

ADOPTED BY THE
MAYOR AND COUNCIL

October 11, 2016

RESOLUTION NO. 16-3096

A RESOLUTION OF THE CITY COUNCIL OF LAKE HAVASU CITY, ARIZONA RELATING TO FINANCE; AUTHORIZING THE CITY TO BORROW UP TO \$12,225,000 FROM A BANK DOING BUSINESS IN THE STATE OF ARIZONA IN THE FORM OF A LOAN TO FINANCE CERTAIN STREET IMPROVEMENTS, WASTEWATER PROJECTS, PARKS AND RECREATIONAL FACILITIES IMPROVEMENTS, AIRPORT IMPROVEMENTS AND OTHER GENERAL PROJECTS AND ACQUISITIONS; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT SETTING FORTH THE TERMS OF THE LOAN AND PROVIDING FOR THE REPAYMENT THEREOF; PLEDGING THE CITY'S EXCISE TAX REVENUES AS SECURITY THEREFORE; AUTHORIZING THE EXECUTION OF A PLACEMENT AGENT AGREEMENT AND OTHER NECESSARY AGREEMENTS; AND DECLARING AN EMERGENCY.

WHEREAS, the City Council of Lake Havasu City, Arizona (the "*City*") desires to adopt this resolution (this "*Authorizing Resolution*") to finance certain street improvements, wastewater projects, parks and recreational facilities improvements, airport improvements and other general projects and acquisitions, including vehicle and equipment purchases, all of which are further described in Exhibit A hereto (collectively, the "*Project*"); and

WHEREAS, the City Council has determined that the Project can be financed on advantageous terms by borrowing up to \$12,225,000 (the "*Loan*") from the Bank, subject to the conditions described herein, on substantially the terms and conditions set forth in the Loan Agreement, dated the date of the Loan (the "*Loan Agreement*"), in substantially the form set forth as Exhibit B hereto; and

WHEREAS, the City Council will receive a proposal from Stifel, Nicolaus & Company, Incorporated, to serve in the capacity of and be designated as the placement agent (the "*Placement Agent*"), and not to act as a municipal advisor as defined in the "Registration of Municipal Advisors" rule promulgated by the United States Securities and Exchange Commission, to place the Loan pursuant to the form of placement agent agreement, dated the date of the Loan (the "*Placement Agent Agreement*"), in substantially the form set forth as Exhibit C hereto, and has determined that the Loan should be placed by the Placement Agent with the Bank (as defined herein) pursuant to the Strategic Alliance of Volume Expenditures (SAVE) Cooperative Response Proposal #C-007-1213, and

WHEREAS, the Loan will be secured by amounts received under the Loan Agreement, pursuant to which the City will pledge all Excise Tax Revenues (as defined herein); and

WHEREAS, financing the costs of acquisition of the Project pursuant to the Loan Agreement is in furtherance of the purposes of the City and in the public interest; and

WHEREAS, there have been placed on file with the Clerk of the City and presented to the Mayor and Council at this meeting the proposed form of the Loan Agreement,

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF LAKE HAVASU CITY:

Section 1: Definitions. For the purposes hereof, defined terms identified by initial capital letters herein have the respective meanings as follows:

“*2008 GADA Loan*” means the loan from the Greater Arizona Development Authority to the City pursuant to the Loan Repayment Agreement, dated as of April 22, 2008, of which \$1,440,000 remains outstanding.

“*Authorizing Resolution*” means this Resolution No. 16-3096, adopted by the Mayor and Council of the City on October 11, 2016.

“*Bank*” means a bank doing business in the State of Arizona selected by the Mayor, the City Manager or the Administrative Services Director of the City pursuant to this Authorizing Resolution from which the City will borrow the Loan.

“*Disbursement Agreement*” means a disbursement agreement or similar agreement concerning the disbursement of the proceeds of the Loan, between the City and a disbursement agent, paying agent, trustee or entity serving in a similar capacity.

“*Excise Tax Revenues*” means all revenues from the City’s sales and transaction privilege taxes.

“*Loan*” means the loan in the amount of up to \$12,225,000 from the Bank to the City pursuant to the Loan Agreement.

“*Loan Agreement*” means the Loan Agreement in substantially the form attached hereto as Exhibit B.

“*Placement Agent*” means Stifel, Nicolaus & Company, Incorporated, as placement agent pursuant to the Placement Agent Agreement.

“*Placement Agent Agreement*” means a placement agent agreement relating to the Loan, between the City and the Placement Agent.

Section 2: The Mayor and Council hereby find and determine that it is in the best interest of the residents of the City to undertake and acquire the Project and, for such purpose, to enter into and perform the Loan Agreement and other related agreements pursuant to which the City will borrow up to \$12,225,000 from the Bank to finance the Project and to pay all costs,

legal fees and contingent costs of the City, including, without limitation, the payment of certain costs pursuant to the Loan, all in the furtherance of the purposes of the City and for the benefit of the residents of the City.

Section 3: The form, terms and provisions of the Loan Agreement, in substantially the form set forth as Exhibit B hereto, and the Disbursement Agreement, if needed, and the Placement Agent Agreement, both in customary forms, are hereby approved in all respects, and each of the Mayor, the City Manager and the Administrative Services Director of the City is authorized and empowered, for and on behalf of the City, to execute and deliver (and, to the extent necessary or appropriate, the City Clerk, or the Assistant City Clerk, if the City Clerk is not available, is authorized and empowered to attest) the Loan Agreement, the Disbursement Agreement, if needed, and the Placement Agent Agreement with such insertions therein, omissions therefrom and changes thereto, including changes, if any, required by the requirements of the Federal government, or the requirements of this Authorizing Resolution, as are approved by the officer or officers executing and delivering the Loan Agreement, the Disbursement Agreement, if needed, and the Placement Agent Agreement, on behalf of the City, such execution and delivery to evidence conclusively such approval; provided, however, that (i) the principal amortizations with respect to the Loan will commence no earlier than July 1, 2017 and will end no later than July 1, 2021, subject to prepayment as set forth in the Loan Agreement, and (ii) the stated interest rate on the Loan, after taking into account any fees and costs of issuance, will not exceed 3.0% per annum. In addition, each of the Mayor, the City Manager and the Administrative Services Director of the City is authorized and empowered to sign (and, to the extent necessary or appropriate, the City Clerk, or the Assistant City Clerk, if the City Clerk is not available, is authorized and empowered to attest) any other documents, agreements and certificates necessary or appropriate in connection with the Loan pursuant to the Loan Agreement and the financing of the Project.

Section 4: The appropriate City officials are hereby authorized and empowered to select and engage a Bank and take all other actions necessary or reasonably required by the Loan Agreement, the Disbursement Agreement, if needed, the Placement Agent Agreement and any other agreements entered into in connection with the Loan and the financing of the Project, in order to carry out, give effect to and consummate the transactions contemplated herein and in the Loan Agreement, including, without limitation, the execution and delivery of closing and other documents and certificates reasonably required or appropriate to be delivered in connection therewith.

Section 5: The Loan and loan payments with respect thereto will be payable from and secured by Excise Tax Revenues; provided, however, that the City may, at its sole option, use other legally available moneys for payment of the loan payments to the Bank. The pledge of Excise Tax Revenues to secure the Loan is a first-lien senior pledge, subject only to, and on parity with, the 2008 GADA Loan, to the extent the 2008 GADA Loan remains outstanding, as more fully described in the Loan Agreement. The obligation of the City to make payments pursuant to the Loan Agreement does not constitute an obligation of the City or the State of Arizona, or any of its political subdivisions, for which the City or the State of Arizona, or any of its political subdivisions, is obligated to levy or pledge any form of *ad valorem* property taxation nor does the obligation to make payments pursuant to the Loan Agreement constitute an

indebtedness of the City or of the State of Arizona, or any of its political subdivisions, within the meaning of the Constitution of the State of Arizona or otherwise.

Section 6: Following the execution and delivery of the Loan Agreement and receipt of the proceeds of the Loan contemplated thereby, this Authorizing Resolution will be and remain irrevocable until the Loan, including the interest thereon, and the obligations of the City pursuant to the Loan Agreement, have been fully paid, canceled, discharged and performed.

Section 7: If any section, paragraph, clause or provision of this Authorizing Resolution is for any reason held or determined to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision will not affect any of the remaining provisions hereof.

Section 8: The provisions of any ordinances and resolutions of the City, or parts thereof, inconsistent with the provisions of this Authorizing Resolution, as either may be hereafter supplemented or amended, are hereby waived to the extent of such inconsistency.

Section 9: The immediate operation of the provisions of this Authorizing Resolution being necessary for the preservation of the public peace, health, and safety of the City, an emergency is hereby declared to exist, and this Authorizing Resolution will be in full force and effect from and after its passage by the Mayor and Council and any publication or posting required by law, and it is hereby exempt from any applicable referendum provisions.

(Signature Page Follows)

PASSED, ADOPTED, AND APPROVED by the Mayor and Council of Lake Havasu City, Arizona on October 11, 2016.

Mark S. Nexsen, Mayor

ATTEST:

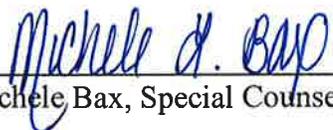
Kelly Williams, City Clerk

REVIEWED BY:

Charlie Cassens, City Manager

APPROVED AS TO FORM:

Kelly Garry, City Attorney



Michele Bax, Special Counsel

(Signature Page to Resolution)

EXHIBIT A

PROJECT DESCRIPTION

EXHIBIT A

PROJECTS

1. Airport Improvement Projects – Provide for City match to improvements funded by grants from Arizona Department of Transportation (ADOT) and the Federal Aviation Administration (FAA) to the Municipal Airport. Improvement projects include the electric vault, obstruction lights, construction of fire hydrant, construction of runway edge lips, replacement of the runway 32 PAPI and design and construction of the foreign object debris erosion control project, north of the airport. Estimated total project costs \$1,422,500.
2. Kings View Seawall Repair – Replacement and repair of failing seawall along the east side of the Bridgewater Channel. Estimated total project cost \$278,000.
3. Mesquite Park and Parking Lot Restroom – Construction of a restroom facility to service the recently constructed park and splash pad fountain. Estimated total project cost \$185,000.
4. Aquatics Center Rehabilitation – Update, replace systems and rehabilitate the 20-year old Aquatics Community Center. Estimated total project cost \$2,578,000.
5. Sports Playing Fields Improvement and Expansion – Expand and improve the City's existing sports playing fields. The project includes acquisition and construction of new fields in addition to improvement at existing fields throughout the City. Estimated total project cost \$14,000,000.
6. Havasu 280 Ecological Environmental Center – Planning and construction of a multi-agency shared educational facility. Estimated total project cost \$3,125,000.
7. Bicycle/Pedestrian Path Construction - Construction of an additional mile of the City's existing urban bicycle/pedestrian path. Estimated total project cost \$75,000.
8. Havasu 280 Infrastructure Construction – Construction of water and wastewater utilities and other infrastructure such as roadways and grading to service the 280 acre development which will include a boat launch facility, trails, environmental center, botanical gardens and private housing development. Estimated total project cost \$4,696,550.
9. Drainage and Wash Stabilization Program – Design and construction of improvements to the City's drainage system. Estimated total project cost \$12,758,000.
10. ERP Software System – Purchase and implementation of a replacement of the City's 15-year old Enterprise Resource Planning (ERP) software system. Estimated total project cost \$1,000,000.
11. Arc Flash Study and Implementation – Project to bring the City into compliance with the National Fire Protection Association (NFPA 70E) or the NEC regarding identification and labelling of possible hazards when working on City owned and maintained electrical cabinets. Estimated total project cost \$600,000.
12. Rotary Park Restroom Improvements - Rehabilitation and upgrades to the three existing restroom facilities located in Rotary Park. Estimated total project cost \$620,000.
13. Pickleball Courts – Construction of Pickleball courts and amenities. Estimated total project cost \$155,000.

14. London Bridge Beach Restroom Improvements – Rehabilitation and construction of new restroom facilities at London Bridge Beach to accommodate peak demand during heavy holiday and weekend use. Estimated total project cost \$230,000.
15. SARA Park Trailhead Improvements – Construction of restrooms, installation of water/drinking fountains and improvements to the existing parking lot at the popular SARA Park trailhead. Estimated total project cost \$435,000.
16. McCulloch Boulevard Reconstruction – Reconstruction to the portion of McCulloch Boulevard from Smoketree Avenue to Acoma Avenue. Project includes recommended improvements from the PARA study and ADA improvements. Estimated total project cost \$2,000,000.
17. Havasu 280 Intersection – Improve the intersection on State Route 95 and the proposed roadway to the Havasu 280 project. Estimated total project cost \$450,000.
18. London Bridge Rehabilitation and Improvements. Various improvements to the City’s historic London Bridge landmark. Estimated total project cost \$215,000.
19. Wayfinding Program – The City’s Wayfinding sign program provides visitors better access and direction to the City’s landmarks, services and community assets. Estimated total project cost \$507,000.
20. PARA Study and Program Implementation – Development of an enhanced downtown corridor, to include increased pedestrian infrastructure and access to and acquisition of public spaces and parks. Estimated total project cost \$750,000.
21. Lake Havasu Avenue Reconstruction – Reconstruction to the portion of Lake Havasu Avenue from Mesquite Avenue to Swanson Avenue. Estimated total project cost \$3,290,000.
22. Mulberry Effluent Basin Expansion – Expansion of the effluent basin at the Mulberry Wastewater Treatment Plant. Estimated total project cost \$1,932,000.
23. Water Conservation Implementation – Evaluate, design and install irrigation system conversion from domestic water to effluent reuse in City parks, on school campuses, and for SR 95 irrigation within the City limits. Estimated total project cost \$1,835,000.
24. SCADA Reclaimed System – Implementation of SCADA system to monitor and automate operations of the reclaimed/reuse water system. Estimated total project cost \$850,000.
25. Vehicle Purchase Program – Replacement and purchase of new vehicles and equipment for the City’s fleet. Estimated FY 2017 cost \$1,250,000.
26. Fire Protection Equipment – Replacement and purchase of fire protection equipment. Estimated FY 2017 cost \$388,000.
27. Wastewater Fund Equipment Program – Replacement and repair of wastewater equipment pursuant to the asset management schedule. Estimated FY 2017 cost \$900,000.

EXHIBIT B

FORM OF LOAN AGREEMENT

LOAN AGREEMENT

by and between

LAKE HAVASU CITY, ARIZONA,

and

[BANK]

Dated as of _____, 2016

LOAN REPAYMENT AGREEMENT

THIS LOAN AGREEMENT, dated as of [____], 2016 (this “*Loan Agreement*”), by and between Lake Havasu City, Arizona, a municipal corporation and a political subdivision of the State of Arizona (the “*City*”), and [BANK] (the “*Bank*”),

W I T N E S S E T H:

WHEREAS, the City has previously incurred obligations to the Greater Arizona Development Authority, pursuant to a Loan Repayment Agreement, dated April 22, 2008, of which \$[1,440,000] remains outstanding (the “*2008 GADA Loan*”), to finance the acquisition of a perpetual easement from the Arizona State Land Department over and across approximately 6.547 acres of real property located in the City; and

WHEREAS, pursuant to Resolution No. 16-[____], adopted by the Mayor and Council of the City on October 11, 2016, the City has determined that it is within its best interests to refinance the 2008 GADA Loan; and

WHEREAS, in order to refinance the 2008 GADA Loan, the City desires to borrow from the Bank, and the Bank is willing to loan to the City, the aggregate original principal amount of \$[____] (the “*Loan*”) on the terms set forth in this Loan Agreement; and

WHEREAS, the Loan will be payable from and secured by Excise Tax Revenues (as defined herein); and

NOW, THEREFORE, PURSUANT TO LAW AND FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Definitions. The following terms have the following meanings.

“*2008 Depository Trustee*” means [____].

“*2016 New Money Loan Agreement*” means the Loan Agreement, dated as of [____], 2016, between the City and the Bank, evidencing the loan of \$[____] from the Bank to the City.

“*Business Day*” means any day other than a Saturday, Sunday or legal holiday or a day on which banking institutions in the State are required or permitted to be closed.

“*City*” means Lake Havasu City, Arizona, a municipal corporation and political subdivision of the State.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Depository Trust Agreement*” means the Depository Trust Agreement, dated as of [____], 2016, between the City and the 2008 Depository Trustee.

“*Depository Trustee*” means any bank or trust company with a combined capital and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by Federal or State authority, that holds money and securities in trust for the payment of principal and interest pursuant to subparagraphs (b) or (c) of Section 12 hereof.

“*Disbursement Agent*” means [_____].

“*Disbursement Agreement*” means the Disbursement Agreement, dated as of [_____], 2016, between the City and the Disbursement Agent.

“*Excise Tax Revenues*” means the excise taxes received by the City, including the City’s sales and transaction privilege, franchise and income taxes, all license and permit fees, fines and forfeitures; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future which are not pledged pursuant hereto.

“*Loan*” means the loan in the amount of \$[_____] from the Bank to the City pursuant to this Loan Agreement.

“*Loan Agreement*” means this Loan Agreement, dated as of [_____], 2016, between the City and the Bank.

“*Parity Obligations*” means bonds or other obligations of the City secured by a pledge of, and security interest in, Excise Tax Revenues on parity with the pledge of and security interest in Excise Tax Revenues pledged by this Loan Agreement, issued pursuant to Section 8 hereof.

“*State*” means the State of Arizona.

“*United States Obligations*” means direct obligations of, or obligations guaranteed by, the United States Treasury.

Section 2. Agreement to Make Loan. The Bank hereby agrees to extend the Loan to the City in the aggregate original principal amount of \$[_____] subject to the terms and conditions of this Loan Agreement. [The Loan shall be evidenced by the Note, the form of which is set forth in Exhibit A attached hereto.]

Section 3. Funding of the Loan. On the Closing Date, the Bank shall deposit (i) the amount of \$[_____] with the 2008 Depository Trustee to provide for the payment of the 2008 GADA Loan [pursuant to the Depository Trust Agreement] and (ii) the amount of \$[_____] in the 2016 Refunding Costs of Issuance Account (as defined herein) held by the City to be used to pay legal fees and costs of the City associated with this Loan Agreement.

Section 4. Interest Rate; Interest Payments; Principal Payments.

(a) Subject to the City’s prepayment right described in subsection (d) below, the City shall repay principal of the Loan on the dates (each a “Principal Payment Date”) and in the “Principal Amounts” set forth below and shall pay interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) on the outstanding principal amount from time to time of the Loan from the Closing Date until all principal is paid, at interest rates resulting in the

“Interest Amounts” set forth below, on July 1 and January 1 of each year commencing January 1, 2017 (each an “Interest Payment Date”):

<u>Payment Date</u>	<u>Principal Amount Due</u>	<u>Interest Amount Due</u>
01/01/2017		\$
07/01/2017	\$	
01/01/2018		
07/01/2018		
01/01/2019		
07/01/2019		
01/01/2020		
07/01/2020		
01/01/2021		
07/01/2021		
01/01/2022		
07/01/2022		
01/01/2023		
07/01/2023		

(b) Limited Unconditional Obligation. The obligation of the City to pay principal of and interest on the Loan shall be limited to payment from the Excise Tax Revenues which are by this Loan Agreement pledged to the payment thereof by the City. The obligation of the City to make the payments from the Excise Tax Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by the Bank of any obligation to the City or otherwise, or out of indebtedness or liability at any time owing to the City by the Bank. Until such time as all of these payments shall have been fully paid or provided for, the City (i) shall not suspend or discontinue any payments provided for in this Section 4, (ii) shall perform and observe all other agreements contained in this Loan Agreement, and (iii) shall not terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this section shall be construed to release the Bank from the performance of any of the agreements on its part herein contained and, in the event the Bank shall fail to perform any such agreements on its part, the City may institute such action against the Bank as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the first sentence of this paragraph (b).

(c) Payment. The City shall pay the principal of and interest coming due on the next succeeding Interest Payment Date by wire transfer in immediately available funds at least 3 days prior to such Interest Payment Date to an address or account of the Bank provided in writing.

(d) Prepayment. Any installment of principal due on or after July 1, [20__], may be prepaid by the City at any time on or after July 1, [20__], at a prepayment price equal to the principal amount being prepaid (in integral multiples of \$5,000), together with accrued interest to the prepayment date. A notice of intent to prepay shall be given by the City to the Bank at least 30 days prior to the date of prepayment.

Section 5. Pledge. The City hereby irrevocably pledges the Excise Tax Revenues for prompt and punctual payment of amounts due pursuant hereto according to the terms hereof. The City intends that the pledge of the Excise Tax Revenues will constitute a first and senior lien pledge upon such amounts of the Excise Taxes as will be sufficient to make the payments pursuant hereto when due. All of the payments required pursuant to this Loan Agreement are coequal as to the pledge of, the lien on and the security interest in the Excise Tax Revenues pledged for the payment thereof and share ratably, without preference, priority or distinction, as to the source or method of payment from the Excise Tax Revenues or security therefor. The City agrees and covenants to make such payments from the Excise Tax Revenues, except to the extent it chooses to make the payments from other funds as permitted by Section 7. The obligation of the City to make payments of any amounts due pursuant to this Loan Agreement, including amounts due after default or termination hereof, is limited to payment of the Excise Tax Revenues and shall under no circumstances constitute a general obligation or a pledge of the full faith and credit of the City, the State, or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* taxes.

Section 6. Excess Revenues. Excise Tax Revenues in excess of amounts, if any, required to be paid pursuant to this Loan Agreement and any Parity Obligations, shall constitute surplus revenues and may be used by the City for any lawful purpose for the benefit of the City, including the payment of obligations to which the Excise Tax Revenues may from time to time be pledged on a basis subordinate to this Loan Agreement and the Parity Obligations. If at any time the moneys in the funds and accounts held for payment of amounts due in accordance with this Loan Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers pursuant to the terms of this Loan 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 thereto.

Section 7. Use of Other Funds at the Option of the City. The City may, at the sole option of the City, make payments due pursuant hereto from its other funds as permitted by law and as the City shall determine from time to time, but the Bank acknowledges that it has no claim hereunder to such other funds. Notwithstanding the foregoing, no part of the principal or interest payable pursuant to this Loan Agreement shall be payable out of any *ad valorem* taxes imposed by the City or from bonds or other obligations, to the payment of which the City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by the City according to law, (ii) such payment or payments shall be within the budget limitations of the statutes of the State, and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State.

Section 8. Additional Senior/Parity Obligations. So long as any amounts due pursuant hereto remain unpaid or unprovided for, the City will not further encumber the Excise

Tax Revenues on a basis senior to or on a parity with the pledge thereof made pursuant to this Loan Agreement unless the Excise Tax Revenues, in the most recently completed fiscal year of the City, shall have amounted to at least three (3) times the highest combined principal and interest requirements for any succeeding fiscal year of the City for this Loan Agreement and any Parity Obligations secured or so proposed to be secured by such pledge of the Excise Tax Revenues on a parity of lien therewith. In the event that the parity or additional bonds or other obligations so proposed to be secured by a pledge of the Excise Taxes are to be issued as variable rate parity or additional bonds or other variable rate obligations, they shall, for the purpose of such computation, be assumed to bear interest at the maximum permitted interest rate pursuant to the resolution or indenture, authorizing the issuance of such parity or additional bonds or other obligations.

Section 9. Creation of 2016 Refunding Costs of Issuance Account There is hereby created, ordered and established in the custody of the [Disbursement Agent]/[City] an account of the Costs of Issuance Fund, created pursuant to the 2016 New Money Loan Agreement, in the name of the City to be designated the "Lake Havasu City, Arizona 2016 Refunding Costs of Issuance Account" (herein defined as the "2016 Refunding Costs of Issuance Account").

Section 10. Use of Funds.

(a) **Use of Revenue Fund.** All Excise Tax Revenues shall be accounted for and maintained by the City in the Revenue Fund, created pursuant to the Loan Agreement, dated as of [_____], 2016, between the City and the Bank, [_____] (the "Revenue Fund") which fund shall be kept separate and apart from all other accounts of the City and which shall be expended and used by the City only in the manner and order of priority specified below:

(1) As a first charge and lien on the Excise Tax Revenues, the City shall, at least 3 days prior to each Interest Payment Date, transfer to the Bank, from the Revenue Fund, an amount equal to:

(i) the interest due on the Loan on the next succeeding Interest Payment Date; plus

(ii) the principal and premium, if any, due on the Loan on the next succeeding Principal Payment Date,

the sum of which shall be sufficient to pay the principal of and interest on the Loan promptly on each such Interest Payment Date or Principal Payment Date as the same become due and payable.

(2) The Excise Tax Revenues remaining after the foregoing deposits and transfers for each Interest Payment Date and Principal Payment Date, may be used at any time for any other lawful purpose, as provided in Section 6.

(b) **Use of 2016 Refunding Costs of Issuance Account.** On the Closing Date, upon the funding of the Loan, the [City]/[Disbursement Agent] shall promptly pay the legal fees and costs of the City associated with this Loan Agreement from the amount held in the 2016 Refunding Costs of Issuance Account. Any unexpended balance remaining in the 2016

Refunding Costs of Issuance Account 60 days after funding of the Loan shall be transferred to the Revenue Fund.

Section 11. Representations, Warranties and Covenants.

(a) The Bank represents, warrants and covenants that it has the power to enter into this Loan Agreement; that this Loan Agreement is a lawful, valid and binding obligation of the Bank, enforceable against the Bank in accordance with its terms, and has been duly authorized, executed and delivered by the Bank; and that all required procedures for execution and performance of this Loan Agreement by the Bank, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner.

(b) The City represents, warrants and covenants that it has the power to enter into this Loan Agreement; that this Loan Agreement is a lawful, valid and binding obligation of the City, enforceable against the City in accordance with its terms, and has been duly authorized, executed and delivered by the City; that all required procedures for execution and performance of this Loan Agreement by the City, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; neither the execution and delivery of this Loan Agreement, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the City; and that all payments hereunder will be paid when due out of funds which are legally available for such purposes.

(c) The City represents, warrants and covenants that it is a municipal corporation duly incorporated and validly existing under the laws of the State; the City has disclosed in writing to the Bank all facts that do or will materially adversely affect the properties, operations or financial condition of the City and that any financial statements, notices or other written statements provided by the City to the Bank pursuant hereto will not contain any untrue statement of a material fact or omit any material fact necessary to make such statements or information not misleading.

Section 12. Providing for Payment. The City may provide for the payment of any principal and interest with respect to this Loan Agreement in any one or more of the following ways:

(a) by paying such principal and interest as provided herein as and when the same becomes due and payable at the scheduled Interest Payment Dates and Principal Payment Dates pursuant to Section 4 hereof or on an earlier date or dates on which it can be prepaid;

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

(c) by depositing with a Depository Trustee, in trust for such purpose, United States Obligations which are noncallable, in such amount as shall be certified by a firm of certified public accountants acceptable to both the Bank and the City as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with the Bank and allocated to such payment, to make, or cause to be made, such payment at its scheduled due date or on a date or dates on which it can be prepaid.

Section 13. Default and Remedies.

(a) (i) Upon (A) the nonpayment of the whole or any part of any payment at the time when the same is due as provided herein, (B) the violation by the City of any other covenant or provision of this Loan Agreement, (C) the occurrence of an event of default with respect to the Parity Obligations, or (D) the insolvency or bankruptcy of the City as the same may be defined pursuant to any law of the United States of America or the State, or any voluntary or involuntary action of the City or others to take advantage of, or to avail itself of, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A), in the case of nonpayment of any principal and interest due hereunder on or prior to the due date, or the nonpayment of principal and interest on any Parity Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of this Loan Agreement not cured within sixty (60) days after the City's receipt of notice in writing from the Bank specifying such default; and (D) in the case of any other default with respect to any Parity Obligations not cured after any notice and passage of time provided for in accordance with the proceedings pursuant to which any such Parity Obligations were issued,

(iii) The Bank may in the case of nonpayment, (A) take whatever action at law or in equity is necessary or desirable to collect the amounts then due from the City pursuant to this Loan Agreement, or to enforce performance and observance of any pledge, obligation, agreement, or covenant of the City in accordance with this Loan Agreement, (B) with respect to Excise Tax Revenues, without notice and without giving any bond or surety to the City or anyone claiming pursuant to the City, have a receiver appointed for the Excise Tax Revenues which are pledged to the payments due pursuant hereto, with such powers as the court making such appointment shall confer (and the City does hereby irrevocably consent to such appointment) and (C) pursue any other remedy at law or in equity, including the remedy of specific performance.

(b) The obligations of the City pursuant to this Loan Agreement, including, without limitation, its obligation to make the required payments hereunder, shall survive any remedies exercised pursuant to the provisions of this Section 13, and the City shall continue to pay the principal and interest due pursuant hereto and perform all other obligations provided in this Loan Agreement; provided, however, that the City shall be credited with any amount received by the Bank pursuant to exercise of remedies pursuant to this Section 13.

Section 14. Assignment.

(a) Except as otherwise provided herein, without the prior written consent of the Bank, the City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Loan Agreement, or any interest therein.

(b) The Bank shall be entitled, with the prior written consent of the City, to sell, pledge, assign, transfer and encumber all or any part of its right, title and interest in and to this Loan Agreement and all payments of any kind due or which become due to the Bank pursuant hereto, provided, however, that the transferee or assignee shall be bound by the terms hereof and all related agreements executed by the Bank in connection herewith and, upon any such assignment or transfer of the Bank's interest, any such assignee(s) or transferee(s) shall thereafter (collectively, if more than one) become and be deemed to be the Bank for all purposes hereof, and have all of the rights, powers, privileges and remedies, and be subject to all of the covenants and agreements, of the Bank hereunder for all purposes of this Loan Agreement except that the Bank and the City agree and acknowledge that following the Bank's assignment or transfer of its interest hereunder as herein provided, the City shall have no right to abate, reduce, withhold or offset against any payments due any successor of the Bank, or otherwise hereunder, on account of any claims for misrepresentations or any claims for sums due the City from the Bank or any predecessor(s) in interest of the Bank. No sale, assignment or transfer of all or any part of the Bank's right, title and interest in, to and pursuant to this Loan Agreement and payments of any kind due or to become due to the Bank pursuant hereto shall be effective unless and until the City shall have provided its prior written consent and received an original counterpart or photostatic copy of the instrument by which the sale, assignment or transfer is made, disclosing the name, mailing address and tax identification or social security number of each such purchaser, assignee or transferee (including where applicable, the settlor and beneficiaries of any trust and the principal and nominee with respect to any interest to be held in nominee name). Upon the City's provision of written consent and receipt of written notice, as above-described, of the Bank's sale, assignment or transfer of all or any part of its interest in this Loan Agreement or the payments due pursuant hereto, the City agrees to recognize any such purchaser(s), assignee(s) or transferee(s) (jointly if more than one) as the owner(s) of all right, title and interest in, to and pursuant to this Loan Agreement and the payments thereafter due and payable pursuant to this Loan Agreement, and as the Bank pursuant to this Loan Agreement. Upon the written request of any purchaser, assignee or transferee of the Bank's interest, the City agrees to execute and deliver to such purchaser, assignee or transferee such certificates or other instruments in such forms as may reasonably be required by such purchaser, assignee or transferee, and to which the City can truthfully attest, including but not limited to a separate acknowledgment of assignment in the customary form as to such purchaser's, assignee's or transferee's right, title and interest in, to and pursuant to this Loan Agreement and the payments thereafter due and payable pursuant to this Loan Agreement. Any such purchaser, assignee or transferee shall agree in writing to assume and perform all of the duties and responsibilities of the Bank and shall acknowledge the City's rights pursuant to this Loan Agreement; provided, however, that in the event the Bank becomes merged or consolidated with any other entity and the resulting entity meets the requirements for a successor trustee under any trust agreement, then the resulting entity shall assume all rights, responsibilities and duties of the Bank hereunder without the execution or filing of any papers or any further act on the part of either party and the term "Bank" thereafter shall refer to such resulting party.

Section 15. Notices; Mailing Addresses. All notices, consents or other communications required or permitted hereunder shall be deemed sufficient if given in writing addressed and mailed by registered or certified mail, or delivered to the party for which the same is intended or certified, as follows:

If to the Bank: [_____]

If to the City: Lake Havasu City, Arizona
2330 McCulloch Blvd., N.
Lake Havasu, AZ 86403
Attention: City Manager

Section 16. Conflicts of Interest. Section 38-511 of the Arizona Revised Statutes provides that the City may, within three years after its execution, cancel this Loan Agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Loan Agreement on behalf of the City is, at any time while this Loan Agreement or any extension thereof is in effect, an employee or agent of any other party hereto in any capacity or a consultant to any other party of this Loan Agreement with respect to the subject matter hereof. In addition, the City 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 the City from any other party hereto arising as a result of this Loan Agreement.

Section 17. Tax Covenants; Tax Compliance Certificate; Rebate Payments and Yield Restrictions.

(a) The City will execute and deliver, at or prior to funding of the Loan, a tax compliance certificate as required by the Bank's counsel and shall comply with the provisions of such tax compliance certificate and any written directions of the Bank that are necessary, in the judgment of the Bank, so that actions of the City will not adversely affect the exclusion of interest on the Loan from gross income for Federal income tax purposes. Without limiting the generality of the foregoing, the City covenants that (i) it will take all actions required of it pursuant to such tax compliance certificate for interest on the Loan to be and remain excluded from gross income for Federal income tax purposes, (ii) it will not take or authorize to be taken any actions which would adversely affect that exclusion, (iii) it will apply the proceeds of the Loan in compliance with such tax compliance certificate and (iv) it will make timely and adequate payments to the United States of America for any rebate amount due, as provided in such tax compliance certificate.

(b) The City will use, and will restrict the use and investment of, the proceeds of, the Loan in the manner and to the extent necessary so that (i) the Loan will not constitute an arbitrage bond, private activity bond or hedge bond in accordance with Sections 141, 148 or 149 of the Code, and will not be treated other than as bonds to which Section 103(a) of the Code applies and (ii) the interest on the Loan will not be treated as a preference item pursuant to Section 57 of the Code.

(c) Any officer of the City having responsibility for the execution and delivery of this Loan Agreement is authorized to make any election, approval or waiver on behalf of the City with respect to the Loan as the City is permitted or required to make or give in accordance with the Federal income tax laws for the purpose of assuring the tax treatment or status of interest on the Loan.

Section 18. Miscellaneous.

(a) No covenant or obligation herein to be performed by the City may be waived except with the consent of the Bank, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude the Bank from invoking such remedy at any later time, prior to the cure by the City of the condition giving rise to such remedy.

(b) This Loan Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time. The parties consent and submit to the exclusive jurisdiction and venue of the State and [Federal] Courts located in Mohave County, Arizona for proceedings relating to enforcement of, or any other remedy pursuant to, this Loan Agreement.

(c) This Loan Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both the Bank and the City.

(d) Any term or provision of this Loan Agreement found to be invalid, prohibited by law or unenforceable or which would cause this Loan Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such invalidity, prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Loan Agreement to be invalid, prohibited by law or unenforceable.

(e) The Bank shall have the right at any time or times, by notice to the City, to designate or appoint any person or entity to act as agent or trustee for the Bank for any purposes hereof.

(f) Use of the neuter gender herein is for purposes of convenience only and shall be deemed to mean and include the masculine or feminine gender whenever and wherever appropriate.

(g) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(h) Except as otherwise provided herein, this Loan Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and assigns, as the case may be.

(i) Any payments due or actions required to be performed on a day which is not a Business Day may be made or taken on the next Business Day and will be deemed to have been made or taken on the date due.

IN WITNESS WHEREOF, the parties have executed this Loan Agreement as of the ____ day of _____, 2016.

[BANK]

By: _____
Its:

LAKE HAVASU CITY, ARIZONA

By: _____
Its: Administrative Services Director

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

EXHIBIT C

FORM OF PLACEMENT AGENT AGREEMENT

PLACEMENT AGENT AGREEMENT

October 11, 2016

Mayor and City Council
Lake Havasu City, Arizona

Re: Lake Havasu City, Arizona, Excise Tax Revenue Obligations, Series 2016

Upon the terms and conditions and based upon the representations, warranties and covenants set forth herein, Stifel, Nicolaus & Company, Incorporated (the "Placement Agent") offers to enter into this Placement Agent Agreement (this "Placement Contract") with Lake Havasu City, Arizona (the "City"), which, upon acceptance of this offer and subject to Paragraph 5 hereof, shall be binding upon the City and the Placement Agent. This offer is made subject to acceptance of this Placement Contract by the City before or on _____, 2016, and, if not so accepted, will be subject to withdrawal by the Placement Agent upon notice delivered to your office at any time prior to acceptance hereof. If the obligations of the Placement Agent shall be terminated for any reason permitted hereby, neither the Placement Agent nor the City shall be under further obligation hereunder.

The above-captioned obligations (the "Obligations") are to be executed and delivered pursuant to a Resolution of the City Council adopted on October 11, 2016 (the "Resolution").

1. The Placement Agent shall use its best efforts to locate purchasers for the Obligations (the "Purchasers") at a purchase price (the "Purchase Price") and on terms consistent with the Resolution. If the Purchasers purchase the Obligations on the hereinafter defined Closing Date, the City will pay a placement fee equal to \$_____ plus expenses incurred in connection with performance of this Placement Contract by the Placement Agent (together, the "Fee") to the Placement Agent.

2. The undersigned, on behalf of the City, but not individually, hereby represents and warrants to the Placement Agent (and it shall be a condition of the obligation of the Placement Agent to perform under this Placement Contract that it shall be represented and warranted on the Closing Date) that:

(a) The City is duly organized and validly existing under the laws of the State of Arizona (the "State") with power to adopt the Resolution, perform the agreements on its part contained therein and in the agreements approved thereby and cause the issuance of the Obligations.

(b) The City has complied and, in all respects on the Closing Date will be in compliance, with all of the provisions of applicable law of the State.

(c) The City has duly adopted the Resolution, and the City has duly authorized and approved the execution and delivery of this Placement Contract and the Loan Agreement (as such term is defined in the Resolution and, with this Placement Contract, collectively, the “Documents”), as well as the performance of its obligations contained in the Obligations and the consummation by it of all other transactions contemplated hereby.

(d) The City is not in breach of or default under any applicable law or administrative regulation of the State or any department, division, agency or instrumentality thereof, or of the United States, or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the City is a party or is otherwise subject, which breach or default would materially and adversely affect the City or its ability to perform its duties and obligations under the Documents, and the execution and delivery of the Documents, the adoption of the Resolution and the issuance of the Obligations and compliance with the provisions of each will not conflict materially with or constitute a material breach of or default under any applicable law or administrative regulation of the State or under any certificate, agreement or other instrument to which the City is a party or is otherwise subject, which breach or default would materially and adversely affect the City or its ability to perform its duties and obligations under the Documents.

(e) No litigation is pending or, to the knowledge of the City, threatened in any court in any way affecting the existence of the City or the title of the members of the City Council to their respective offices or seeking to restrain or to enjoin the sale or issuance of the Obligations, or the levy, assessment or collection of taxes to pay the principal of and interest on the Obligations, or in any way contesting or affecting the validity or enforceability of the Obligations, the Resolution or the Documents, or contesting the powers of the City or the members of the City Council of the City with respect to the Obligations.

3. (a) At or prior to 11 a.m. M.S.T. on _____, 2016, or such other date agreed to by the City and the Placement Agent (the “Closing Date”), the Obligations will be delivered, in definitive fully registered, physically certificated form, duly executed, and in denominations specified in the Resolution, together with the other documents hereinabove mentioned, upon wire transfer, in immediately available funds, of the Purchase Price by the Purchaser to the City. Delivery as aforesaid shall be made at a time and place, as shall have been mutually agreed upon by authorized representatives of the Placement Agent and the City, and such payment shall be made simultaneously therewith. This payment and delivery is herein called the “Closing”.

(b) On the Closing Date, the Placement Agent shall receive a copy of each of the following documents, each dated the Closing Date:

(i) a certified copy of the Resolution;

(ii) an opinion of Special Counsel, Ballard Spahr, LLP (“Special Counsel”) in form and substance satisfactory to the Placement Agent;

(iii) a certificate, signed by an authorized officer of the City, to the effect that (i) the representations, warranties and covenants of the City contained herein are true and correct in all material respects on and as of the Closing Date, with the same effect as if made on the Closing Date; (ii) no litigation is pending or, to the knowledge of such officer, threatened in any court in any way affecting the existence of the City or the titles of its officers or directors to their respective positions, or seeking to restrain or to enjoin the sale or issuance of the Obligations, or the levy, assessment or collection of taxes to pay the principal of and interest on the Obligations, or in any way contesting or affecting the validity or enforceability of the Obligations, the Resolution or the Documents, or contesting the powers of the City or its authority with respect to the Obligations, the Resolution or the Documents (but in lieu of or in conjunction with such certificate, the Placement Agent may, in the sole discretion of an authorized representative thereof, accept certificates or opinions of counsel to the City, acceptable to such representative, that in the opinion of such counsel the issues raised in any pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit) and (iii) the City has complied in all material respects with the Resolution and the terms of the Obligations and the Documents and satisfied all material conditions on its part to be performed or satisfied at or prior to the delivery of the Obligations; and

(iv) such additional certificates, instruments or opinions as Special Counsel, the City or the Placement Agent may deem necessary or desirable.

All certificates, instruments, opinions and documents referred to above and any resolutions shall be in form and substance satisfactory to authorized representatives of Special Counsel, the City and the Placement Agent.

4. The City has furnished the Placement Agent and the Purchaser with all information and material concerning the City and the Obligations that the Placement Agent requested in connection with the performance of its obligations hereunder (the “Information Package”). The following documents and information comprise the Information Package: City audited financial statements for fiscal years 2010-11 through 2014-15, City biennial budgets for fiscal years 2015/16 and 2016/17 and biennial mid-term budget update, estimated debt service requirements and coverage, historical sales tax collections by industry classification, City demographic information, underlying credit ratings, the draft Resolution and other legal documents. The City represents and warrants that all information made available to the Placement Agent by the City or contained in the Information Package is, and will be at all times during the period of the engagement of the Placement Agent hereunder, be complete and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made. The City further represents and

warrants that any projections provided to the Placement Agent or contained in the Information Package will have been prepared in good faith and will be based upon assumptions which, in light of the circumstances under which they are made, are reasonable. The City acknowledges and agrees that in rendering its services hereunder, the Placement Agent will be using and relying upon, without any independent investigation or verification thereof, all information that is or will be furnished to the Placement Agent by or on behalf of the City and on publicly available information, and the Placement Agent will not in any respect be responsible for the accuracy or completeness of any of the foregoing kinds of information, and that the Placement Agent will not undertake to make an independent appraisal of any of the assets of the City.

5. The obligation of the Placement Agent to use its best efforts to place the Obligations shall be subject to the performance by the City of the obligations thereof provided hereby in all material respects at or prior to the Closing, and the accuracy in all material respects of the representations and warranties of the City contained herein and shall also be subject to the following conditions:

(a) The Documents shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to by the Placement Agent;

(b) The City shall have arranged for payment of the Fee at the time of the Closing and

(c) All of the other obligations of the City required under or specified in this Placement Contract and the Resolution to be performed at or prior to the Closing shall have been performed in all material respects

6. There shall be paid solely from the proceeds of the sale of the Obligations, upon or promptly after the Closing: (a) the cost, if any, of the preparation and printing of the Obligations; (b) the fees and disbursements of Special Counsel and of any other counsel or consultants retained by the City (c) the Fee as well as the fee and disbursements of counsel to the Placement Agent, if any. The Placement Agent shall be under no obligation to pay any expenses incident to this Placement Contract.

7. The agreements and all representations and warranties herein set forth have been and are made for the benefit of the Placement Agent and the City, and no other person shall acquire or have any right under or by virtue of this Placement Contract.

8. This Placement Contract shall become effective upon the execution of the acceptance hereof by an authorized officer of the City and shall be valid and enforceable as of the time of such acceptance. This Placement Contract may be executed in several counterparts, each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

9. This Placement Contract shall be governed by and construed in accordance with the law of the State. As required by the provisions of Section 38-511, Arizona

Revised Statutes, notice is hereby given that the State, its political subdivisions (including the City) or any department or agency of either may, within three (3) years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, 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. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either 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 the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This Section is not intended to expand or enlarge the rights of the City hereunder except as required by such Section. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section which would adversely affect the enforceability of this Placement Contract and covenants that it shall take no action which would result in a violation of such Section.

10. **Regulatory Disclosure:** The City is aware of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Securities and Exchange Commission's adopted rule commonly known as the "Municipal Advisor Rule" (SEC Rule 15Ba1-1 to 15Ba1-8 -"the Rule") and the underwriter exclusion from the definition of "municipal advisor" for a firm serving as an underwriter or placement agent for a particular issuance of municipal securities. Some of the services that the Placement Agent will be called upon to perform, such as providing advice with respect to the sizing, structure, timing and terms of the Obligations issuance, are services that are also commonly provided by financial advisory firms.

However, in providing such services for the Obligations, the parties understand and agree that the Placement Agent is serving as a placement agent for this transaction and is permitted to give advice and recommendations under the "underwriter exclusion" provision of the Rule. The City agrees that the Placement Agent will not be serving as the City's financial advisor or acting as an agent or fiduciary for the City and that the City will be consulting with its own legal, financial and other advisors. This Placement Contract and relationship shall be executed, approved or acknowledged by the City Council or an authorized representative of the City.

11. **Disclosures Required by MSRB Rule G-17 Concerning the Role of the Placement Agent:** Municipal Securities Rulemaking Board Rule G-17 requires a placement agent to deal fairly at all times with both municipal issuers and investors. The Placement Agent's primary role is to place the Obligations directly with an investor or investors on behalf of the City without first purchasing the Obligations, and the Placement Agent has financial and other interests that differ from those of the City. Unlike a municipal advisor, the Placement Agent does not have a fiduciary duty to the City under the federal securities laws and is,

therefore, not required by federal law to act in the best interests of the City without regard to its own financial or other interests.

12. Placement Agent certifies that it is not currently engaged in, and agrees for the duration of this Contract that it will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393.

13. If any provision of this Placement Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Placement Contract invalid, inoperative or unenforceable to any extent whatever.

14. This Placement Contract shall be governed by and construed in accordance with the laws of the State.

Respectfully submitted,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

.....
Mark Reader, Managing Director

ACCEPTED this 11th day of October 2016.

Lake Havasu City, Arizona

By.....

ATTEST:

.....
Clerk