

NEW ISSUE BOOK-ENTRY-ONLY

RATING: See "RATING" herein.

In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the Town, as mentioned under "TAX EXEMPTION" herein, interest income on the portion of each Payment and Prepayment, if any, made by the Town under the Purchase Agreement and denominated as and comprising interest income pursuant to the Purchase Agreement and received by the Owners of the Obligations is excluded from gross income for federal income tax purposes and is exempt from Arizona income taxes. Such interest income is not an item of preference to be included in computing the alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to the federal alternative minimum tax. See "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT" and "ORIGINAL ISSUE PREMIUM" herein.

\$2,550,000*

TOWN OF ORO VALLEY, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2012

DRAFT II
2/28/12

Dated: Date of Initial Delivery

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

The Town of Oro Valley, Arizona Excise Tax Revenue Obligations, Series 2012 (the "Obligations") are being executed and delivered pursuant to a Trust Agreement to be dated as of April 1, 2012* (the "Trust Agreement"), between the Town of Oro Valley, Arizona (the "Town"), and _____, as trustee (the "Trustee"), in order to provide funds to acquire, construct and install the Project (as defined herein) and to pay costs of issuance of the Obligations. The Obligations will be in fully-registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository for the Obligations. Purchases of the Obligations initially will be made in book-entry form in the book-entry-only system of DTC only through DTC participants in the amount of \$5,000 of principal due on a specific maturity date or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial interests in the Obligations. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution of such amounts to the beneficial owners of the Obligations.

The Obligations will mature on the dates and in the principal amounts and will bear interest at the rates all as set forth on the inside front cover page. Interest on the Obligations will accrue from the date of initial delivery and will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2013*, until maturity or prior redemption.

SEE INSIDE FRONT COVER PAGE FOR MATURITY SCHEDULE

The Town and DTC each reserve the right to discontinue the use of the book-entry-only system at any time. Utilization of the book-entry-only system will affect the method and timing of payment of the Obligations and the method of transfer of the Obligations. So long as the book-entry-only system is in effect, a single fully registered bond for each maturity of the Obligations will be registered in the name of Cede & Co., as nominee of DTC, through the Trustee. So long as the book-entry-only system is in effect and Cede & Co. is the registered owner of the Obligations, all references herein to owners of the Obligations will refer to Cede & Co. and not the Beneficial Owners. See APPENDIX G – "BOOK-ENTRY-ONLY SYSTEM."

The Obligations are subject to optional redemption prior to their stated maturity dates. See "THE OBLIGATIONS – Redemption Provisions" herein.

The Obligations will be payable from purchase payments (the "Payments") and prepayments, if any (the "Prepayments"), to be made by the Town pursuant to a Purchase Agreement, to be dated as of April 1, 2012*, between the Trustee, as seller, and the Town, as purchaser. The Payments and the Prepayments, together with amounts due with respect to Existing Parity Obligations and Additional Parity Obligations (both as defined herein) will be payable solely from a pledge of, and secured by a first lien on, the Excise Taxes (as defined herein) received by the Town, generally consisting of all excise, transaction, franchise, privilege and business taxes, state-shared sales and income taxes, fees for licenses and permits, bed and rental taxes and state-shared revenue-sharing which the Town presently or in the future validly imposes or receives from other entities and which are not earmarked by the contributor for a contrary or inconsistent purpose, such as motor vehicle fuel taxes. The Obligations are not secured by the Project. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS" herein.

THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE TOWN, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF AND WILL NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWN WHEN COMPUTING ITS LIMIT IMPOSED BY CONSTITUTIONAL OR STATUTORY PROVISIONS OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE TOWN, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF NOR A LIABILITY OF THE TOWN, THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF FOR PAYMENT OF THE OBLIGATIONS OTHER THAN FROM THE SOURCES PLEDGED THEREFOR.

The Obligations are offered when, as and if executed and delivered and received by the underwriter identified below (the "Underwriter"), subject to the approving opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Special Counsel, as to validity and tax exemption as described above. Certain matters will be passed upon for the benefit of the Underwriter by Greenberg Traurig, LLP, Phoenix, Arizona. It is expected that the Obligations will be available for delivery on or about April 5, 2012*.

This cover page contains certain information for convenience of reference only. It is not a summary of material information with respect to the Obligations. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision with respect to the Obligations.

* Subject to change.

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

\$2,550,000*
TOWN OF ORO VALLEY, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2012

MATURITY SCHEDULE*
Base CUSIP®⁽¹⁾ No. _____

Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP® ⁽¹⁾ No.
2013	\$ 100,000	%	%	
2014	130,000			
2015	140,000			
2016	145,000			
2017	150,000			
2018	155,000			
2019	160,000			
2020	170,000			
2021	175,000			
2022	185,000			
2023	190,000			
2024	200,000			
2025	210,000			
2026	215,000			
2027	225,000			

* *Subject to change.*

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TOWN OF ORO VALLEY, ARIZONA

TOWN COUNCIL

Dr. Satish I. Hiremath, *Mayor*
Lou Waters, *Vice-Mayor*
William Garner, *Councilmember*
Barry Gillaspie, *Councilmember*
Joseph Hornat, *Councilmember*
Mary Snider, *Councilmember*
Steve Solomon, *Councilmember*

TOWN ADMINISTRATIVE OFFICERS

Greg Caton, *Interim Town Manager*
Stacey Lemos, *Finance Director*
Julie Bower, *Town Clerk*
Tobin Rosen, Esq., *Town Attorney*
Paul Keesler, P.E., *Development and Infrastructure Services Director*
Ainsley Legner, *Parks, Recreation, Library & Cultural Resources Director*

PROFESSIONAL SERVICES

Special Counsel Gust Rosenfeld P.L.C.
Underwriter’s Counsel..... Greenberg Traurig, LLP
Trustee _____

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Town of Oro Valley, Arizona (the “Town”) or Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the “Underwriter”) to give any information or to make any representations other than those contained in this Official Statement, which includes the cover page, inside cover page and appendices hereto, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the Town’s Excise Tax Revenue Obligations, Series 2012 (the “Obligations”) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been obtained from the Town, the Arizona Department of Revenue, the Assessor and Treasurer of Pima County, Arizona, and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Town or the Underwriter.

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

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

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 overallocate or engage in transactions intended to stabilize the prices of the Obligations at levels above those which might otherwise prevail in the open market in order to facilitate their distribution. Such stabilization, if commenced, may be discontinued at any time.

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

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

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OFFICIAL STATEMENT

\$2,550,000*

TOWN OF ORO VALLEY, ARIZONA EXCISE TAX REVENUE OBLIGATIONS, SERIES 2012

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside cover page and appendices hereto, has been prepared to provide information in connection with the execution and delivery of \$2,550,000* principal amount of Town of Oro Valley, Arizona Excise Tax Revenue Obligations, Series 2012 (the "Obligations") as described herein. The Obligations will be payable solely from the Payments (as hereinafter defined), and prepayments applied towards the prepayment of the Payments, in whole or in part (the "Prepayments"), if any, to be made by the Town of Oro Valley, Arizona (the "Town"), as the purchase price for certain the acquisition, construction and installation of the aquatic facility improvements at the James D. Kriegh Park (the "Project"), as more fully described under "THE PROJECT," pursuant to a Purchase Agreement, to be dated as of April 1, 2012* (the "Purchase Agreement"), between the buyer, and _____ (the "Trustee" or "Seller"), as seller. The Obligations will be executed and delivered pursuant to the Trust Agreement, to be dated as of April 1, 2012* (the "Trust Agreement"), between the Town and the Trustee. All of the seller's interest under the Purchase Agreement, including, without limitation, the right to receive and collect from the Town under the Purchase Agreement (the "Payments") and the right to enforce the payment of Payments, will be held by the Trustee for the benefit of the registered owners of the Obligations and all obligations issued on a parity therewith. See APPENDIX D – "SUMMARIES OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS" herein.

In general, the Town will be required under the Purchase Agreement to pay the Payments for the Project which are equal to the principal and interest payable with respect to the Obligations. The Payments will be payable from a pledge of, and secured by a first lien on, the Excise Taxes (as defined herein) on a parity with the \$31,670,000 aggregate principal amount outstanding of Town of Oro Valley Municipal Property Corporation Excise Tax Revenue Refunding Bonds, Series 2003 (the "2003 Bonds"), Town of Oro Valley, Arizona Excise Tax Revenue Obligations, Series 2005 (the "2005 Obligations"), Town of Oro Valley Municipal Property Corporation Excise Tax Revenue Refunding Bonds (the "2007 Bonds") and Town of Oro Valley Excise Tax Revenue Obligations, Series 2010 (Federally Taxable – New Clean Renewable Energy Bonds – Direct Payment) (the "2010 Obligations" and, collectively with the 2003 Bonds, the 2005 Obligations, the 2007 Bonds, the "Existing Parity Obligations") and any additional parity obligations that may be issued in the future as provided in the Purchase Agreement ("Additional Parity Obligations" and, together with the Obligations and the Existing Parity Obligations, the "Parity Obligations"). See "EXCISE TAXES" and "SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS" herein.

The offering of the Obligations is made only by this Official Statement, which supersedes any other information or materials used in connection with the offering or sale of the Obligations. Accordingly, prospective purchasers of the Obligations should read this entire Official Statement before making an investment decision.

This Official Statement contains financial and other information derived from the Town's records, except for information expressly attributed to other sources. The presentation of historical information, including tables of receipts from taxes and other revenues, is intended to show recent historical information and is not to be construed as a projection or indication of future or continuing trends in the financial position or other affairs of the Town. No representation is made that past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future.

* *Subject to change.*

The achievement of certain results or other expectations contained in “forward-looking” statements in this Official Statement involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Town does not plan to issue any updates or revisions to those “forward-looking” statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

For definitions of certain words used in this Official Statement, and denoted by initial capital letters, see APPENDIX D – “SUMMARIES OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS.”

Descriptions of the authorization, purpose and terms of the Obligations and summaries of certain provisions of the Purchase Agreement and the Trust Agreement are included in this Official Statement. Such descriptions and summaries are not comprehensive or definitive, and all summaries of and references to the Purchase Agreement and the Trust Agreement appearing herein are qualified by reference to the full text of such documents. References herein to the Obligations are qualified by reference to the form thereof as set forth in the Trust Agreement. Copies of the full texts of the Purchase Agreement and the Trust Agreement are available for inspection at the office of the Trustee, _____, Attention: _____.

THE OBLIGATIONS

General Provisions

The Trustee will prepare, execute and deliver the Obligations in the aggregate principal amount of \$2,550,000* evidencing undivided proportionate ownership interests in the Payments and, if any, the Prepayments. The Obligations will be dated as of the date of their initial delivery and will mature on the dates and will bear interest at the rates per annum shown on the inside front cover page hereof payable January 1 and July 1 of each year (each an “Interest Payment Date”), commencing January 1, 2013*.

The Obligations will initially be registered only in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), under the book-entry-only system described in APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM” (the “Book-Entry-Only System”). Beneficial ownership interests in the Obligations may be purchased through direct and indirect participants of DTC in amounts of \$5,000 of principal due on a specified maturity date or integral multiples thereof. See APPENDIX G – “BOOK-ENTRY-ONLY SYSTEM.”

So long as the Book-Entry-Only System is in effect, payment of principal, interest and premium, if any, will be made by electronic funds transfer to DTC for payment by DTC through DTC participants to beneficial owners of the Obligations (the “Owners” or “Beneficial Owners”).

Interest with respect to the Obligations will accrue from the dated date of the Obligations, or from the most recent Interest Payment Date to which interest has been paid or duly provided. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

See “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT” and “ORIGINAL ISSUE PREMIUM” herein for a discussion of the treatment of the interest on the Obligations for federal income tax purposes.

* *Subject to change.*

Redemption Provisions*

Optional Redemption. The Obligations maturing on or before July 1, 20__ will not be subject to redemption prior to their stated maturity. The Obligations maturing on or after July 1, 20__, will be subject to redemption prior to their stated maturity, in whole or in part, on any date on or after July 1, 20__ from such maturities as may be selected by the Town and by lot within any maturity by such methods as may be selected by the Trustee, from Prepayments made at the option of the Town, at a redemption price equal to the principal amount of the Obligations or portions thereof to be redeemed, together with accrued interest to the date fixed for redemption, but without premium.

Notice of Redemption. If the Book-Entry-Only System is in effect, the Trustee will send notice of redemption to DTC in the manner required by DTC. If the Book-Entry-Only System is not in effect, the Trustee will send notice of redemption by first class mail to the Owners of Obligations to be redeemed, at least thirty (30) days, but not more than sixty (60) days prior to the redemption date. Notice of redemption will also be sent to the Municipal Securities Rulemaking Board (the "MSRB"), currently through MSRB's Electronic Municipal Market Access system, by the method required by the MSRB, but no defect in said further notice or record nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

Such notice must specify: (i) that the Obligations or a designated portion thereof will be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, and (iv) in the case of each Obligation called only in part, the portion of the principal thereof which is to be redeemed. Such notice will further state that if, on the specified redemption date, moneys for redemption of all said Obligations to be redeemed, together with interest to the date of redemption, will be held by the Trustee, then, from and after such date of redemption, interest with respect to the Obligations so called shall cease to accrue and become payable.

If moneys for the payment of the redemption price and accrued interest are not held in separate accounts by the Town or by a Trustee prior to sending notice of redemption, such redemption will be conditional on such moneys being so held on or prior to the date set for redemption and if not so held by such date, the redemption will be cancelled and be of no force and effect. The notice of redemption will describe the conditional nature of the redemption. If a conditional redemption notice has been given and moneys sufficient to redeem all the Obligations or portions thereof called for redemption is not held in separate accounts by the Town or by a Trustee on the day set for redemption, then such redemption will be cancelled and be of no force and effect.

Partial Redemption of Obligations. Upon surrender of any Obligation redeemed in part only, the Trustee is required to execute and deliver to the registered Owner thereof, at the expense of the Town, a new Obligation or Obligations in an amount equal to the aggregate principal amount of the unredeemed portion of the Obligations surrendered and of the same interest rate and of the same maturity.

THE PROJECT

The Project will consist of the expansion of the current Town Municipal Pool facilities and other related improvements located at James D. Kriegh Park, a 17-acre property located within the limits of the Town to accommodate present and future needs of the Town. Included in the scope of the Project are design and development of architectural and engineering plans and specifications, production of bid documents, all construction and development costs, construction management, and the purchase of fixtures, equipment and furnishings. The Project will include improvements to gutter system, addition of six-lane, 25 yard lap pool, scoreboard and timing system, shaded bleacher area and additional shade structure throughout, interactive splash pad and remodeling restrooms and changing rooms.

No part of the Project will constitute security for payment of the Obligations. In the event of a default under the Trust Agreement or the Purchase Agreement, neither the Trustee nor the Owners of the Obligations will have any recourse to the Project.

* *Subject to change.*

SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS

General

The Obligations will be payable, together with the Existing Parity Obligations and any Additional Parity Obligations, from and secured by a pledge of and first lien on, Excise Taxes. The Obligations will be special revenue obligations, payable solely from the Payments and, if any, the Prepayments, received by the Trustee from the Town under the Purchase Agreement, and amounts from time to time deposited in the funds created under the Trust Agreement, and investment earnings on such funds (except for any investment earnings that are required to be rebated to the United States of America (the "United States") in order to continue the exclusion of the interest payable with respect to the Obligations from gross income for federal income tax purposes). See APPENDIX D – "SUMMARIES OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS." The Trustee will hold its right, title and interest in the Purchase Agreement for the benefit of the Owners of the Obligations pursuant to the Trust Agreement.

THE OBLIGATIONS WILL NOT BE GENERAL OBLIGATIONS OF THE TOWN, THE STATE OF ARIZONA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF AND DO NOT AND WILL NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWN WHEN COMPUTING ITS LIMIT IMPOSED BY CONSTITUTIONAL OR STATUTORY PROVISIONS OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF NOR A LIABILITY OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF FOR PAYMENT OF THE OBLIGATIONS OTHER THAN FROM THE SOURCES PLEDGED THEREFOR.

Covenant to Maintain Debt Service Coverage

In the Purchase Agreement, the Town will covenant and agree that the Excise Taxes that it presently imposes will continue to be imposed so that the amount of Excise Taxes received, all within and for the next preceding fiscal year, shall be equal to at least two (2.0) times the total debt service requirements in the current fiscal year for all outstanding Parity Obligations. The Town will further covenant and agree that if receipts for any fiscal year shall not equal two (2.0) times such debt service requirements for such fiscal year, or it at any time it appears that the current fiscal year's receipts will not be sufficient to meet such fiscal year's actual debt service requirements, it will, to the extent permitted by law, either impose new Excise Taxes or increase the rates of such taxes currently imposed in order that (i) the current fiscal year's receipts will be sufficient to meet all such current fiscal year's debt service requirements and (ii) the then current fiscal year's receipts will be equal to at least two (2.0) times the next succeeding fiscal year's debt service requirements. See "EXCISE TAXES" herein.

Reserve Fund

The Trust Agreement will establish a reserve fund to secure payment of the Obligations (the "Reserve Fund"), but provides that no deposits need to be made into the Reserve Fund if the Excise Taxes collected for the preceding fiscal year are at least two and one-half (2.5) times the highest aggregate debt service requirements on all Parity Obligations for the current or any future fiscal year. In the event that the Excise Taxes collected for the preceding fiscal year are less than two and one-half (2.5) times the highest aggregate debt service requirements on all Parity Obligations for the current fiscal year, the Town shall deposit into the Reserve Fund, on each Interest Payment Date, one-tenth (1/10th) of highest aggregate debt service requirements on any Parity Obligations, except any for which a separate reserve fund is established or for which no reserve fund is required, until the amount in the Reserve Fund equals the Reserve Fund Requirement.

Additional Parity Obligations

Trust Agreement Provisions. The Town may issue one or more series of Additional Parity Obligations under the Trust Agreement. At the time of issuance of Additional Parity Obligations, the Town must enter into an amendment to the Purchase Agreement or new lease or purchase agreement which will provide the additional payments necessary to pay the additional debt service on the Additional Parity Obligations.

Purchase Agreement Provisions. The Town will covenant in the Purchase Agreement not to further encumber the Excise Taxes on a basis equal to the lien enjoyed by the Purchase Agreement, so long as the Purchase Agreement remains unpaid or unprovided for, whether under the Trust Agreement or otherwise, unless the Excise Taxes collected in the next preceding fiscal year shall have amounted to at least two (2.0) times the highest combined Payments to be made for any succeeding twelve (12) months under the Purchase Agreement and any payments to be made on any other Parity Obligations then outstanding and any obligations then proposed to be secured by a pari passu pledge of the Excise Taxes.

Junior Lien Obligations

Neither the Trust Agreement nor the Purchase Agreement will restrict the Town's ability to issue or incur obligations which are secured by Excise Taxes on a basis junior and subordinate to the lien and pledge of Excise Taxes to the Obligations and other Parity Obligations.

EXCISE TAXES

Pursuant to the Purchase Agreement, the Town’s pledge of excise taxes to the payment of Payments includes the Town’s unrestricted excise, transaction, franchise (“Franchise Taxes”), privilege and business taxes, state-shared sales (“State-Shared Sales Taxes”) and state-shared income taxes (“State-Shared Income Taxes” and together with the State-Shared Sales Taxes, the “State-Shared Revenues”), fees for licenses and permits, bed and rental taxes and state revenue-sharing, now or hereafter validly imposed by the Town or contributed, allocated and paid over to the Town and not earmarked by the contributor for a contrary or inconsistent purpose, such as motor vehicle fuel taxes (“Excise Taxes”). NO ASSURANCES CAN BE GIVEN THAT THE AMOUNT OF STATE-SHARED SALES TAXES OR STATE-SHARED INCOME TAXES WILL NOT BE REDUCED OR ELIMINATED BY THE LEGISLATURE OF THE STATE IN THE FUTURE. The major categories of such revenues are discussed more fully below.

Town Sales and Franchise Taxes

Town Sales Taxes. Town Sales Taxes are levied by the Town upon persons on account of their business activities within the Town. The amount of taxes due are calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in the table hereafter. Town Sales Taxes are collected by the Arizona Department of Revenue and remitted to the Town on a monthly basis.

**TABLE 1
TOWN TRANSACTION PRIVILEGE (SALES) TAX RATES BY CATEGORY**

Category	Rate
Mining – nonmetal	2.0%
Utilities	4.0
Communications	2.0
Transporting	2.0
Private (rail) car	2.0
Pipeline	2.0
Publication	2.0
Job printing	2.0
Restaurants and bars	2.0
Amusement	2.0
Personal property rental	2.0
Contracting – prime	2.0
Retail	2.0
Severance – metalliferous mining	2.0
Contracting – owner builder	4.0
Hotel/Motel	6.0
Construction contracting	4.0

Source: Arizona Department of Revenue.

Franchise Taxes. Cities and towns in the State have exclusive control over public rights-of-way dedicated to the municipality and may grant franchise agreements to and impose Franchise Taxes on utilities using those rights-of-way. A franchise may be granted only with voter approval, with the exception of cable television franchises which due to federal law do not require voter approval. The term of voter approved franchises is limited to 25 years. The Town has granted franchises to, and imposed Franchise Taxes on, cable television franchises.

TABLE 2 shows the actual amounts for fiscal years 2006/07 through and including 2010/11 and the budgeted amounts for fiscal year 2011/12 of Town Sales and Franchise Taxes collected by industry classification.

TABLE 2
TOWN SALES AND FRANCHISE TAX COLLECTIONS
BY INDUSTRY CLASSIFICATION
(\$000s omitted)

Industry Classification	Audited					Budgeted (b)
	Fiscal Year 2006/07	Fiscal Year 2007/08	Fiscal Year 2008/09	Fiscal Year 2009/10	Fiscal Year 2010/11	Fiscal Year 2011/12
Construction	\$ 6,895	\$ 7,038	\$ 5,143	\$ 2,110	\$ 1,707	\$ 2,200
Manufacturing	181	280	230	230	266	230
Transportation, communication and util	226	1,279(c)	1,632(c)	1,554(c)	1,534(c)	2,853(d)
Wholesale trade	58	69	54	75	93	95
Retail trade	3,665	4,017	4,264	4,544	4,720	4,668
Restaurant, bars and lodging	2,720	2,775	2,333	2,283	2,314	2,296
Finance, insurance and real estate	859	496	324	381	324	265
Services	313	312	322	378	417	390
All other	167	337	896	627	102	70
Cable franchise tax	478	517	507	509	515	500
Total	\$ 15,562	\$ 17,120	\$ 15,705	\$ 12,691	\$ 11,992	\$ 13,567

(a) *Figures are presented on the cash basis of accounting per the Arizona Department of Revenue Standard Industry Summary Local Taxes Collection Reports for all classifications except cable franchise. Cable franchise taxes are presented on the modified accrual basis of accounting.*

(b) *Budgeted figures provided by the Town. Such budgeted figures are “forward-looking” statements and should be analyzed with an abundance of caution and are not intended as statements or representations of fact or certainty; no representation is made as to the correctness of such estimates or that they will be realized. SUCH BUDGETED FIGURES MUST BE VIEWED WITH AN ABUNDANCE OF CAUTION. Actual figures may vary significantly from budgeted figures shown here.*

(c) *Includes 2.0% utilities tax effective April 1, 2007.*

(d) *Includes increase in utilities tax to 4.0%, effective August 1, 2011.*

Source: Finance Department of the Town.

State-Shared Revenues

From time to time bills are introduced in the State Legislature to make changes in the formula to allot the State-Shared Revenues. The Town cannot determine whether any such measures will become law or how such measures might affect the revenues that comprise the State-Shared Revenues. In addressing State budgetary deficiencies, the Governor and members of the State Legislature have occasionally proposed certain adjustments that would reduce the distribution of the State-Shared Revenues to cities, towns and counties. The Town cannot determine whether such measures will become law in the future or how they might affect the State-Shared Revenues.

In addition, initiative measures may be circulated from time to time seeking to place on the ballot changes in State law which repeal or modify the State-Shared Revenues. The Town cannot predict if any such initiative measures

will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

State-Shared Income Taxes. Under current State law, Arizona cities and towns are preempted from imposing a local income tax. However, cities and towns are entitled by statutory formula to receive typically 15.0% of the net revenues of the State’s personal and corporate income tax collections for the two fiscal years prior to the current fiscal year. Distribution of such funds is made monthly based on the proportion of each city’s or town’s population to the total population of all incorporated cities and towns in the State as determined by the latest census. Reduced economic activity or reductions in the statutory formula share could adversely affect the Town’s revenues.

State-Shared Sales Taxes. Pursuant to statutory formula, cities and towns in Arizona receive a portion of the State-levied transaction privilege (sales) tax. The State transaction privilege (sales) tax is levied against the same categories of business activity as the Town’s transaction privilege (sales) tax with the exception of food sales, which the State exempts from tax. As TABLE 4 indicates, the rate of taxation by the State varies among the different types of business activities taxed, with the most common effective rate being subject to the hereinafter described distribution share being 6.60% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25.0% of the “distribution share” of revenues attributable to each category of taxable activity. The allocation of each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest decennial or special census. State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns.

**TABLE 3
TAXABLE ACTIVITIES, TAX RATES AND DISTRIBUTION SHARE**

Taxable Activities	State Transaction Privilege (Sales) Tax Rates				
	State Tax Rate	Distribution Base	0.60% Education Tax Rate (a)	1.00% Temporary Tax Rate (b)	Combined Tax Rate
Transporting	5.000%	20.00%	0.60%	1.00%	6.600%
Utilities	5.000	20.00	0.60	1.00	6.600
Telecommunications	5.000	20.00	0.60	1.00	6.600
Pipeline	5.000	20.00	0.60	1.00	6.600
Private car line	5.000	20.00	0.60	1.00	6.600
Publication	5.000	20.00	0.60	1.00	6.600
Job printing	5.000	20.00	0.60	1.00	6.600
Prime contracting	5.000	20.00	0.60	1.00	6.600
Owner builder sales	5.000	20.00	0.60	1.00	6.600
Amusement	5.000	40.00	0.60	1.00	6.600
Restaurant	5.000	40.00	0.60	1.00	6.600
Personal property rental	5.000	40.00	0.60	1.00	6.600
Retail (excluding food sales)	5.000	40.00	0.60	1.00	6.600
Transient lodging	5.500	50.00	N/A	1.00	6.500
Mining - non-metal, oil/gas	3.125	32.00	N/A	N/A	3.125
Commercial lease	0.000	53.33	N/A	N/A	0.000
Severance - metalliferous mining	2.500	80.00	N/A	N/A	2.500
Use tax utilities	5.000	20.00	0.60	1.00	6.600
Jet fuel use tax	(c)	40.00	N/A	N/A	(c)

N/A = Not applicable.

- (a) Represents the State transaction privilege (sales) tax rate approved by voters of the State in November 2000 (the “Education Tax”) on certain of the categories of business activity at six-tenths of one percent (0.6%). **The Education Tax collections are dedicated exclusively to education and are not distributed to the Town or pledged to the payment of debt service with respect to the Obligations.** The effective dates for the Education Tax are June 1, 2001 through June 30, 2021.
- (b) Represents the State transaction privilege (sales) tax rate approved by voters of the State in May 2010 (the “Temporary Tax”) on certain of the categories of business activity at one percent (1.0%). **Two-thirds of the Temporary Tax collections are dedicated exclusively to primary and secondary education and the remaining one-third is dedicated exclusively to health and human services and public safety purposes. The Temporary Tax collections are not distributed to the Town or pledged to the payment of debt service with respect to the Obligations.** The effective dates for the Temporary Tax are June 1, 2010 through May 31, 2013.
- (c) Does not include \$0.0305 per gallon State tax on the retail sale of jet fuel, which tax is only levied on the first ten million gallons sold to each purchaser in each calendar year.

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

Actual and Projected Collections

TABLE 4 sets forth the Town’s actual Excise Tax collections for fiscal year 2006/07 through and including 2010/11 and the budgeted collections for fiscal year 2011/12.

**TABLE 4
HISTORICAL AND PROJECTED EXCISE TAX COLLECTIONS**

Category	Audited (a)					Budgeted (b)
	Fiscal Year 2006/07	Fiscal Year 2007/08	Fiscal Year 2008/09	Fiscal Year 2009/10	Fiscal Year 2010/11	Fiscal Year 2011/12
Town sales and Franchise Taxes (c)	\$ 17,352	\$ 17,686	\$ 15,883	\$ 12,553	\$ 11,576	\$ 12,401
Licenses and permits	2,369	2,793	1,508	1,055	1,013	1,127
Fines	215	250	286	202	196	190
State-Shared Sales Taxes	3,745	3,621	3,135	2,899	3,024	3,103
State-Shared Income Taxes	4,473	5,545	5,886	5,087	3,835	3,462
Total	<u>\$ 28,154</u>	<u>\$ 29,895</u>	<u>\$ 26,698</u>	<u>\$ 21,797</u>	<u>\$ 19,644</u>	<u>\$ 20,282</u>

- (a) Figures are presented on the cash basis of accounting per the Arizona Department of Revenue Standard Industry Summary Local Taxes Collection Reports for all classifications except cable franchise. Cable franchise taxes are presented on the modified accrual basis of accounting.
- (b) Budgeted figures provided by the Town. **Such budgeted figures are “forward-looking” statements and should be analyzed with an abundance of caution and are not intended as statements or representations of fact or certainty; no representation is made as to the correctness of such estimates or that they will be realized. SUCH BUDGETED FIGURES MUST BE VIEWED WITH AN ABUNDANCE OF CAUTION.** Actual figures may vary significantly from budgeted figures shown here.
- (c) Includes one-time sales tax audit recovery revenues.

Source: Finance Department of the Town.

ESTIMATED DEBT SERVICE REQUIREMENTS AND COVERAGE

The following table illustrates the pledged Excise Taxes for fiscal year 2010/11, the combined outstanding debt service on the Existing Parity Obligations, the estimated debt service on the Obligations and the projected Excise Tax debt service coverage for fiscal years 2011/12 through and including 2026/27. *Projections of Excise Taxes and debt service coverage are “forward-looking” statements which may not be realized and must be viewed with an abundance of caution.* See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS”.

TABLE 5
ESTIMATED DEBT SERVICE REQUIREMENTS AND COVERAGE (a)

Fiscal Year	Pledged Excise Taxes (b)	Combined Outstanding Debt Service (c)	The Obligations		Estimated Combined Debt Service*	Projected Excise Tax Debt Service Coverage (e)
			Principal*	Estimated Interest (d)		
2010/11	\$ 19,643,970					
2011/12		\$ 2,815,769			\$ 2,815,769	6.98x
2012/13		2,809,835	\$ 100,000	\$ 134,265(f)	3,044,100	6.45x
2013/14		3,132,365	130,000	104,125	3,366,490	5.84x
2014/15		3,302,543	140,000	98,600	3,541,143	5.55x
2015/16		3,292,517	145,000	92,650	3,530,167	5.56x
2016/17		3,283,593	150,000	86,488	3,520,081	
2017/18		2,993,556	155,000	80,113	3,228,669	
2018/19		2,989,237	160,000	73,525	3,222,762	
2019/20		3,515,491	170,000	66,725	3,752,216	5.24x
2020/21		2,629,130	175,000	59,500	2,863,630	
2021/22		2,627,705	185,000	52,063	2,864,767	
2022/23		2,621,457	190,000	44,200	2,855,657	
2023/24		2,610,072	200,000	36,125	2,846,197	
2024/25		2,614,769	210,000	27,625	2,852,394	
2025/26		2,214,133	215,000	18,700	2,447,833	
2026/27		175,874	225,000	9,563	410,436	
		<u>\$ 43,628,044</u>	<u>\$ 2,550,000</u>			

* Subject to change.

(a) Prepared by the Underwriter.

(b) Represents the actual Excise Tax collections for fiscal year 2010/11.

(c) Represents outstanding gross debt service on the Existing Parity Obligations. Interest is without reduction for the federal interest subsidy payments related to the 2010 Obligations.

(d) Interest is estimated at 4.25%.

(e) Projected coverage for fiscal years 2011/12 and thereafter are determined using pledged fiscal year 2010/11 Excise Taxes. The Purchase Agreement provides that the Town shall not encumber the Excise Taxes on a basis equal to the first lien pledge unless the Excise Taxes in the next preceding fiscal year shall have

amounted to at least two (2) times the highest combined Payments to be made for any succeeding period and any payments to be made on any Parity Obligations outstanding or proposed to be secured by a parri passu pledge of Excise Taxes. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”

- (f) The first interest payment on the Obligations will be due on January 1, 2013*. Thereafter, interest payments will be made semiannually on July 1 and January 1 until the final maturity or prior redemption of the Obligations.

SOURCES AND USES OF FUNDS

Sources of Funds

Par amount	\$2,550,000.00*
Net Original Issue Premium / Discount (a)	_____
Total Sources of Funds	\$ _____

Uses of Fund

Acquisition and Construction Fund	\$ _____
Delivery Costs Fund	_____
Total Uses of Fund	\$ _____

* Subject to change.

- (a) Net of Underwriter’s compensation.

TOWN GENERAL FUND

TABLE 6 sets forth the Town's general fund revenues, expenditures, other financing sources and uses, excess of revenues and other sources over expenditures and other uses, and beginning and ending general fund balances for the fiscal years indicated. Figures for fiscal years 2006/07 through and including 2010/11 are taken from the audited financial statements of the Town which are prepared using generally accepted accounting principles. Figures for fiscal year 2011/12 are budgeted figures as provided by the Finance Department of the Town. ***Budgeted figures are "forward-looking" statements that may not be realized and should be viewed with an abundance of caution.*** Historical trends should not be used to indicate future trends.

**TABLE 6
TOWN OF ORO VALLEY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE**

	Audited (a)					Budgeted (b)
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
FUND BALANCE AT BEGINNING OF YEAR	\$ 14,080,635	\$ 18,477,706	\$ 16,666,388	\$ 15,940,438	\$ 11,904,429	\$ 9,561,226
REVENUES						
Taxes	\$ 13,550,372	\$ 13,795,333	\$ 12,969,425	\$ 12,552,869	\$ 11,575,674	\$ 12,401,316
Intergovernmental grants and aid	11,234,763	11,773,977	11,858,767	10,725,866	9,960,865	9,872,457
Fines and forfeitures	215,500	294,577	341,438	202,144	195,993	190,000
Licenses and permits	2,328,450	2,761,145	1,482,735	1,055,270	1,013,392	1,126,894
Charges for services	965,134	983,094	1,011,182	913,638	875,881	1,237,851
Contributions and donations	-	-	1,000	59	15,000	-
Investment earnings	791,301	744,393	226,270	62,200	29,305	22,000
Other	114,632	276,611	193,665	183,552	255,605	157,500
TOTAL REVENUES	<u>\$ 29,200,152</u>	<u>\$ 30,629,130</u>	<u>\$ 28,084,482</u>	<u>\$ 25,695,598</u>	<u>\$ 23,921,715</u>	<u>\$ 25,008,018</u>
ADJUSTMENTS						
Operating transfer in	\$ -	\$ -	\$ -	\$ -	\$ 616,338	\$ 1,125,926
Operating transfer out	(1,625,640)	(5,959,581)	(1,721,266)	(4,183,686)	(178,682)	(223,352)
TOTAL FUNDS AVAILABLE FOR EXPENDITURES	<u>\$ 41,655,147</u>	<u>\$ 43,147,255</u>	<u>\$ 43,029,604</u>	<u>\$ 37,452,350</u>	<u>\$ 36,263,800</u>	<u>\$ 35,471,818</u>
EXPENDITURES						
Current						
General government	\$ 6,416,623	\$ 7,992,477	\$ 8,925,224	\$ 8,912,829	\$ 9,415,109	\$ 7,470,198
Public safety	11,737,901	13,511,713	14,200,797	12,919,307	11,784,077	11,992,896
Culture and recreation	3,052,171	3,291,775	3,382,023	3,157,369	3,031,520	6,174,881
Capital outlay	1,970,746	1,684,902	581,122	558,416	1,025,956	452,617
TOTAL EXPENDITURES	<u>\$ 23,177,441</u>	<u>\$ 26,480,867</u>	<u>\$ 27,089,166</u>	<u>\$ 25,547,921</u>	<u>\$ 25,256,662</u>	<u>\$ 26,090,592</u>
FUND BALANCE AT END OF YEAR	<u>\$ 18,477,706</u>	<u>\$ 16,666,388</u>	<u>\$ 15,940,438</u>	<u>\$ 11,904,429</u>	<u>\$ 11,007,138</u>	<u>\$ 9,381,226</u>

(a) *Although these figures are taken from audited financial statements, this table has not been audited. For further information, refer to the actual audited annual financial statements for the Town. The most recent audited financial statements for the Town are included in this Official Statement as APPENDIX C – "TOWN OF ORO VALLEY, ARIZONA – AUDITED ANNUAL GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011."*

(b) *Budgeted figures provided by the Town. Such budgeted figures are "forward-looking" statements and should be analyzed with an abundance of caution and are not intended as statements or representations of fact or certainty; no representation is made as to the correctness of such estimates or that they will be realized. SUCH BUDGETED FIGURES MUST BE VIEWED WITH AN ABUNDANCE OF CAUTION. Actual figures may vary significantly from budgeted figures shown here.*

The Town has budgeted approximately \$9.4 million in contingency/reserve for 2011/12 that is not reflected in the figures shown above. The amount is subject to change.

Source: The Finance Department of the Town.

RATING

Standard & Poor's Financial Services, LLP ("S&P"), has assigned the rating of "___" to the Obligations. Such rating reflects only the views of S&P. An explanation of the significance of a rating assigned by S&P may be obtained from S&P at 55 Water Street, New York, New York 10004. Any such rating may be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Obligations. The Town has covenanted in its continuing disclosure undertaking to provide notice of any rating changes. (See "CONTINUING DISCLOSURE.")

LITIGATION

Representatives of the Town will certify that no litigation or administrative action or proceeding is pending or, to the best of their knowledge, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Obligations or contesting or questioning the proceedings and authority under which the Obligations have been authorized and are to be issued, secured, sold, executed or delivered, or the validity of the Obligations.

TAX EXEMPTION

In the opinion of Gust Rosenfeld, P.L.C., Phoenix, Arizona, Special Counsel ("Special Counsel"), under existing laws, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the Town described below, the portion of each Payment and Prepayment, if any, made by the Town under the Purchase Agreement and denominated and comprising interest income pursuant to the Purchase Agreement and received by the owners of the Obligations will be excluded from gross income for federal income tax purposes and will be exempt from Arizona income taxes. The opinion of Special Counsel will be dated as of the date of delivery of the Obligations. A form of such opinion is included as APPENDIX E – "FORM OF APPROVING LEGAL OPINION" attached hereto.

The Internal Revenue Code of 1986, as amended (the "Code") imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Purchase Agreement from gross income for federal income tax purposes, including a requirement that the Town rebate to the federal government certain of its investment earnings with respect to the Obligations. The Town has covenanted to comply with the provisions of the Code relating to such matters. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Purchase Agreement being included as gross income for federal income tax purposes, under certain circumstances, from the date of delivery. The Obligations do not provide for an adjustment in the interest rate in the event of taxability and the event of taxability does not cause an acceleration of principal of the Obligations. The opinion of Special Counsel assumes continuing compliance with such covenants.

The Code also imposes an "alternative minimum tax" upon certain corporations and individuals. A taxpayer's "alternative minimum taxable income" ("AMTI") is its taxable income with certain adjustments. Such interest income is not an item of tax preference to be included in the AMTI of individuals or corporations.

Notwithstanding the preceding sentence, one of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess (if any) of the corporation's "adjusted current earnings" over the corporation's AMTI for the taxable year (determined without regard to such adjustment for excess book income and the alternative tax net operating loss deduction). A corporation's "adjusted current earnings" includes all tax-exempt interest, including the portion of each Payment and Prepayment, if any, made by the Town under the Purchase Agreement and denominated as and comprising interest income pursuant to the Purchase Agreement received by the owners of the Obligations for federal income tax purposes.

Although Special Counsel will render an opinion that, as of delivery of the Obligations, interest income on the Purchase Agreement will be excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Purchase Agreement may otherwise affect a Beneficial Owner's federal tax liability. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Obligations,

including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain subchapter S corporations, individuals who receive Social Security or Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax-exempt obligations, should consult their tax consultants as to the applicability of such tax consequences to the respective Beneficial Owner. The nature and extent of these other tax consequences will depend upon the Beneficial Owner's particular tax status and the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

The Purchase Agreement and the Obligations will not be "private activity bonds" within the meaning of Section 141 of the Code.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Obligations. For example, on February 13, 2012, President Obama proposed a budget for federal fiscal year 2012 that calls for a 28% across-the-board cap on the value of tax preferences, including the exclusion of interest income on State and local bonds. If enacted, a value cap on the exclusion of interest on State and local bonds would, among other things, result in additional federal income tax for tax years beginning after 2012 on taxpayers that own tax-exempt bonds or obligations, including the Obligations, if they have incomes above certain thresholds. It cannot be predicted whether or in what form any such proposal might be enacted, or whether, if enacted it would apply to obligations (such as the Obligations) issued prior to enactment. Prospective purchasers should consult with their own tax advisors regarding any legislative proposals arising from President Obama's proposed 2012 Budget of the U.S. Government and any other pending or proposed federal income tax legislation.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Obligations maturing on July 1, 20__ through and including July 1, 20__ (collectively, the "Discount Obligations"), will be less than the respective amounts payable at maturity. As a result, the Discount Obligations will be considered to be issued with original issue discount. The difference between the initial public offering price (the "Issue Price") of the Discount Obligations, and the amount payable at maturity or the payment date, as applicable, of the Discount Obligations will be treated as "original issue discount." With respect to a Beneficial Owner who purchases a Discount Obligation in the initial public offering at the Issue Price and who holds the Discount Obligation to maturity, or the payment date, as applicable, the full amount of original issue discount will constitute interest income which is not includible in the gross income of the Beneficial Owner of the Discount Obligation for federal income tax purposes and Arizona income tax purposes and that Beneficial Owner will not, under present federal income tax law and present Arizona income tax law, realize a taxable capital gain upon payment of the Discount Obligation at maturity or the payment date, as applicable.

The original issue discount on each of the Discount Obligations is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Obligation on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) ending on January 1 and July 1 (with straight-line interpolation between compounding dates). The amount of original issue discount accreting each period will be added to the Beneficial Owner's tax basis for the Discount Obligation. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Obligation. An initial Beneficial Owner of a Discount Obligation who disposes of the Discount Obligation prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accreted over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Obligation prior to maturity.

The Code contains certain provisions relating to the accretion of original issue discount in the case of subsequent Beneficial Owners of the Discount Obligations. Beneficial Owners who do not purchase the Discount Obligations in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of the ownership of Discount Obligations.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Obligation may result in certain collateral federal income tax consequences as described in "TAX EXEMPTION" herein.

Beneficial Owners of Discount Obligations in states other than Arizona should consult their own tax advisors with respect to the state and local taxes.

ORIGINAL ISSUE PREMIUM

The initial public offering price of the Obligations maturing on July 1, 20__ through and including July 1, 20__ (collectively, the “Premium Obligations”) will be greater than the amount payable on such Premium Obligations at maturity or the payment date, as applicable. An amount equal to the difference between the initial public offering price of a Premium Obligation (assuming that a substantial amount of the Premium Obligations of that maturity will be sold to the public at such price) and the amount payable at maturity, or the payment date, as applicable constitutes premium to the initial Beneficial Owner of such Premium Obligations. The basis for federal income tax purposes of a Premium Obligation in the hands of such initial Beneficial Owner must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Obligation. The amount of premium which is amortizable each year by an initial Beneficial Owner is determined by using such Beneficial Owner’s yield to maturity. Beneficial Owners of the Premium Obligations should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Obligations.

UNDERWRITING

The Obligations will be purchased by the Underwriter at the aggregate purchase price of \$_____ (the “Obligations Purchase Price”), pursuant to an “Obligation Purchase Agreement” entered into between the Town and the Underwriter. If the Obligations are sold to produce the yields shown on the inside front cover page hereof, the compensation of the Underwriter will be \$_____. The Obligation Purchase Agreement provides that the Underwriter will purchase all of the Obligations so offered if any are purchased. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing Obligations into unit investment trusts) and others at yields lower or prices higher than the public offering yields or prices stated on the inside front cover page hereof. The initial offering yields or prices set forth on the inside front cover page hereof may be changed, from time to time, by the Underwriter.

POLITICAL DONATIONS

To the best knowledge of appropriate representatives thereof, the Underwriter and Special Counsel have not made political contributions to any person who currently holds a seat on the Council of the Town with respect to their election to that seat.

RELATIONSHIP AMONG PARTIES

Special Counsel has and continues to represent the Underwriter with respect to financings other than for the Town and will continue to do so if requested in the future. Special Counsel has also previously acted as bond counsel with respect to other obligations underwritten by the Underwriter and will continue to do so if requested in the future. Greenberg Traurig, LLP, as counsel to the Underwriter (“Counsel to the Underwriter”) has represented the Underwriter with respect to the financings other than for the Town and will continue to do so if requested in the future. Counsel to the Underwriter acts as bond counsel for various municipal entities for which the Underwriter may provide financial advisor or consulting services or act as underwriter.

CONTINUING DISCLOSURE

The Town, as the “obligated person” with respect to the Obligations, has covenanted for the benefit of certain owners of the Obligations to provide certain financial information and operating data relating to the Town by not later than February 1 in each year commencing February 1, 2013 (the “Annual Reports”), and to provide notice of the occurrence of certain listed events (the “Notices”). The Annual Reports, any Notices and any other documentation or information required to be filed by such covenants will be filed by the Town with the MSRB through the MSRB’s EMMA system, all as described in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). A failure by the Town to comply with any of such covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. A failure by the Town to comply with any of such covenants could adversely affect the Obligations and specifically their market price and marketability. The Town has been and is currently in material compliance with its existing continuing disclosure requirements.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Town as of June 30, 2011, and for its fiscal year then ended, which are included as APPENDIX C of this Official Statement, have been audited by Heinfeld, Meech & Co., P.C., as stated in their opinion which appears in APPENDIX C. The Town neither requested nor obtained the consent of Heinfeld, Meech & Co., P.C. to include their report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering their opinion on the financial statements.

LEGAL MATTERS

Legal matters relating to the validity of the Obligations under Arizona law, and with regard to the tax-exempt status of the interest thereon (see “TAX EXEMPTION”) will be prepared by Special Counsel. The signed legal opinion of Special Counsel dated and premised on the law in effect only as of the date of original delivery of the Obligations, will be delivered to the Underwriter at the time of original delivery of the Obligations.

Special Counsel has provided the information under the headings “THE OBLIGATIONS,” “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS,” “EXCISE TAXES,” “TAX EXEMPTION,” “ORIGINAL ISSUE DISCOUNT,” “ORIGINAL ISSUE PREMIUM” and “CONTINUING DISCLOSURE” (excluding any information pertaining to compliance with prior undertakings) and in APPENDIX D – “SUMMARIES OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS,” APPENDIX E – “FORM OF APPROVING LEGAL OPINION” and APPENDIX F - “FORM OF CONTINUING DISCLOSURE CERTIFICATE,” in each case, as it fairly and accurately summarized the matters purported to be summarized therein. Special Counsel has not examined or attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will also express no opinion with respect thereto.

Certain legal matters will be passed upon for the Underwriter by the Counsel to the Underwriter.

The various legal opinions to be delivered concurrently with the delivery of the Obligations 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.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include a certificate confirming that, to the best knowledge, information and belief of the Town's Interim Town Manager, the description and statements contained in this Official Statement are, at the time of issuance of the Obligations, true, correct and complete in all material respects and do not contain an untrue statement of a material fact, or omit to state a material fact required to be stated therein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended, the foregoing confirmation will also encompass such supplements or amendments.

TOWN OF ORO VALLEY, ARIZONA

By: _____
Mayor

**TOWN OF ORO VALLEY, ARIZONA
GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

The following information regarding the Town is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations will be payable solely from Payments and Prepayments, if any, to be paid by the Town under the Purchase Agreement which will be secured by Excise Taxes as described under the heading “SECURITY FOR AND SOURCES OF PAYMENT OF THE OBLIGATIONS.”

General

The Town incorporated in 1974 and is located in northwestern Pima County, Arizona (the “County”). The Town is approximately six miles north of the city limits of the City of Tucson, Arizona (“Tucson”). A rural area 30 years ago, it is now a part of the Tucson Metropolitan area. The Town covers an area of approximately 35 square miles and is located at an elevation of 2,600 feet at the base of the Catalina Mountains. The following table illustrates population statistics for the Town, the County and the State.

POPULATION STATISTICS

	<u>Town of Oro Valley</u>	<u>Pima County</u>	<u>State of Arizona</u>
2011 Estimate (a)	41,153	986,081	6,438,178
2010 Census	41,011	980,263	6,392,017
2000 Census	29,700	843,746	5,130,632
1990 Census	6,670	666,957	3,665,339
1980 Census	1,489	531,443	2,716,546
1970 Census	581	351,667	1,775,399

(a) Estimate as of July 1, 2011.

Source: Arizona Department of Commerce, Population Statistics Unit and the U.S. Census Bureau.

Municipal Government and Organization

The Town government operates under the Council-Manager form of government. Policymaking and legislative authority are vested in the Town Council, which consists of a Mayor and six Councilmembers. Councilmembers are elected to four-year staggered terms. The Mayor is directly elected by the qualified voters of the Town and the Vice-Mayor is selected by the Council from among its members. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees and the hiring of the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all department heads except the Chief of Police, Town Attorney and Magistrate.

Employment and Employers

The Town's economy is linked closely with that of Tucson. Due to the Town's proximity to Tucson, the majority of the residents of the Town commute to the Tucson metropolitan area for employment. The tables hereafter illustrate several of the major employers within the Town, followed by tables of the major manufacturing employers and non-manufacturing employers of Tucson.

MAJOR EMPLOYERS Town of Oro Valley, Arizona

<u>Employer</u>	<u>Description</u>	<u>Approximate Number of Employees</u>
Ventana Medical Systems Inc.	Healthcare	1,300
Amphitheater Public Schools	Education	675
Hilton El Conquistador Golf & Tennis Resort	Resort	485
Oro Valley Hospital	Healthcare	470
Town of Oro Valley	Government	325
Fry's Food & Drug Store	Retail	260
Wal-Mart Supercenter	Retail	250
Target	Retail	125
Kohls	Retail	100
Sanofi-Aventis	Pharmaceuticals	75

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011 of the Town.

**MAJOR INDUSTRIAL EMPLOYERS
Tucson Metropolitan Area**

Employer	Service/Sector	Approximate Number of Employees
Raytheon Missile Systems	Missiles and components	10,500
ASARCO Inc.	Copper and metal mining	2,260
International Business Machines Corp. (IBM Corporation)	Software	1,350
General Dynamics Information and Technology	Military and defense components	1,070
Eurofresh, Inc.	Natural resources and mining	1,050
Ventana Medical Systems Inc.	Medical equipment	1,010
Honeywell	Aerospace products	630
Bombardier Aerospace	Aircraft maintenance and service center	630
Northrop Grumman Corp.	Military and defense components	390
Texas Instruments	Semiconductors	350
Kalil Bottling Co.	Bottling	335
Universal Avionics Systems Corp.	Avionics systems	325
Sargent Controls & Aerospace	Military aerospace components	260
Farmers Investment Co.	Mining and agriculture	250
Pepsi-Cola Bottling Co. of Tucson	Bottling	190
Coca-Cola Bottling Co.	Bottling	180

Source: *Arizona Daily Star – Star 200*, April 2011.

**MAJOR NON-MANUFACTURING EMPLOYERS
Tucson Metropolitan Area**

<u>Employer</u>	<u>Service/Sector</u>	<u>Approximate Number of Employees</u>
The University of Arizona	Education	10,480
State of Arizona	Government	8,870
Davis-Monthan Air Force Base	Military	8,460
Wal-Mart Stores, Inc.	Retail	7,310
Tucson Unified School District	Education	6,710
Pima County	Government	6,400
U.S. Army Intelligence Center & Fort Huachuca	Military	6,225
Carondelet Health Network	Healthcare	4,960
City of Tucson	Government	4,930
Tohono O'odham Nation	Tribal government	4,350
U.S. Border Patrol	Government law enforcement	3,670
Fry's Food & Drug Stores	Retail grocery	3,100
TMC Healthcare	Healthcare	2,970
Pima Community College	Education	2,340
Southern Arizona VA Health Care System	Healthcare	2,210
Sunnyside Unified School District	Education	2,145
Citi	Call Center	2,000
Amphitheater Unified School District	Education	1,925
Northwest Health System	Healthcare	1,760
U.S. Postal Service	Government mail delivery	1,900
Pascua Yaqui Tribe	Tribal government	800

Source: *Arizona Daily Star – Star 200*, April 2011.

According to the “2011, FY10 Davis-Monthan AFB Economic Impact Analysis,” released by the Public Affairs Office of the 355th Wing (the “Department”), the Base had a total economic impact on the surrounding community of over \$1.0 billion in fiscal year 2010. The military and civilian personnel employed both on and off the Base constituted an annual gross payroll of over \$482.7 million. The Department further indicates that approximately 7,100 employees were employed in a military capability by the Base, in addition to approximately 2,470 civilian employees in fiscal year 2010.

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

UNEMPLOYMENT AVERAGES

<u>Calendar Year</u>	<u>Town of Oro Valley</u>	<u>City of Tucson</u>	<u>Pima County</u>	<u>State of Arizona</u>	<u>United States of America</u>
2011	5.9%	9.2%	8.4%	9.3%	8.9%
2010	6.3	9.9	9.0	10.0	9.6
2009	5.8	9.1	8.7	9.1	9.3
2008	3.9	6.1	5.6	5.9	5.8
2007	2.5	4.0	3.7	3.8	4.6

Source: Arizona Office of Unemployment and Population Statistics, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Construction

The following charts illustrate a building permit summary for residential and non-residential construction and new housing starts for the Town.

**VALUE OF BUILDING PERMITS
Town of Oro Valley, Arizona
(\$000s omitted)**

<u>Calendar Year</u>	<u>Residential</u>	<u>Commercial and Industrial</u>	<u>Other</u>	<u>Total</u>
2011 (a)	\$ 18,913	\$ 17,621	\$ 1,711	\$ 38,245
2010	27,847	11,673	9,454	48,974
2009	25,740	12,458	2,137	40,335
2008	75,390	40,851	N/C	116,241
2007	87,800	70,829	13,940	172,569
2006	89,356	23,787	126	113,269

N/C = Some communities do not collect dollar valuations.

(a) *Data through September 2011.*

Source: Realty Studies, W.P. Carey School of Business, Arizona State University Polytechnic campus. Note that the data is obtained from county and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The issuance of a building permit does not necessarily mean that construction will commence immediately or at all.

NEW HOUSING PERMITS
Town of Oro Valley, Arizona

<u>Calendar Year</u>	<u>Total New Single-Family Housing Permits</u>
2011 (a)	36
2010	56
2009	66
2008	227
2007	346
2006	354

(a) *Data as through September 2011.*

Source: Realty Studies, W.P. Carey School of Business, Arizona State University Polytechnic campus. Note that data is obtained from county and municipal divisions which issue such permits. The issuance of a building permit does not necessarily mean that construction will commence immediately or at all.

Education

The University of Arizona (the “University”) was established in 1885 and is the oldest institution of higher education in the State. The University is also one of the largest employers in Tucson. The University has 18 colleges offering over 130 bachelor degree programs, 143 masters programs, 115 doctoral programs and three professional programs. The University had approximately 39,240 students enrolled for the fall 2011 semester. This enrollment includes students in continuing education programs, interns and residents, post-doctoral programs and on-campus non-credit students.

Also located within the Tucson metropolitan area are several campuses of the Pima County Community College District. Pima County Community College District offers two-year academic, vocational and technical programs. The fall 2011 semester enrollment was approximately 18,410 full-time students.

Tourism

The Metropolitan Convention and Visitors Bureau estimated that approximately 4 million visitors contribute approximately \$3 billion dollars to the area. The Tucson metropolitan area also attracts a significant number of vacationers and conventioners. Some recreational and sightseeing attractions within driving distance of Tucson include the Arizona-Sonora Desert Museum, Kitt Peak National Observatory, Mission San Xavier del Bac, Mount Lemmon, Organ Pipe Cactus National Monument, Saguaro National Park and Sabino Canyon. The following table illustrates the approximate number of visitors to the Organ Pipe Cactus National Monument and Saguaro National Park in the years indicated.

NUMBER OF VISITORS

<u>Calendar Year</u>	<u>Organ Pipe Cactus National Monument</u>	<u>Saguaro National Park</u>
2011	1,299,370	2,973,705
2010	1,069,282	3,000,277
2009	1,316,431	2,826,470
2008	1,507,705	2,739,181
2007	1,609,809	2,847,311

Source: The National Park Service Public Use Statistics Office, United States Department of the Interior.

Below is a partial list of the larger hotels and motels in the Tucson metropolitan area, based upon number of units.

HOTELS AND MOTELS Tucson Metropolitan Area

<u>Hotel/Motel Name</u>	<u>Number of Units</u>
JW Marriott Starr Pass Resort & Spa	575
The Westin La Paloma Resort & Spa	487
Hilton El Conquistador Golf & Tennis Resort	428
Loews Ventana Canyon Resort	398
Holiday Inn Airport	301
Radisson Suites Tucson	299
Doubletree Hotel Tucson at Reid Park	287
Hotel Tucson City Center Conference Suite Resort	267
Marriott University Park Hotel	250
Ritz-Carlton Dove Mountain	250
Westward Look Resort	244
Hilton Tucson East	232
Viscount Suites Hotel	216
Sheraton Tucson Hotel & Suites	216
Embassy Suites Hotel – Tucson International Airport	204
Omni	128

Source: *The Book of Lists 2011*, Inside Tucson Business.

Transportation

Industry, business and residents benefit from the transportation network available to the metropolitan Tucson area. Rail, air and highway facilities are developed throughout the area.

The Tucson metropolitan area is traversed by Interstates 10 and 19, as well as United States Highways 86, 89 and 93. Interstate 10 connects Tucson with Phoenix, Arizona, to the north and Los Angeles, California, to the west. Interstate 19 provides access to Nogales, Arizona, and Mexico to the south and United States Highway 86B connects with the direct route to the Gulf of California vacation areas. The Southern Pacific Railroad, as well as interstate motor freight services supplied by many carriers, facilitate the transportation of area products and supplies. Inter-city transportation service is provided by Greyhound-Trailways.

Tucson International Airport (the "TIA") provides local, regional and transcontinental air service through a number of major airlines. The TIA employs nearly 17,000 people with a payroll of \$800 million and an estimated 10,000 people work in the airport area. TIA estimates the combined impact of the TIA and aviation-related activities on local payrolls and expenditures is approximately \$1 billion.

AIRLINES SERVING TUCSON INTERNATIONAL AIRPORT

Alaska Airlines	Delta/Northwest Airlines	Sun Country Airlines
American Airlines	Frontier Airlines	United Airlines
Continental Airlines	Southwest Airlines	U.S. Airways / Lufthansa

Source: Tucson Airport Authority.

NUMBER OF PASSENGERS ARRIVING AND DEPARTING TUCSON INTERNATIONAL AIRPORT

<u>Calendar Year</u>	<u>Arrivals</u>	<u>Departures</u>	<u>Total</u>
2011	1,826,213	1,831,986	3,658,199
2010	1,869,837	1,870,838	3,740,675
2009	1,816,675	1,820,783	3,637,458
2008	2,109,175	2,116,694	4,225,869
2007	2,206,897	2,223,008	4,429,905

Source: Tucson Airport Authority.

**TOWN OF ORO VALLEY, ARIZONA
FINANCIAL DATA**

**Current Year Statistics (Fiscal Year 2011/12)
Town of Oro Valley, Arizona**

General Obligation Bonds Outstanding	None
Excise Tax Revenue Obligations Outstanding and to be Outstanding	\$ 34,220,000* (a)
Water Revenue Obligations Outstanding	30,868,694
Improvement District Bonds Outstanding	2,920,000
Primary Assessed Valuation	618,973,953 (b)
Secondary Assessed Valuation	629,340,548 (b)
Estimated Net Full Cash Value	5,428,492,256 (c)

The Town's preliminary fiscal year 2012/13 secondary assessed valuation is estimated at \$592,761,968, a decrease of approximately 5.8% from the fiscal year 2011/12 secondary assessed valuation. The Town's preliminary fiscal year 2012/13 primary assessed valuation is estimated at \$589,160,533, a decrease of approximately 4.8% from the fiscal year 2011/12 primary assessed valuation. The Town's preliminary fiscal year 2012/13 estimated net full cash value is estimated at \$5,119,446,676, a decrease of approximately 5.7% from the fiscal year 2011/12 estimated net full cash value. Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 20, 2012.

* Subject to change.

(a) Includes the Obligations.

(b) State property taxes are divided into two categories: primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. These limitations do not apply with respect to secondary property taxes. See "PROPERTY TAXES – Ad Valorem Taxes -- Property Tax Assessment Ratios" for the method of determination of such categories.

(c) Estimated net full cash value is the total market value of the property less net exempt property within the Town.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue, Property Tax Rates and Assessed Values, Arizona Tax Research Association and Assessor of the County.

**General Obligation Bonds Outstanding
Town of Oro Valley, Arizona**

Total General Obligation Bonds Outstanding	<u>None</u>
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**Excise Tax Revenue Bonds Outstanding and to be Outstanding
Town of Oro Valley, Arizona**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Balance Outstanding and to be Outstanding</u>
2003	\$15,750,000	Refunding	7/1/2019	\$ 8,110,000
2005	6,215,000	Purchase land, construct municipal operations center	7/1/2025	4,845,000
2007	17,810,000	Refunding	7/1/2026	16,395,000
2010	2,445,000	Solar projects	7/1/2027	<u>2,320,000</u>
Total Excise Tax Revenue Obligations Outstanding				\$ 31,670,000
Plus: The Obligations (a)				<u>2,550,000*</u>
Net Excise Tax Revenue Obligations Outstanding and to be Outstanding				<u>\$ 34,220,000*</u>

* *Subject to change.*

(a) *Includes the Obligations.*

**Water Revenue Obligations Outstanding
Town of Oro Valley, Arizona**

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Balance Outstanding</u>
2003	\$ 31,750,000	Water system improvements	7/1/2028	\$ 22,610,000
2007 (a)	6,000,000	Water system improvements	7/1/2027	5,108,555
2009 (a)	3,403,000	Water system improvements	7/1/2029	<u>3,150,139</u>
Total Water Revenue Obligations Outstanding				<u>\$ 30,868,694</u>

(a) *Represents funds borrowed under Loan Agreements with the Water Infrastructure Finance Authority of Arizona.*

Improvement District Bonds Outstanding (a)
Town of Oro Valley, Arizona

<u>Issue Series</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity Date</u>	<u>Balance Outstanding</u>
2005	\$3,945,000	Oracle Road improvements	7/1/2021	<u>\$ 2,920,000</u>
Total Improvement District Bonds Outstanding				<u>\$ 2,920,000</u>

(a) Secured by special assessments levied on the Oracle Road Improvement District.

Other Indebtedness
Town of Oro Valley, Arizona

<u>Item</u>	<u>Payment Amount</u>	<u>Final Payment Date</u>
Copy machine	\$ 3,677	June 30, 2012
Toro mower	14,545	August 10, 2012

RETIREMENT SYSTEM

Retirement Benefits

The Town’s employees are covered by the Arizona State Retirement System (“ASRS”), a cost-sharing, multiple employee defined benefit plan. The ASRS has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: <https://www.azasrs.gov/web/FinancialReports.do>. The board for the ASRS has adopted contribution rates for fiscal year 2012 and 2013. For fiscal year 2011/11, the Town’s annual contribution was 9.85% of payroll amounts. The Town’s annual contribution for fiscal year 2011/12 is 10.10% of payroll amounts. The Town’s annual contribution for fiscal year 2012/12 is expected to be 10.48% of payroll amounts. The Town is current on its contributions to the ASRS. The increase in the ASRS’s unfunded liabilities is expected to result in increased contributions by the Town and its employees, however the specific effects cannot be determined at this time. See Note 14 in Appendix C – “TOWN OR ORO VALLEY, ARIZONA – AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011” for further discussion of the Town’s retirement plan.

Additionally, recently enacted State legislation also made changes to how the ASRS operates, which includes, effective July 1, 2011, requiring employers to pay an alternative contribution rate for retired ASRS employees that return to work, changing the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a Defined Contribution and Retirement Study Committee (as defined in the legislation) that will review the feasibility and cost to changing the current defined benefit plan to a defined contribution plan.

The contribution split to ASRS effective July 1, 2011 (explained above) was challenged by the Arizona Education Association, the American Federation of State, County and Municipal Employees, and the American Federation of Teachers. These groups filed a lawsuit on July 14, 2011 on behalf of seven plaintiffs alleging that the shift in contribution levels cannot be applied to employees who are already participating in the System under a theory that it violates the Arizona Constitution and contract law. On February 1, 2012, the Maricopa County Superior Court ruled that the law changing the contribution split that current members of the ASRS make to their pension fund is

unconstitutional. It is unknown at this time if the ASRS will appeal the decision. Currently the State legislature is considering House Bill 2264, which would return the ASRS to the previous funding system of a 50-50 split between the State and the members of ASRS. It is unknown at this time whether House Bill 2264 or similar law will become law.

The Town also contributes to the Public Safety Personnel Retirement System (the "PSPRS"), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State or a political subdivision, such as Town, thereof. The PSPRS has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at: http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm. The effect of the increase in the PSPRS's unfunded liabilities on the Town, or on the Town's and its employees' future annual contributions to the PSPRS, cannot be determined at this time. For the fiscal year ended June 30, 2011, the Town's contribution was 15.63% of payroll amounts, with the health insurance premium portion of the contribution rate set at 0.65%.

The Town also contributes to the Correctional Officers Retirement Plan (the "CORP"), a multiple-employer defined benefit pension plan that covers certain full-time state, county and municipal detention officers. The CORP is governed by a five-member board (the "Fund Manager") according to the Arizona Revised Statutes, Title 38, Chapter 5, Article 5. Benefits are established by State statute and generally provide retirement, death, disability, survivor and health insurance premium benefits. The Corrections Officer Retirement Plan ("CORP") has also reported increases in its unfunded liabilities. The CORP has reported increases in its unfunded liabilities. The most recent annual reports for the CORP may be accessed at: http://www.psprs.com/sys_corp/AnnualReports/cato_annual_rpts_corp.htm. The effect of the increase in the CORP's unfunded liabilities on the Town, or on the Town's and its employees' future annual contributions to the CORP, cannot be determined at this time. For the fiscal year ended June 30, 2011, the Town's contribution was 7.96% of payroll amounts, with the health insurance premium portion of the contribution rate set at 0.37%.

Other Post-Employment Retirement Benefits

Beginning with the fiscal year that commenced on July 1, 2008, the Town was required to implement Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45"), which requires reporting the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, GASB 45 will require the reporting of such costs as a financial statement liability.

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

APPENDIX C

**TOWN OF ORO VALLEY, ARIZONA –
AUDITED ANNUAL GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

SUMMARIES OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Purchase Agreement and the Trust Agreement that are not described elsewhere in this Official Statement. These summaries do not purport to be comprehensive and reference should be made to the Purchase Agreement and the Trust Agreement for a full and complete statement of their provisions. All capitalized terms not defined in this Official Statement shall have the meaning set forth in the Trust Agreement.

DEFINITIONS

For the purpose of the following summaries of the Purchase Agreement and the Trust Agreement, these words and phrases have the following meanings:

“**Acquisition and Construction Fund**” means that special trust fund designated “Town of Oro Valley 2012 Project Acquisition and Construction Fund” established and administered by the Trustee.

“**Arbitrage Rebate Fund**” means fund created by the Trustee and designated the “Arbitrage Rebate Fund” in the event the Town is required to rebate any earnings and profits from the investments of the Obligations.

“**Bond Year**” means the Fiscal Year.

“**Business Day**” means a day of the year other than Saturday, Sunday or a day on which banks in the State of Arizona are authorized by law or executive order to close or on which the New York Stock Exchange is closed.

“**Buyer**” means the Town.

“**Buyer Representative**” means the Town Manager or Finance Director or any other person authorized by the Town Manger or the Town Council of the Buyer to act on behalf of the Buyer.

“**Delivery Costs Fund**” means the special trust fund designated “Town of Oro Valley 2012 Project Delivery Costs Fund” established and administered by the Trustee.

“**Event of Default**” means an event of default under the Purchase Agreement or under any Parity Obligations.

“**Independent Counsel**” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of Buyer or Trustee.

“**Maximum Annual Debt Service Requirement**” means the greatest Annual Debt Service Requirement required to be paid in any Bond Year ending then or thereafter on or under the Outstanding Parity Obligations and Obligations.

“**Moody’s**” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by Buyer by notice to Trustee.

“**Outstanding**”, when used as of any particular time with respect to Obligations, means all Obligations theretofore executed and delivered by Trustee, except:

- (1) Obligations theretofore cancelled by Trustee or surrendered to Trustee for cancellation;

- (2) Obligations for the payment of which funds or noncallable United States Obligations in the necessary amount shall have theretofore been deposited with a Depository Trustee; and
- (3) Obligations in lieu of or in exchange for which other Obligations shall have been executed and delivered by Trustee.

When used with respect to Parity Obligations, Outstanding means all such Parity Obligations except: those which have been cancelled or surrendered for cancellation; those for which payment or redemption has been irrevocably provided for with funds or noncallable United States Obligations in the necessary amount and all other actions have been taken as required under the authorizing documents for the payment thereof; and those in lieu of or in exchange for which other Parity Obligations shall have been executed and delivered pursuant to the authorizing documents.

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

“Payment Fund” means that special fund designated “Town of Oro Valley 2012 Project Payment Fund” established and administered by the Trustee.

“Permitted Investments” means those provided for in the Trust Agreement.

“Reserve Fund Guaranty” shall mean a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Reserve Fund Guarantor to pay to the Trustee upon request made by the Trustee for up to an amount stated therein for application as provided in the Trust Agreement.

“Reserve Fund Requirement” means, if the Reserve Fund is required to be funded, an amount equal to Maximum Annual Debt Service on the Obligations and any Parity Obligations for which a separate reserve fund is not established unless for which no reserve fund is required. During the 5-year build up of the Reserve Fund, if funding of the Reserve Fund is required, the Reserve Fund Requirement on any date shall be that portion of the Reserve Fund Requirement which was required to have been deposited by such date. If the Reserve Fund is not required to be funded, the Reserve Fund Requirement is \$0.00.

“Seller” means Trustee in its trust capacity as Seller under the Purchase Agreement.

“State” means the State of Arizona.

“United States Obligations” means any bonds or other obligations which are direct obligations of or fully guaranteed as to timely payment of principal, interest and any premium by the United States of America (including Refcorp Strips).

“Value at Market” or **“Market Value”** means:

(a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value determined by the Trustee based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation or Bank of America Merrill Lynch;

(b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above: the value thereof established by prior agreement among the Buyer and the Trustee.

PURCHASE AGREEMENT

Term and Payments. For the purpose of financing and causing the construction and installation of the Project by Buyer, Seller sells to Buyer and Buyer buys from Seller, the Project.

Buyer agrees to make purchase payments to Seller as follows:

On the tenth (10th) day of each month commencing _____ 10, 2012, the Town shall pay to the Trustee in the following order of priority the following amounts solely from Excise Taxes for deposit into the Payment Fund:

First: the following amounts: (i) 1/6th of the next forthcoming rental payment allocated to interest on the Obligations (except that, with respect to the first rental payment, the monthly amount shall be 1/___ of the amount of such payment allocated to interest), and (ii) 1/12th of the next maturing rental payment allocated to principal on the Obligations (except that, with respect to the first principal payment, the monthly amount shall be 1/___ of the amount of such payment allocated to principal);

Second: 100% of any monthly payment, 1/6th of any semiannual payment and 1/12th of any annual payment next due (or such other fraction necessary to provide the amount of such payment when due) to (a) the provider of any Reserve Fund Guaranty under the terms of the Reserve Fund Guaranty to reimburse such provider for amounts advanced under the Reserve Fund Guaranty and interest thereon, and (b) the Trustee to return the Reserve Fund to the Reserve Fund Requirement;

Third: 100% of any monthly payment, 1/6th of any semiannual payment and 1/12th of any annual payment due pursuant to the Purchase Agreement to the Trustee or such other person described in the Purchase Agreement.

When all of the above transfers have been made for the month, the remaining Excise Taxes not required to be transferred as set forth may be used for any lawful purpose of the Town, including debt service payments on any obligations secured by a lien and pledge on Excise Taxes subordinate to the lien and pledge of Excise Taxes securing the Obligations (as well as amounts payable pursuant to the Continuing Disclosure Certificate with respect to the Obligations). Buyer's obligation to make such payments shall be limited to payment from Excise Taxes pledged to the payment thereof by Buyer. The obligations of Buyer to make the payments from the sources described and to perform and observe the other agreements shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment. The Purchase Agreement may not be terminated by Buyer for any reason whatsoever.

Pledge of Excise Taxes, Limited Obligations. Buyer pledges its Excise Taxes for the payment of the purchase price and all other amounts payable under the Purchase Agreement. The pledge is on a parity with the pledge of and lien on such Excise Taxes for the Existing Parity Obligations. In order to secure payment of the Existing Parity Obligations, the Buyer has created a separate and special fund which shall contain only Excise Taxes and shall not contain any other moneys of the Buyer, this fund is known as the "Oro Valley Excise Tax Fund" (the "Excise Tax Fund"). The Excise Tax Fund is and shall continue to be funded solely and only from the Excise Taxes received by the Buyer and from no other source. Under no circumstances shall moneys be deposited from the Buyer's general fund to the Excise Tax Fund. The Excise Tax Fund may be reduced to zero in each month after the following amounts have been paid in the following priority: (1) amounts required to be transferred to the applicable trustee for the applicable payment fund for the Existing Parity Obligations, the Obligations and any other Parity Obligations have been transferred; (2) amounts owing to any provider of a Reserve Fund Guaranty or similar surety pursuant to any reimbursement agreement have been paid; and (3) amounts required to be deposited into any applicable reserve fund have been deposited. All payments to be made pursuant to the Purchase Agreement shall be made from the Excise Tax Fund. If at any time the moneys in the Excise Tax Fund are not sufficient to make all of the deposits and transfers required by the Purchase Agreement, the Existing Parity Obligations or any other Parity Obligations, the moneys in the Excise Tax Fund shall be distributed between the Purchase Agreement, the Existing Parity Obligations and any other Parity Obligations on a pro rata basis without regard to the existence of a reserve fund, a cash funded reserve fund or a Reserve Fund Guaranty or similar surety. Any deficiency in the Excise Tax Fund shall be made up from the first moneys thereafter received and available for such transfers under the terms of the Purchase Agreement, and the transfer of any such sum or sums to said fund or accounts as may be necessary to make up any such deficiency shall be in addition to the then current transfers required to be made pursuant hereto.

Buyer's obligation to make payments of any amounts due under the Purchase Agreement, including amounts due after default or termination, is limited to payment from Excise Taxes and shall in no circumstances constitute a general obligation of, or a pledge of the full faith and credit of, Buyer, the State of Arizona, or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any ad valorem taxes.

Parity Obligations. So long as the Obligations remain outstanding, Buyer shall not further pledge or encumber the Excise Taxes on a basis senior to the lien of the Purchase Agreement or on a parity therewith except upon compliance with the requirements therefor set out in the Trust Agreement.

Representations, Warranties and Covenants. Buyer represents, warrants and covenants that it has the power to enter into the Purchase Agreement, that the Purchase Agreement is a lawful, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, and has been duly authorized, executed and delivered by Buyer; that all required procedures for execution and performance of the Purchase Agreement, have been or will be complied with in a timely manner; that all payments will be paid when due out of funds which are legally available for such purposes.

Providing for Payment; Optional Prepayment.

- (a) Buyer may not prepay the principal component of any payment under the Purchase Agreement in full or in part prior to _____. On _____, 20__, and on any date thereafter, Buyer may fully or partially prepay the principal component of future payments. All partial prepayments of principal will be credited against principal payments coming due in the order of payment directed by Buyer. Prepayments must be made in minimum increments of principal equal to \$5,000 or any integral multiple thereof.
- (b) When a partial prepayment is made, interest shall cease to accrue from the prepayment date with respect to the principal amount so prepaid
 - (1) by paying the Payment as and when due at its scheduled due date or optional prepayment date;
 - (2) by depositing, in trust, at or before maturity or optional prepayment date, money which, together with the amounts then on deposit with Seller and available for such payment is fully sufficient to make, or cause to be made, the Payment; or
 - (3) by depositing, in trust, any noncallable United States Obligations, in such amount as shall be certified by a national firm of certified public accountants acceptable to both Trustee and Buyer, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with Trustee and available for such payment, to make, or cause to be made, such payment as and when the same becomes due and payable at maturity or optional prepayment date.

Remedies upon Default.

- (a) Upon:
 - (i) the nonpayment of the whole or any part of any Payment at the time when the same is to be paid as provided in the Purchase Agreement or the Trust Agreement,
 - (ii) the violation by the Buyer of any other covenant or provision of the Purchase Agreement or the Trust Agreement, and such violation shall continue for a period of twenty (20) days after written notice to Buyer,
 - (iii) Any representation or warranty under the Purchase Agreement which is untrue in any material respect and which is not made true within twenty (20) days of written notice to Buyer;
 - (iv) the unauthorized assignment or transfer of the Purchase Agreement;

- (v) the insolvency of the Buyer, Buyer's acquiescence in the appointment of a receiver or trustee for Buyer or for a substantial part of its property, the appointment of a receiver or trustee for Buyer or for a substantial part of its property, or any proceeding under any bankruptcy or insolvency law to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization or a proceeding for dissolution or liquidation; and
- (b) If such default has not been cured, then the Seller may pursue any of the following, which shall not preclude Seller from concurrently or separately electing or exercising any other remedy not inconsistent therewith:
 - (i) enforce the Purchase Agreement by appropriate legal or other action to collect all amounts due or accruing hereunder or under the Trust Agreement and to cause Buyer to pay or perform its obligation hereunder or under the Trust Agreement when and as the same shall be required to be paid or performed hereunder or thereunder, and for damages for the breach of this Agreement and the Trust Agreement, which damages shall be the amounts payable hereunder at the times herein set forth without acceleration plus the reasonable costs of collection, including reasonable attorneys' fees.
 - (ii) pursue any other remedy at law or in equity and all other remedies permitted under the Trust Agreement.
- (c) Seller, upon the bringing of a suit to collect the payments in default, may as a matter of right, without notice and without giving bond to Buyer or anyone claiming under Buyer:
 - (i) have a receiver appointed of all the Excise Taxes which are so pledged for the payment of amounts due under the Purchase Agreement, with such powers as the court making such appointment shall confer; and Buyer irrevocably consents to such appointment, and
 - (ii) seek and obtain injunctive relief.
- (d) The obligation to make Payments is not subject to acceleration and such Payments may not be made immediately due and payable for any reason.
- (e) Trustee shall have no right to interfere with Buyer's ownership, possession or use of the Project and shall have no lien thereon.

Assignment and Sublease. Without the prior written consent of Seller, Buyer shall not assign, transfer, pledge or hypothecate or otherwise dispose of the Purchase Agreement, or any interest therein,

Buyer Appointed Agent for Seller. Buyer is appointed agent for Seller in acquiring the Project.

Tax Covenants. Buyer will neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in interest income on the Purchase Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Purchase Agreement or such laws as they may be modified or amended or tax laws later adopted.

If the amounts held in the Arbitrage Rebate Fund are insufficient to make all payments required by Section 148(f)(3) of the code or any succeeding sections, Buyer shall make up the insufficiency.

Conflict of Interest. A.R.S. Section 38-511 provides that Buyer may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of Buyer is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. In addition, Buyer may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of Buyer from any other party to the contract arising as a result of the contract.

TRUST AGREEMENT

Acquisition Fund and Payment of Costs. Moneys in the Acquisition Fund shall be expended only for costs of the Project. Trustee shall pay from the Acquisition Fund the costs of the Project upon receipt of a payment request form certified to by a Buyer Representative. Trustee shall also apply moneys in the Acquisition Fund to reimburse Buyer for costs incurred or advanced by Buyer upon receipt of a reimbursement request form certified by a Buyer Representative.

Should any shortfall or deficiency occur in either the Delivery Costs Fund or the Acquisition Fund, Buyer shall pay such amounts to Trustee.

Amounts in the Acquisition Fund shall be used to pay principal and interest on the Obligations if sufficient funds are otherwise unavailable therefor when due.

On the acquisition of the Project, all remaining moneys in the Acquisition Fund shall be transferred to the Payment Fund and applied by Trustee to the Payments on the next succeeding Payment Date.

Delivery Costs Fund. Amounts in the Delivery Costs Fund shall be disbursed for delivery costs upon receipt of a certificate requesting disbursement executed or approved by a Buyer Representative.

On the earlier of _____, 2012, or when all delivery costs have been paid, Trustee shall transfer any amounts remaining in the Delivery Costs Fund to the Payment Fund or the Acquisition Fund as directed by Buyer, and the Delivery Costs Fund shall be closed.

Purchase Payments by Buyer. Subject to the limitation to Excise Taxes, Buyer shall be required to make Payments as set forth in the Purchase Agreement.

Payment Fund. Trustee shall establish the Payment Fund. So long as any Obligations are Outstanding, Buyer shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement. There shall be deposited in the Payment Fund all Payments received. All amounts in the Payment Fund shall be used and withdrawn solely for the purpose of paying the principal of and interest and redemption premiums, if any, with respect to the Obligations.

Pledge. Payments and all other amounts due under the Purchase Agreement are payable from a pledge of, and secured by a lien on, the Excise Taxes as may be necessary for their prompt and punctual payment. Said pledge of, and said lien on, the Excise Taxes is irrevocably made and created by Buyer pursuant to the Purchase Agreement for the prompt and punctual payment of amounts due under the Purchase Agreement according to its terms, and to create and maintain the funds as specified therein and in the Trust Agreement. None of the Obligations shall be entitled to priority or distinction one over the other in the application of the Excise Taxes pledged to the payment thereof. All of the Obligations and Parity Obligations are coequal as to the pledge of and lien on the Excise Taxes pledged for the payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment from Excise Taxes or security therefor.

Protection of Lien. Trustee and Buyer agree not to make or create or suffer to be made or created any assignment or lien having priority or preference over the assignment and lien upon the interests granted by the Trust Agreement or any part thereof. Trustee and Buyer agree that no obligations the payment of which is secured by a superior or equal claim on or interest in property or revenues pledged hereunder will be issued by either in lieu of, or upon transfer of registration or exchange of any Obligation as provided herein except for Parity Obligations.

Investments Authorized. Moneys held by Trustee shall be invested and reinvested to the maximum extent practicable in Permitted Investments having the highest yield reasonably obtainable. Permitted Investments credited to any fund shall be valued at Market Value.

Arbitrage Covenant. Buyer will make no use of the proceeds of the Obligations or other moneys which would cause the obligations of Buyer under the Purchase Agreement to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended.

Tax Covenants. Buyer will neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in interest income on the Purchase Agreement or the Obligations to become subject to inclusion in gross income for federal income tax purposes.

In the event the Buyer is required to rebate any earnings and profits from the investment of the Obligations, Trustee shall establish a separate "Arbitrage Rebate Fund" funded with earnings and profits from the investment of the Obligation proceeds on an annual basis. Buyer must compute, or engage professionals to compute, the exact amount of earnings which need to be deposited into the Arbitrage Rebate Fund no later than 30 days after each anniversary of the Obligation issuance.

In the event there are insufficient moneys in the Arbitrage Rebate Fund to make a payment when due, Buyer shall pay to Trustee from Excise Taxes or other money lawfully available therefor the amount necessary to provide Trustee with an amount sufficient to make such payment when due.

Liability and Protection of Trustee. The recitals of facts, covenants and agreements in the Trust Agreement and in the Obligations contained shall be taken as statements, covenants and agreements of Buyer, and Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of the Trust Agreement or of the Obligations nor shall Trustee incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or Obligations assigned to or imposed upon them, respectively.

Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Trustee shall not be bound to recognize any person as an Owner of any Obligation or to take any action at his request unless such Obligation shall be deposited with Trustee and satisfactory evidence of the ownership of such Obligation shall be furnished to Trustee. Trustee may consult with counsel, who may be counsel to Buyer with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith in accordance therewith.

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

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

Trustee shall not be answerable for the default or misconduct of any attorney, agent, or receiver selected by it with reasonable care. Trustee shall not be answerable for the exercise of any discretion or power under the Trust Agreement or for anything whatever in connection with the funds and accounts established thereunder, except only for its own willful misconduct or negligence.

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

Trustee shall not be deemed to have notice of any default, except a payment default, unless Trustee has actual notice thereof or is specifically notified in writing of such default by Buyer or the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding.

Removal of Trustee. Buyer (but only if no Event of Default has occurred and is continuing) or the owners of a majority in aggregate principal amount of all Obligations Outstanding, by written directive, at any time and for any reason, may remove Trustee and any successor thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of Arizona, having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by Federal or State authority.

Trustee may resign by giving written notice to Buyer. Upon receiving such notice of resignation, Buyer shall promptly appoint a successor trustee. In the event that Buyer does not appoint a successor trustee within 30 days, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee.

Amendments Permitted. The Trust Agreement and the Purchase Agreement may be modified or amended upon written consent of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, exclusive of Obligations disqualified. Obligations owned or held by or for the account of Buyer or by any person directly or indirectly controlled by, or under direct or indirect common control with Buyer (except any Obligations held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Obligations, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Obligation or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of the Purchase Agreement, or (3) modify any of the rights or obligations of Trustee without its written assent thereto.

The Trust Agreement and the Purchase Agreement may be modified or amended, without the consent of any such Owners, but only to (1) provide for the additions, supplements or deletions with respect to the Project, (2) add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to Trustee or Buyer, (3) to cure, correct or supplement any ambiguous or defective provision contained therein, (4) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Obligations.

Procedure for Amendment. A copy of the supplemental agreement requiring consent of Obligation Owners, together with a request to the Obligation Owners for their consent thereto, shall be mailed by Trustee to each Owner of an Obligation at his address as set forth on the Obligation registration books, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as provided in the Trust Agreement.

Such supplemental agreement shall not become effective except upon written consent of the Owners of a majority in principal amount of the Obligations then Outstanding (exclusive of Obligations disqualified) and notice shall have been mailed. The consent of an Owner of an Obligation shall be effective only if accompanied by proof of ownership of the Obligations for which such consent is given. Any such consent shall be binding upon the Owner of the Obligation giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with Trustee prior to the date when the notice has been mailed.

If Owners of the required percentage of Obligations file their consents to such supplemental agreement, Trustee shall mail a notice to the Owners stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Obligations and will be effective (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto).

Covenants. Buyer will perform all obligations and duties imposed on it under the Purchase Agreement.

Buyer will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default under the Purchase Agreement. Buyer will observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by Buyer, including its right to exist and carry on business as a political subdivision.

Limitation of Liability. Except for the payment of Payments from Excise Taxes when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of Buyer contained in the Purchase Agreement, Buyer shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Obligations with respect to the Trust Agreement, or the terms, execution, delivery or transfer of the Obligations, or the distribution of Payments to the Owners by Trustee.

Buyer shall have no obligation or liability to any of the other parties or to the Owners of the Obligations with respect to the performance by Trustee.

If it does so in good faith, Trustee shall be absolutely protected in relying upon an opinion of Independent Counsel, which shall be made available to other parties on request or on a verified certificate of any party.

Remedy on Default, Acceleration.

Upon an Event of Default, during the continuance of the Event of Default, the Trustee may and, upon request of Owners of twenty-five percent in aggregate amount of Obligations, and indemnified to its satisfaction shall exercise one or more of the following remedies:

- (i) Proceed to protect and enforce its rights and the rights of holders of the Obligations by a suit or suits in equity or law;
- (ii) Upon bringing suit to enforce any of its rights (a) have a receiver appointed and (b) seek and obtain injunctive relief.
- (iii) There is no right to accelerate the maturities of the Obligations (other than as provided for optional redemption), to declare any Payment not then past due immediately due and payable, or to interfere with the Buyer's ownership, possession or use of the Project.

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

First, to the payment of the costs and expenses of Trustee and of the Obligation Owners in declaring such Event of Default; and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations for principal and interest, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest, without preference or priority of any installment of interest over any other installment of interest, or any interest over any other principal or principal over interest, ratably to the aggregate of such principal and interest.

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

Power of Trustee to Control Proceedings. In the event that Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of, any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Obligations Outstanding.

Limitation on Obligation Owner's Right to Sue. No Owner of any Obligation shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to Trustee written notice of the occurrence of an Event of Default; (b) the Owners of at least a majority in aggregate principal amount of all the Obligations then Outstanding shall have made written request upon Trustee to exercise its powers or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to Trustee reasonable indemnity; and (d) Trustee shall have refused or omitted to comply with such request for a period of 60 days.

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

- (a) by payment of the principal of, interest and redemption premiums (if any) with respect to all Obligations Outstanding, as and when the same become due and payable;
- (b) by depositing, in trust, at or before maturity, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all Obligations Outstanding, including all principal and interest;
- (c) by depositing, in trust, any noncallable United States Obligations in such amount as shall be certified by a national firm of certified public accountants acceptable to both Trustee and Buyer, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge all Obligations (including all principal and interest) at their respective maturity dates; notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of Trustee and Buyer with respect to all outstanding Obligations shall cease and terminate, except only the obligation of Trustee to pay or cause to be paid, from funds deposited pursuant to paragraphs (b) and (c) above to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) or (c), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such Payments.

Conflict of Interest. A.R.S. Section 38-511 provides that Buyer may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of Buyer is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. In addition, Buyer may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of Buyer from any other party to the contract arising as a result of the contract.

Governing Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of Arizona.

FORM OF APPROVING LEGAL OPINION

_____, 2012

_____,
as Trustee

Ladies and Gentlemen:

We have examined the proceedings relating to the execution and delivery by _____ (the "Trustee") of \$2,550,000* aggregate principal amount of Excise Tax Revenue Obligations, Series 2012 (the "Obligations") dated April 5, 2012* pursuant to a Trust Agreement dated as of April 1, 2012* (the "Trust Agreement"), between the Trustee and the Town of Oro Valley, Arizona (the "Town"). Each of the Obligations represents a participating interest in obligations of the Town under a Purchase Agreement dated as of April 1, 2012* (the "Purchase Agreement"), between the Trustee, as seller, and the Town, as buyer, under which the Trustee has contracted to acquire, construct and install aquatic facility improvements at the James D. Kriegh Park (collectively, the "Project"), and the Town has agreed to acquire the Project from the Trustee by purchase, with payments over the period from the date hereof to _____. The payments under the Purchase Agreement are secured by certain excise tax revenues pledged pursuant to the Purchase Agreement and the Trust Agreement. We have also examined a form of the Obligations.

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

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

2. The obligations of the Town under the Purchase Agreement and the Obligations are payable from and are secured by a pledge of and lien on the Excise Taxes (as defined in the Purchase Agreement), as provided in the Purchase Agreement and the Trust Agreement. The Purchase Agreement and the Trust Agreement create the lien they purport to for such purpose. The Obligations are issued on a parity with certain outstanding obligations of the Town with respect to the lien on Excise Taxes, including the Existing Parity Obligations (as defined in the Trust Agreement). Additional obligations may be issued in the future on a parity with the Obligations with respect to the lien on Excise Taxes.

3. Under existing laws, regulations, rulings and judicial decisions, the portion of each Payment made by the Town under the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the owners of the Obligations is excluded from gross income for the purpose of calculating federal income taxes and is exempt from State of Arizona income taxes. Interest income on the Purchase Agreement is not an item of tax preference to be included in computing alternative minimum tax of individuals or corporations; however, such interest income must be taken into account for federal income tax purposes as an adjustment to alternative minimum taxable income for certain corporations, which income is subject to federal alternative minimum tax. Neither the Purchase Agreement nor the Obligations are private activity bonds within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). We express no opinion regarding other federal tax consequences arising with respect to either the Purchase Agreement or the Obligations.

* *Subject to change.*

The Code imposes various restrictions, conditions and requirements relating to the continued exclusion of interest income on the Purchase Agreement from gross income for federal income tax purposes, including a requirement that the Town rebate to the federal government certain of the investment earnings with respect to the Purchase Agreement. Failure to comply with such restrictions, conditions and requirements could result in the interest income on the Purchase Agreement received by the owners of the Obligations being included as gross income for federal income tax purposes from the date of issuance of the Obligations. The Town has covenanted to comply with the restrictions, conditions and requirements of the Code necessary to preserve the tax-exempt status of the interest income on the Purchase Agreement received by the owners of the Obligations. For purposes of this opinion, we have assumed continuing compliance by the Town with such restrictions, conditions and requirements.

We express no opinion as to the exemption from federal or State of Arizona state income taxation of any other amounts paid under the Purchase Agreement, whether under any option of the Buyer to prepay the purchase price of the Project or otherwise.

As to questions of fact material to our opinion, we have relied upon, and assumed due and continuing compliance with the provisions of, the proceedings and other documents, and have relied upon certificates, covenants and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, those with respect to causing interest on the Obligations to be and remain excluded from gross income for federal income tax purposes.

GUST ROSENFELD P.L.C.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$2,550,000*

TOWN OF ORO VALLEY, ARIZONA
EXCISE TAX REVENUE OBLIGATIONS, SERIES 2012

CONTINUING DISCLOSURE CERTIFICATE
(CUSIP Base No. _____)

This Continuing Disclosure Certificate (the “*Disclosure Certificate*”) is undertaken by the Town of Oro Valley, Arizona, an Arizona political subdivision (the “*Town*”) in connection with the issuance of the Town’s \$2,550,000* principal amount of Excise Tax Revenue Obligations, Series 2012 (the “*Obligations*”). In consideration of the initial sale and delivery of the Obligations, the Town covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is for the benefit of the Obligationholders and in order to assist the Participating Underwriter in complying with the Rule (as defined herein).

Section 2. Definitions. Any capitalized term used herein shall have the following meanings, unless otherwise defined herein:

“*Annual Report*” shall mean the annual report provided by the Town pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Dissemination Agent*” shall mean the Town, or any person designated in writing by the Town as the Dissemination Agent.

“*EMMA*” shall mean the Electronic Municipal Market Access system and the EMMA Continuing Disclosure Service of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

“*Listed Events*” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

“*Obligationholder*” shall mean any registered owner or beneficial owner of the Obligations.

“*Official Statement*” shall mean the final official statement dated _____, relating to the Obligations.

“*Participating Underwriter*” shall mean any of the original underwriters of the Obligations required to comply with the Rule in connection with offering of the Obligations.

“*Resolution*” shall mean the resolutions authorizing the issuance and sale of the Obligations.

“*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.

“*Special Counsel*” shall mean Gust Rosenfeld P.L.C. or such other nationally recognized bond counsel as may be selected by the Town.

* *Subject to change.*

Section 3. Provision of Annual Reports.

(a) The Town shall, or shall cause the Dissemination Agent to, not later than February 1 of each year (the “*Filing Date*”), commencing February 1, 2013, provide electronically to MSRB, in a format prescribed by the MSRB, an Annual Report for the fiscal year ending on the preceding June 30 which is consistent with the requirements of Section 4 of this Disclosure Certificate. Should the Town’s fiscal year change to something other than July 1 to June 30, then the Annual Report will be provided not later than seven (7) months after the end of such fiscal year. Currently, filings are required to be made with EMMA. Notice of any such change in the Town’s fiscal year will be filed with EMMA. Not later than fifteen (15) business days prior to such Filing Date, the Town shall provide the Annual Report to the Dissemination Agent (if other than the Town).

(b) If, the Town is unable or, for any reason, fails to provide electronically to EMMA an Annual Report by the Filing Date required in subsection (a), the Town shall promptly send a notice to EMMA in substantially the form attached as *Exhibit A* not later than such Filing Date.

(c) If the Town’s audited financial statements are not submitted with the Annual Report and the Town fails to provide to EMMA a copy of its audited financial statements within 30 days of receipt thereof by the Town, then the Town shall promptly send a notice to EMMA in substantially the form attached as *Exhibit B*.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date(s) for providing the Annual Report and audited financial statements the proper address of EMMA, and

(ii) if the Dissemination Agent is other than the Town, file a report or reports with the Town certifying that the Annual Report and audited financial statements, if applicable, have been provided pursuant to this Disclosure Certificate, stating the date such information was provided.

Section 4. Content of Annual Reports.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in this Section, including the audited financial statements of the Town; provided, however, that if the audited financial statements of the Town are not available at the time of the filing of the Annual Report, the Town shall file unaudited financial statements of the Town with the Annual Report and, when the audited financial statements of the Town are available, the same shall be submitted to EMMA within 30 days of receipt by the Town.

(b) The Town’s Annual Report shall contain or incorporate by reference the following:

(i) Type of Financial and Operating Data to be Provided:

(A) Subject to the provisions of Section 4(a) hereof, annual audited financial statements for the Town.

(B) Annually updated financial information and operating data of the type contained in Tables 2 and 4 of the Official Statement.

(C) In the event of an amendment pursuant to Section 8 hereof not previously described in an Annual Report, an explanation, in narrative form, of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided and, if the amendment is made to the accounting principles to be followed, 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, including a qualitative discussion of the differences, and the impact on the presentation and, to the extent feasible, a quantitative comparison.

(ii) Accounting Principles Pursuant to Which Audited Financial Statements Shall Be Prepared: The audited annual financial statements shall be prepared in accordance with generally accepted accounting principles and state law requirements as are in effect from time to time. A more complete description of the accounting principles currently followed in the preparation of the Town's audited annual financial statements is contained in Note 1 of the audited financial statement included within the Official Statement.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Town or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from EMMA. The Town shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Listed Events.

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

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

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

Section 6. Termination of Reporting Obligation. The Town's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations. Such termination shall not terminate the obligation of the Town to give notice of such defeasance or prior redemption.

Section 7. Dissemination Agent. From time to time, the Town may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the Town may amend this Disclosure Certificate if:

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

(b) This Disclosure Certificate, as amended, would, in the opinion of Special Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Obligations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Obligationholders, as determined by Special Counsel.

Notice of any amendment to the accounting principles shall be sent within 30 days to EMMA.

Section 9. Filing with EMMA. The Town shall, or shall cause the Dissemination Agent to, electronically file all items required to be filed with the MSRB in a format prescribed by the MSRB. Currently, filings are required to be made with EMMA.

Section 10. Additional Information. If the Town chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Town shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Town to comply with any provision of this Disclosure Certificate any Obligationholder may seek specific performance by court order to cause the Town to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Town to comply with this Disclosure Certificate shall be an action to compel performance and such failure shall not constitute a default under the Obligations or the resolution authorizing the Obligations.

Section 12. Compliance by Town. The Town hereby covenants to comply with the terms of this Disclosure Certificate. The Town expressly acknowledges and agrees that compliance with the undertaking contained in this Disclosure Certificate is its sole responsibility and the responsibility of the Dissemination Agent, if any, and that such compliance, or monitoring thereof, is not the responsibility of, and no duty is present with respect thereto for, the Participating Underwriter, Special Counsel or the Town's financial advisor.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Town, the Dissemination Agent, the Participating Underwriters and Obligationholders, and shall create no rights in any other person or entity.

Section 14. Governing Law and Interpretation of Terms. This Disclosure Certificate shall be governed by the law of the State of Arizona and any action to enforce this Disclosure Certificate must be brought in an Arizona state court. The terms and provisions of this Disclosure Certificate shall be interpreted in a manner consistent with the interpretation of such terms and provisions under the Rule and the federal securities law.

Date: _____, 2012

TOWN OF ORO VALLEY, ARIZONA

By _____
Its _____

**EXHIBIT A
NOTICE OF FAILURE TO FILE**

Name of Issuer: Town of Oro Valley, Arizona
Name of Obligation Issue: \$2,550,000* Excise Tax Revenue Obligations, Series 2012
Dated Date of Obligations: [Closing Date] CUSIP: _____

NOTICE IS HEREBY GIVEN that the Town has not provided a Comprehensive Annual Financial Report with respect to the above-named Obligations as required by Section 3(a) of the Disclosure Certificate dated _____. The Issuer anticipates that the Comprehensive Annual Financial Report will be filed by _____.

Dated: _____

TOWN OF ORO VALLEY, ARIZONA

By _____
Its _____

**EXHIBIT B
NOTICE OF FAILURE TO FILE AUDITED FINANCIAL STATEMENTS**

Name of Issuer: Town of Oro Valley, Arizona
Name of Obligation Issue: \$2,550,000* Excise Tax Revenue Obligations, Series 2012
Dated Date of Obligations: [Closing Date] CUSIP: _____

NOTICE IS HEREBY GIVEN that the Town failed to provide its audited financial statements with its Comprehensive Annual Financial Report or, if not available, within 30 days of receipt as required by Section 4(a) of the Disclosure Certificate dated _____ with respect to the above-named Obligations. The Issuer anticipates that the audited financial statements for the fiscal year ended June 30, ____ will be filed by _____.

Dated: _____

TOWN OF ORO VALLEY, ARIZONA

By _____
Its _____

* *Subject to change.*

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be executed and delivered 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 Obligation will be executed and delivered for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agents. DTC 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”). 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 and www.dtc.org.

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

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

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

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

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

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

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

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

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

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