, for purposes of defeasing the Bonds, only if such obligations are non-callable prior to the Maturity of the Bonds or (3) obligations, representing interest on obligations of the Resolution Funding Corporation, the payment of such interest, if other revenues are insufficient, is required to be paid from the United States Treasury, which interest obligations are stripped by the Federal Reserve Bank of New York. Governmental Obligation also includes for purposes other than defeasing the Bonds, a “no load,” open-end management investment company or trust (mutual fund), registered with the federal Securities and Exchange Commission (SEC),

meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and which money market fund invests in short term United States Treasury obligations, agencies guaranteed by the United States, and repurchase agreements secured by the same and which money market fund has a rating by S&P of “AAAm-G,” “AAm” or “AAm” or better and a rating of Moody’s of “VMIG-1” or better.

“*Holder*” when used with respect to any Bond means the person in whose name such Bond is registered in the bond register maintained by the Trustee.

“*Initial Letter of Credit*” means the irrevocable, single-draw, stand-by letter of credit issued by the Letter of Credit Bank and delivered to the Depository on the same date as the initial delivery of the Bonds, being an irrevocable obligation to make payment to the Depository of \$468,758.33*.

“*Letter of Credit*” means (a) the Initial Letter of Credit and (b) upon the issuance and effectiveness thereof, any Alternate Letter of Credit.

“*Letter of Credit Bank*” means U.S. Bank National Association, a national banking association in its capacity as issuer of the Initial Letter of Credit and not as the Trustee or as the Depository, and its successors and assigns. Upon issuance and effectiveness of any Alternate Letter of Credit, “*Letter of Credit Bank*” shall mean the issuer thereof and its successors and assigns.

“*Letter of Credit Termination Date*” means the earlier of sixty (60) days after the Letter of Credit then in effect is no longer rated at least “BBB-“ by S&P and the stated expiration date of the Letter of Credit, as extended by any applicable provisions thereof.

“*Maturity*” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by call for redemption or otherwise.

“*Opinion of Counsel*” means a written opinion of counsel who may (except as otherwise expressly provided in the Indenture) be counsel for the District and shall be acceptable to the Trustee and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

“*Outstanding*” when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except, without duplication:

1. Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
2. Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any paying agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture, or waived, or provision therefor satisfactory to the Trustee has been made;
3. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;
4. Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture; and
5. Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified in under the heading “*Defeasance*” below.

* Preliminary, subject to change.

“*Permitted Investments*” means certain investments described in the Indenture.

“*Rebate*” means the payment system established by Section 148 of the Code with respect to certain arbitrage earnings by a political subdivision on amounts treated as the proceeds of certain obligations of such political subdivision and shall include all costs and expenses incurred in connection with, and allocable to, determining the amount due pursuant to such system.

“*Redemption Date*” when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms thereof and the Indenture.

“*Redemption Price*” when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to the Indenture, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“*Stated Maturity*” when used with respect to any Bond or any installment of interest on any Bond means the date specified in such Bond as the fixed date on which the principal or such installment of interest on any such Bond is due and payable.

Trust Estate Under the Indenture

The District has granted a security interest to the Trustee in all money and investments held for the credit of the “Tax Account” of the Bond Fund and the District’s interest in the Standby Contribution Agreement and the Depository Agreement. The Trustee is required to hold all such property in trust for the benefit of all of the Holders of the Bonds.

Bond Fund

The money deposited to the Bond Fund is required to be held by the Trustee in trust and applied solely as provided in the Indenture. The District is required to deposit to the Tax Account of the Bond Fund, among other amounts, (i) amounts collected by or remitted to the District as *ad valorem* property taxes to the extent provided in the Indenture, and (ii) amounts paid for deposit therein pursuant to the Standby Contribution Agreement and the Depository Agreement. The Tax Account of the Bond Fund is required to be applied by the Trustee solely to pay Debt Service in any form and in the order described below under “Application of Moneys Collected: Second.”

Remedies under the Trust Indenture

The Trustee in its discretion, subject to the other provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Standby Contribution Agreement or the Depository Agreement or in aid of the execution of any power granted in the Indenture, the Standby Contribution Agreement, or the Depository Agreement or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce any of the rights of the Trustee or the Holders of the Bonds. The Indenture provides that, in addition to all rights and remedies of any Holder of a Bond provided therein, in the event the District defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance or the causing of the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution, the Indenture, the Standby Contribution Agreement or the Depository Agreement, the Trustee will be entitled, to the extent available pursuant to applicable law, to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the members of the Board and other officers of the District to make such payment or to observe and perform or cause the observation or performance of any covenant, obligation, or condition prescribed in the Bond Resolution, the Indenture, the Standby Contribution Agreement or the Depository Agreement. (Notwithstanding the foregoing, if the Trustee is unwilling or unable to perform any of the foregoing with respect to the Standby Contribution Agreement or the Depository Agreement and the result will be an increase of the levy of property taxes for the next Fiscal Year, the Issuer may, independently, take whatever action is necessary in the judgment of the Board to mitigate the effect in future Fiscal Years). The Indenture

contains no provision for acceleration of maturity of principal of the Bonds in the event of default. The remedy of mandamus described above would have to be exercised upon each separate default and may, therefore, prove costly, time consuming, and difficult to enforce. The rights and remedies of Holders of the Bonds and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally. See "RISK FACTORS."

If

1. default occurs in the payment of any interest on any Bond when such interest becomes due and payable, or
2. default occurs in the payment of the principal of (or premium, if any, on) any Bond at its Maturity,

then upon demand of the Trustee, the District will pay or cause to be paid to the Trustee for the benefit on the Holders of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any), but not any such amounts due in the future, and interest and, in addition thereto, such further amount as will be sufficient to cover the costs and expenses of administration and collection, including the reason-able compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the District fails to pay or cause to be paid such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, will be entitled to sue for and recover judgment against the District for the amount then so due and unpaid.

The Trustee will be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of the Indenture, and in case of a sale of the trust estate established pursuant to the Indenture and the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, will be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Bonds, for the benefit of the Holders thereof, and will be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the District will affect or impair the lien on the Indenture upon the trust estate or any rights, powers, or remedies of the Trustee thereunder, or any rights, powers, or remedies of the Holders of the Bonds.

Application of Money Collected

Any money collected by the Trustee pursuant to the "Remedies under the Trust Indenture" above, together with any other sums then held by the Trustee as part of the trust estate established pursuant to the Indenture, will be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- A. First: To the payment of all unpaid amounts due the Trustee under the applicable provisions of the Indenture;
- B. Second: To the payment of any amounts due for Rebate and then the whole amount then due and unpaid upon the Outstanding Bonds, for principal of and premium, if any, and interest on the Bonds and (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any), and in case such proceeds will be sufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest without any preference or priority, ratably according to the aggregate amount so due and
- C. Third: To the payment of the remainder, if any, to the District, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Control by Holders of the Bonds

The Holders of a majority in principal amount of the Outstanding Bonds affected thereby will have the right (subject to providing indemnity to the Trustee as described below)

1. to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, the sale of the trust estate established pursuant to the Indenture, or otherwise; and
2. to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that
 - a. such direction will not be in conflict with any rule of law or the Indenture,
 - b. the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction,
 - c. the Trustee has not determined that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, and
 - d. if the remedy requires the consent of a certain number of the Holders, such consent has been provided.

Before taking action pursuant to the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the District will reimburse the Trustee for all of the expenses of the Trustee pursuant to the Indenture.

Each Holder of any Bond by his acceptance thereof will be deemed to have agreed that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. However, the provisions of the Indenture will not apply to any suit instituted by or against the Trustee, to any suit instituted by any Holder of a Bond or group of Holders of the Bonds affected thereby, holding in aggregate more than ten percent in principal amount of the Outstanding Bonds, or to any suit instituted by any Holder of a Bond for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

Supplemental Indentures and Amendments to Certain Documents

Without the consent of the Holders of any Bonds but, if it is not in default with respect to its obligations under the Standby Contribution Agreement, with the consent of the Owner, under certain circumstances described in the Indenture, the District and the Trustee may from time to time enter into indentures supplemental to the Indenture or adopt a resolution amending the Bond Resolution or amend the Standby Contribution Agreement or the Depository Agreement (i) to correct or amplify the description of any property subject to the lien of the Indenture, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; (ii) to add to the conditions, limitations and restrictions on the authorized amount, terms, or purposes of issue, authentication and delivery of Bonds any additional conditions, limitations and restrictions thereafter to be observed; (iii) to evidence the succession of another entity to the District and the assumption by any such successor of the covenants of the District in the Bonds, the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement; (iv) to add to the covenants of the District for the benefit of the Holders of all the Bonds; (v) to allow the replacement of the

Letter of Credit with an amount of cash equal to the face amount thereof upon terms and conditions the Issuer Representative, in his sole and absolute discretion, deems appropriate including requirements for opinions of counsel on subjects he deems necessary; or (vi) to cure any ambiguity, to correct or supplement any provision in the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement which may be inconsistent with any other provisions thereof, or to make any other provisions with respect to matters or questions arising thereunder which will not be inconsistent with the provisions thereof, if such actions will not adversely affect the interests of the Holders of the Bonds.

With the consent of the Holders of not less than a majority in principal amount of the Bonds affected by such supplemental Indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement and, under certain circumstances described in the Indenture and, if it is not in default with respect to its obligations under the Standby Contribution Agreement, the consent of the Owner, the District and the Trustee may also enter into indentures supplemental to the Indenture or amendments to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement for the purpose of adding any other provisions to or changing in any other manner or eliminating any of the provisions of the Indenture, the Standby Contribution Agreement or the Depository Agreement or of modifying in another manner the rights of the Holders of the Bonds under the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement. However, no supplemental indenture or amendment, without the consent of the Holder of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of or the interest on, any Bond, or change any place of payment where, or the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the Redemption Date); (ii) reduce the percentage in principal amount of the Outstanding Bonds the consent of the Holders of which is required for any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement, or the consent of Holders of which is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences; (iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding" in the Indenture; or (iv) modify any of the provisions of the Indenture concerning approval of supplemental indentures or amendments to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement except to increase any percentage of the Holders of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement and any such determination will be conclusive upon each Holder of the Bonds, whether theretofore or thereafter authenticated and delivered under the Trust Indenture. The Trustee will not be liable for any such determination made in good faith.

Concerning the Trustee

The Trustee has undertaken to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations should be read into the Indenture against the Trustee. In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture. However, in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform on their face to the requirements of the Indenture.

No provision of the Indenture will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

1. this paragraph will not be construed to limit the effect of the preceding paragraph;
2. the Trustee will not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent;

3. the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture, the Standby Contribution Agreement or the Depository Agreement; and
4. no provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in the Indenture.

Except as otherwise provided in the Indenture:

1. the Trustee may rely and will be protected in acting or refraining from acting upon:
 - a. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper persons; and
 - b. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by the Indenture before the Trustee is to take or refrain from taking any action;
2. any request or direction of the District mentioned in the Indenture will be sufficiently evidenced by a request of the District, and any order or resolution of the District may be sufficiently evidenced by a resolution of the board of the District;
3. whenever in the administration of the Indenture the Trustee will deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action described hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate of an officer of the District;
4. the Trustee may consult with legal counsel and the written advice of such counsel will be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee under the Indenture in good faith and in reliance thereon;
5. the Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement at the request or direction of any of the Holders of the Bonds pursuant to the Indenture, unless such Holders of the Bonds shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;
6. the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry or investigation, it will be entitled to examine the books, records, and premises of the District, personally or by agent or attorney;
7. the Trustee may execute any of the trusts or powers hereunder or perform any duties under the Indenture either directly or by or through agents or attorneys, and the Trustee will not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it;

8. the Trustee shall not be required to take notice or to be deemed to have notice of any default under the Indenture, except for the defaults with respect to payment of principal of, and interest on, the Bonds, unless the Trustee is notified of such default in writing by the District or by the Holders of a majority in aggregate principal amount of the Bonds then Outstanding and, in the absence of such notices so delivered, the Trustee may conclusively assume there is no default except as aforesaid;
9. the Trustee has no obligation to perform any duties of the District with respect to maintaining federal tax exemption or arbitrage rebate requirements, and the Trustee is not bound to ascertain or inquire as to the performance or observance of any covenants or conditions on the part of the District with respect thereto. The Trustee will not be responsible for any determination or calculation concerning arbitrage rebate with respect to the Bonds, or for monitoring yields on investments held under the Indenture or determining whether the yield on any investments made in accordance with the Indenture would cause, or whether any other facts exist which would cause, any of the Bonds to become arbitrage bonds under section 148 of the Code; and
10. the Trustee will have the right to accept and act upon instructions or directions, including funds transfer instructions, pursuant to the Indenture sent by electronic means (under the circumstances described in the Indenture).

There will at all times be a trustee under the Indenture which will be a bank or trust company organized and doing business under the laws of the United States or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to, the requirements of such supervising or examining authority, then for the purposes of the Indenture the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee ceases to be eligible in accordance with the provisions of the Indenture, it will resign immediately in the manner and with the effect specified in the Indenture.

The Trustee may resign at any time by giving written notice thereof to the District. If an instrument of acceptance by a successor Trustee will not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed immediately with cause or after thirty days without cause, in either case by, if no event at default shall have occurred and be continuing, an act of the District or an act of the Holders of a majority in principal amount of the Outstanding Bonds, as applicable, delivered to the Holders, the Trustee and the District.

If at any time:

1. the Trustee ceases to be eligible under the Indenture and fails to resign after written request therefor by the District or any such Holder of a Bond, or
2. the Trustee becomes incapable of acting or adjudged insolvent or a receiver of the Trustee or of its property is appointed or any public officer takes charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in either such case, the District may remove the Trustee or subject to the provisions of the Indenture, any Holder of a Bond who has been a *bona fide* Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

If the Trustee resigns, is removed, or becomes incapable of acting, the District will promptly appoint a successor Trustee. In case all or substantially all of the trust estate held pursuant to the Indenture will be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee is appointed by the Holders of the Bonds. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee is appointed by act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the District and the retiring Trustee, then the successor Trustee so appointed will, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the District or by such receiver or trustee. If no successor Trustee is so appointed by the District or the Holders of the Bonds and has accepted appointment in the manner hereinafter provided, any Holder of a Bond who has been a *bona fide* Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

Defeasance

The Indenture, and the lien, rights, and interests created thereby, will terminate, at the request of the District, when the following conditions exist:

1. all Bonds previously authenticated and delivered under the Indenture have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding however:
 - a. Bonds for the payment of which money has been deposited with the Trustee or a paying agent, as provided by the provisions of the Indenture relating to redemption of the Bonds;
 - b. Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in the Indenture, except for any such Bond which prior to the satisfaction and discharge of the Indenture has been presented to the Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction;
 - c. Bonds, other than those referred to in the foregoing clauses, for the payment or redemption of which there has been deposited with the Trustee in accordance with the provisions of the Indenture in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal and interest to the Stated Maturity or Redemption Date of such Bonds, as the case may be; and
 - d. Bonds deemed no longer outstanding as a result of the deposit or escrow or money or Governmental Obligations as described below; and
2. the District has paid or caused to be paid all other sums payable by the District under the Indenture.

Any Bond will be deemed to be no longer Outstanding when payment of the principal of such Bond, plus interest thereon to its Maturity (whether such Maturity is by reason of the Stated Maturity or by call for redemption, if notice of such call has been given or waived or irrevocable arrangements for such notice satisfactory to the Trustee have been made) has been provided by depositing (i) money sufficient to make such payment or (ii) money and Governmental Obligations certified by an independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, provided that all necessary and proper fees, compensation and expenses of the Trustee and paying agents pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof has been provided for to the satisfaction of the Trustee. Any deposit described above must be made either with the Trustee or, if notice of such deposit is given to the Trustee, or with a state or nationally chartered bank with a minimum combined capital surplus or \$50,000,000 as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Trustee or to the paying agents in the amounts and at the times required to pay principal of

and interest on the Bonds with respect to which such deposit is made at the maturity thereof and of such interest or the Stated Maturity, as the case may be. In the event such deposit is made with respect to some but not all of the Bonds then outstanding, the Trustee is required to select the Outstanding Bonds with respect to which such deposit is made in the same manner as provided in the Trust Indenture for the selection of Bonds to be redeemed.

No such deposit will have the effect specified above, however, (i) if made during the existence of a default under the Trust Indenture, unless made with respect to all of the Bonds then Outstanding, and (ii) unless there is delivered to the Trustee an opinion of counsel to the effect that such deposit will not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose is required to be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, is required to be disbursed solely to pay the principal of and interest on such Bonds when due. No money or Governmental Obligations so deposited pursuant to this Section will be invested or reinvested unless in Governmental Obligations and unless such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be so paid, it will no longer be secured by or entitled to the benefits of the Indenture, except for purposes of any such payment from such money or Governmental Obligations.

APPENDIX F

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Town Council
Gladden Farms Phase II Community Facilities District
Town of Marana, Arizona
Marana, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund of the Gladden Farms Phase II Community Facilities District, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Gladden Farms Phase II Community Facilities District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gladden Farms Phase II Community Facilities District, Arizona, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Henry + Horne, LLP

Tempe, Arizona
December 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As management of the Gladden Farms Phase II Community Facilities District (District) we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the Town of Marana, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2020.

Formed in 2007, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the Town of Marana, Arizona (Town). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. The Marana Town Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For fiscal year ending June 30, 2020, the District's:

- Tax rate was \$2.80 per \$100 assessed valuation. The tax rate remained the same from the budgeted amount.
- Governmental funds reported a combined ending fund balance of \$25,940. Of this amount, (\$7) was in the General Fund and \$25,947 was in the Debt Service Fund.
- Governmental fund expenses were greater than revenues by \$44,841.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: 1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and 2) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Government-wide Financial Statements

The *Statement of Net Position* presents information with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. The focus on net position is important because over time, increases and decreases in net position may serve as a useful indicator of how the financial position of the District may be changing. Increases may indicate an improved financial position. However, decreases in net position may not necessarily indicate the District's financial position is deteriorating. As a result, other financial and non-financial indicators must also be considered to effectively assess the District's overall financial health.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Since economic resources measurement focus and accrual basis of accounting are used for the government-wide financial statements, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and expenses related to accrued interest).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like the Town, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use and the General funds are unassigned.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required supplementary information other than MD&A. In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the liabilities exceeded its assets at the close of the most recent fiscal year by \$1,243,832. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the Town. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The Town Council serves as the Board of Directors. However, the Town has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the Town's operations and the assets financed through the District are combined with the infrastructure of the Town. Because the capital assets are recorded in the Town's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

The following table presents a summary of the District's net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Assets		
Current Assets	\$ 45,002	\$ 304
Noncurrent Assets	52	-
Total Assets	<u>45,054</u>	<u>304</u>
Liabilities		
Current Liabilities	24,772	91
Noncurrent Liabilities	1,264,144	-
Total Liabilities	<u>1,288,916</u>	<u>91</u>
Net Position		
Restricted	(1,243,825)	-
Unrestricted	(7)	213
Total Net Position	<u>\$ (1,243,832)</u>	<u>\$ 213</u>

During the fiscal year, the District's total net position decreased by \$1,244,045.

Changes in Net Position

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Revenues		
Taxes	\$ 11,834	\$ 266
Contributions	-	-
Interest	467	-
Total Revenues	<u>12,301</u>	<u>266</u>
Expenses		
General Government	1,052,158	1,423
Debt Service	204,188	-
Total Expenses	<u>1,256,346</u>	<u>1,423</u>
Change in Net Position	(1,244,045)	(1,157)
Net Position, Beginning of Year	213	1,370
Net Position, End of Year	<u>\$ (1,243,832)</u>	<u>\$ 213</u>

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2019/20, the District's governmental funds reported expenses in excess of revenues by \$1,219,273 and an ending fund balance of \$45,054. Of the total ending fund balance, (\$7) is in the General Fund and \$45,061 is in the Debt Service Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the Town for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct public amenities including roadways and sidewalks. The District is authorized to issue bonds up to \$60,000,000.

The District general obligation bonds have a 25-year term. In the event that the District board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt

June 30, 2020 and 2019

	Governmental Activities	
	2020	2019
General Obligation Bonds	\$1,245,000	\$ -

NEXT YEAR'S BUDGET AND RATES

The fiscal year 2020/21 District budget includes a \$2.80 tax rate per \$100 of assessed value. There is no change from the rate used in the fiscal year 2019/20 budget. The levy comprises \$0.30 for operations and maintenance and \$2.50 for debt service. The levy shall be the net of all cash in excess of ten percent of the annual payments of principal and interest in the current fiscal year from the previous year remaining in the fund.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Marana Town Finance Office at 11555 West Civic Center Drive, Marana, Arizona 85653, or visit www.MaranaAZ.gov.

BASIC FINANCIAL STATEMENTS

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
YEAR ENDED JUNE 30, 2020**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes receivable	6	46	52	-	52
Internal balances	(13)	13	-	-	-
Noncurrent assets:					
Restricted cash and investments	-	45,002	45,002	-	45,002
Total assets	<u>(7)</u>	<u>45,061</u>	<u>45,054</u>	<u>-</u>	<u>45,054</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	24,772	24,772
Noncurrent liabilities:					
General obligation bonds -Due after one year	-	-	-	1,245,000	1,245,000
Bond premium	-	-	-	18,379	18,379
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,288,151</u>	<u>1,288,151</u>
FUND BALANCES (DEFICITS)					
Restricted	-	45,061	45,061	(45,061)	-
Unassigned	(7)	-	(7)	7	-
Total fund balances (deficits)	<u>(7)</u>	<u>45,061</u>	<u>45,054</u>	<u>(45,054)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances					
	<u>\$ (7)</u>	<u>\$ 45,061</u>	<u>\$ 45,054</u>		
Net Position					
Unrestricted				<u>(1,243,097)</u>	<u>(1,243,097)</u>
Total Net Position				<u>\$ (1,243,097)</u>	<u>\$ (1,243,097)</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues:					
Property tax	\$ 1,268	\$ 10,566	\$ 11,834	\$ -	\$ 11,834
Investment income	-	467	467	-	467
Total revenues	<u>1,268</u>	<u>11,033</u>	<u>12,301</u>	<u>-</u>	<u>12,301</u>
Expenditures:					
Current -					
General government	1,488	-	1,488	-	1,488
Capital outlay	-	1,050,670	1,050,670	-	1,050,670
Debt service					
Interest and fiscal charges	-	19,680	19,680	24,037	43,717
Bond Issuance Costs	-	159,736	159,736	-	159,736
Total expenditures	<u>1,488</u>	<u>1,230,086</u>	<u>1,231,574</u>	<u>24,037</u>	<u>1,255,611</u>
Excess (deficiency) of revenues over expenditures	<u>(220)</u>	<u>(1,219,053)</u>	<u>(1,219,273)</u>	<u>1,219,273</u>	<u>-</u>
Other financing sources (uses):					
Issuance of debt	-	1,245,000	1,245,000	(1,245,000)	-
Premium on bonds issued	-	19,114	19,114	(19,114)	-
Total other financing sources	<u>-</u>	<u>1,264,114</u>	<u>1,264,114</u>	<u>(1,264,114)</u>	<u>-</u>
Change in fund balances	(220)	45,061	44,841	(44,841)	-
Change in net position	-	-	-	(1,243,310)	(1,243,310)
Fund balances/Net position, beginning of year	<u>213</u>	<u>-</u>	<u>213</u>	<u>-</u>	<u>213</u>
Fund balances/Net position, end of year	<u>\$ (7)</u>	<u>\$ 45,061</u>	<u>\$ 45,054</u>	<u>\$ (1,288,151)</u>	<u>\$ (1,243,097)</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Gladden Farms Phase II Community Facilities District (District), a component unit of the Town of Marana, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. A summary of the more significant accounting policies of the District follows.

A. Reporting Entity

The Gladden Farms Phase II Community Facilities District (District) was formed by petition to the Town of Marana Town Council in December 2007. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the Town. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The Town Council serves as the Board of Directors; however, the Town has no liability for the District's debt. For financial reporting purposes, transactions of the Gladden Farms Phase II Community Facilities District are included as if the District were part of the Town's operations.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) present financial information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide financial statement amounts.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except

GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

expenditures related to claims and judgments, which are recorded on when payment is due. However, since debt service resources are provided during the current year for payment of long-term debt principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

D. Property Tax Calendar

Property taxes are levied by the District and collected by the Pima County Treasurer. All property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquent date. Pursuant to ARS, a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

Cash and investments in the Debt Service Fund at June 30, 2020, plus accrued interest, is restricted as to usage.

2. Restricted Assets

The trust indentures executed for the entire bond series issued require all cash and investments for each bond series to be held on deposit by the trustee/fiscal agents. These assets are restricted for payment of interest and trustee fees associated with the bond issues, retirement of principal balances, and to finance various capital projects.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the Town of Marana, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Net Position/Fund Balance

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amount in those funds can be spent. Nonspendable portions of fund balance consists of funds that are not in spendable form, such as inventories and prepaids, or can be legally or contractually required to be maintained intact. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted net position accounts for the portion of net position restricted by bond covenant. Unrestricted net position is the remaining net position not included in the previous category.

NOTE 2 – RECONCILIATION GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Total Fund Balance	\$ 45,054
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	
General obligation bonds payable	(1,245,000)

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Accrued interest payable	(24,772)	(1,269,772)
Issuance premium is long term in nature and amortized over the life of the bond; therefore, is not reported in the funds.		(18,379)
Total Net Position		\$ (1,243,097)

B. Amounts reported in the statement of activities are different because:

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt Issued	\$(1,245,000)	
Premium on bonds	(19,114)	\$(1,264,114)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Accrued interest	(24,772)	
Premium on bonds	735	(24,037)

Net adjustments to reconcile net changes in fund balances to change in net position.

(1,288,151)

Net change in Fund Balance

44,841

Change in Net Position

\$(1,243,310)

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the Town for operation. The District does not own or operate infrastructure.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2020, the carrying amount of the District’s deposits and bank balance was \$45,002.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned. As of June 30, 2020, the District had no deposits that were exposed to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2020, as follows:

Restricted for:	
Debt Service Fund	\$ <u>45,002</u>

B. Long-Term Liabilities

1. General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds are generally callable with interest payable semiannually.

The CFD general obligation bonds outstanding as reported in governmental activities as of June 30, 2020, were as follows:

	Outstanding June 30, 2020
\$1,245,000 CFD General Obligation Bonds, 2019 Series, due in annual installments of \$30,000 to \$80,000; through July 15, 2044; at a 3.75% to 4.125% interest rate.	\$ 1,245,000

Annual debt service requirements to maturity on the CFD general obligation bonds at June 30, 2020, are summarized as follows:

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Year ending June 30	Principal	Interest	Total
2021	\$ -	\$ 49,544	\$ 49,544
2022	30,000	48,944	78,944
2023	35,000	47,644	82,644
2024	35,000	46,244	81,244
2025	35,000	44,844	79,844
2026 – 2030	205,000	200,619	405,619
2031 – 2035	250,000	157,031	407,031
2036 – 2040	295,000	104,344	399,344
2041 – 2045	360,000	38,528	398,528
Totals	<u>\$ 1,245,000</u>	<u>\$ 737,742</u>	<u>\$ 1,982,742</u>

Changes in Long-term liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ -	\$1,245,000	\$ -	\$ 1,245,000	\$ -
Issuance Premium	-	19,114	(735)	18,379	-
	<u>\$ -</u>	<u>\$1,264,114</u>	<u>\$ (735)</u>	<u>\$ 1,263,379</u>	<u>\$ -</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss. The District's insurance protection is provided by the Arizona Municipal Risk Retention Pool. The District carries commercial insurance for \$1,000,000 per occurrence and \$2,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$1,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
Property tax	\$ 3,324	\$ 1,268	\$ (2,056)
Total revenues	<u>3,324</u>	<u>1,268</u>	<u>(2,056)</u>
Expenditures:			
Current -			
General government	3,550	1,488	2,062
Total expenditures	<u>3,550</u>	<u>1,488</u>	<u>2,062</u>
Excess (deficiency) of revenues over expenditures	<u>(226)</u>	<u>(220)</u>	<u>6</u>
Net change in fund balances	(226)	(220)	6
Fund balances (deficits), July 1, 2019	<u>-</u>	<u>213</u>	<u>213</u>
Fund balances (deficits), June 30, 2020	<u>\$ (226)</u>	<u>\$ (7)</u>	<u>\$ 219</u>

SUPPLEMENTARY INFORMATION

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE
YEAR ENDED JUNE 30, 2020**

	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
Property Taxes	\$ 27,697	\$ 10,566	\$ (17,131)
Contributions	4,031	-	(4,031)
Investment income	-	467	467
Total revenues	<u>31,728</u>	<u>11,033</u>	<u>(20,695)</u>
Expenditures:			
Capital Outlay	1,101,000	1,050,670	50,330
Debt service -			
Interest and fiscal charges	35,557	19,680	15,877
Bond issuance costs	125,200	159,736	(34,536)
Total expenditures	<u>1,261,757</u>	<u>1,230,086</u>	<u>31,671</u>
Excess (deficiency) of revenues over expenditures	<u>(1,230,029)</u>	<u>(1,219,053)</u>	<u>10,976</u>
Other financing sources (uses):			
Issuance of debt	1,255,000	1,245,000	10,000
Premium on bonds issued	-	19,114	(19,114)
Total other financing sources (uses)	<u>1,255,000</u>	<u>1,264,114</u>	<u>(9,114)</u>
Change in fund balances	24,971	45,061	20,090
Fund balances (deficits), July 1, 2019	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), June 30, 2020	<u>\$ 24,971</u>	<u>\$ 45,061</u>	<u>\$ 20,090</u>

CONTINUING DISCLOSURE INFORMATION

GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT CONTINUING DISCLOSURE INFORMATION

SEC Rule 15c2-12, as amended, requires the Town to provide Continuing Disclosure Annual Reports that include audited financial statements and other financial information for the benefit of owners and holders of bond obligations issued by the Town. The Continuing Disclosure Annual Report shall contain or incorporate by reference certain information as set forth in the Continuing Disclosure Agreements and Undertakings executed by the Town with the issuance of its municipal bond obligations.

Information in this section is provided solely pursuant to the requirements of SEC Rule 15c2-12 and Continuing Disclosure Agreements and Undertakings and include financial information that is not required for fair presentation in conformity with accounting principles generally accepted in the United States of America and is therefore unaudited and not covered by the auditor's opinion.

Annual continuing disclosure information is filed with the Municipal Securities Rulemaking Board (MSRB) for public access via their Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
CONTINUING DISCLOSURE INFORMATION**

PROPERTY TAXES LEVIED AND COLLECTED (a)

Fiscal Year	District Tax Rate (b)	District Tax Levy	Collected to June 30th of Initial Fiscal Year		Cumulative Collections as of September 30, 2020	
			Amount	% of Levy	Amount	% of Levy
2020-21	2.80	55,086	(c)	(c)	1,492	2.71%
2019-20	2.80	11,852	11,835	99.86%	11,835	99.86%
2018-19	0.30	267	267	100%	267	100.00%
2017-18	0.30	200	200	100%	200	100.00%
2016-17	0.30	173	173	100%	173	100.00%
2015-16	0.30	183	183	100%	183	100.00%
2014-15	0.30	184	184	100%	184	100.00%
2013-14	0.30	430	430	100%	430	100.00%

(a) *Taxes are collected by the Treasurer of Pima County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.*

(b) *In addition to the levy of ad valorem property taxes for the payment of Debt Service which will be levied at a rate of \$2.50 beginning in the fiscal year 2019/20, pursuant to other results of the Election, the District also is authorized to levy and collect an ad valorem property tax at a tax rate not to exceed \$0.30 per \$100 of the Net Limited Assessed Property Value on all taxable property within the boundaries of the District for operation and maintenance expenses of the District (the "Operation and Maintenance Tax"). Only the Operation and Maintenance Tax has been levied prior to fiscal year 2019/20.*

(c) *2020/21 taxes in course of collection:
First installment due 10-01-20; delinquent 11-01-20
Second installment due 03-01-21; delinquent 05-01-21*

**GLADDEN FARMS PHASE II COMMUNITY FACILITIES DISTRICT
CONTINUING DISCLOSURE INFORMATION**

DISTRICT'S NET ASSESSED LIMITED PROPERTY VALUES BY PROPERTY CLASSIFICATION

Legal Class	Description	2020-21 Net Assessed Limited Property Value	2019-20 Net Assessed Limited Property Value	2018-19 Net Assessed Limited Property Value	2017-18 Net Assessed Limited Property Value	2016-17 Net Assessed Limited Property Value
1	Commercial, Industrial, Utilities & Mines	\$ 26,836	\$ 25,857	\$ 25,888	\$ 9,055	\$ -
2	Agricultural & Vacant	1,788,258	1,081,926	62,479	57,204	57,213
3	Residential (Owner Occupied)	44,955	-	-	-	-
4	Residential Common Areas	107,329	93	50	50	50
Total		\$ 1,967,378	\$ 1,107,876	\$ 88,417	\$ 66,309	\$ 57,263

Source: *Abstract fo Billing Values by Legislative Class of Property*, Office of the Treasurer of Pima County

**ASSESSED VALUES OF MAJOR TAXPAYERS
Fiscal Year 2020-21 Major Taxpayers**

Taxpayer (a)	2020-21 Net Assessed Limited Property Value	As Percent of District's 2020-21 Net Assessed Limited Property Value
Fidelity National Title Agency Inc TR 60488	\$ 362,490	18.43%
Title Security Agency LLC TR 201820 T	295,050	15.00%
Fidelity National Title TR 60423	254,491	12.94%
Fidelity National Title TR 60480	138,774	7.05%
Title Security Agency of AZ TR 201804-S	135,375	6.88%
Title Security Agency TR 201952-S	48,997	2.49%
Title Security Agency LLC 201665-T	46,831	2.38%
Price Nicholas D & Lisa Marie CP/RS	23,019	1.17%
Navarro Ramon & Hernandez	22,724	1.16%
Moore Aaron Vincent	21,936	1.11%
Total	\$ 1,349,687	68.60%

Source: Pima County Assessor's Office

(a) Some of the major taxpayers are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file (the "Filings") with the Securities and Exchange Commission (the "Commission"). The Filings may be inspected and copied at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Copies of the Filings can be obtained from the public reference section of the Commission at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 11 Wall Street, New York NY 10005. The Filings may also be obtained through the internet on the Commission's EDGAR database at www.sec.gov. None of the District, Bond Counsel, the Financial Advisor, the Owner, the Underwriter or counsel to any of the foregoing has examined the information set for in the Filings for accuracy or completeness, nor have they assumed responsibility for the same.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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