

123-88

RESOLUTION ORDERING THE SALE OF SHOW LOW UNIFIED SCHOOL DISTRICT NO. 10 OF NAVAJO COUNTY, ARIZONA SCHOOL IMPROVEMENT BONDS, PROJECT OF 1987, SERIES B (1988), IN THE TOTAL AGGREGATE PRINCIPAL AMOUNT OF \$3,500,000, FIXING THE DATE AND HOUR OF SALE, DIRECTING THE EXECUTION AND DISTRIBUTION OF A NOTICE INVITING PROPOSALS FOR PURCHASE OF BONDS.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF NAVAJO COUNTY, ARIZONA AS FOLLOWS:

Section 1. That \$3,500,000 principal amount of School Improvement Bonds, Project of 1987, Series B (1988), of Show Low Unified School District No. 10 of Navajo County, Arizona (the "District"), shall be offered for public sale by the Board of Supervisors of Navajo County, Arizona on the date and at the hour set forth in the Notice Inviting Proposals For Purchase Of Bonds (the "Notice") attached hereto.

Section 2. That the Clerk of the Board of Supervisors is hereby authorized and directed to execute the Notice, in substantially the form attached hereto, and, with the advice of the District's Financial Consultant, to cause said Notice, as executed, to be distributed to prospective purchasers of the bonds prior to the date set to receive bids on the bonds.

PASSED AND ADOPTED this November 21, 1988.



Chairman of the Board of
Supervisors of Navajo County,
Arizona

ATTEST:



Clerk of the Board of Supervisors
of Navajo County, Arizona

NOTICE INVITING PROPOSALS
FOR PURCHASE OF BONDS

\$3,500,000

SHOW LOW UNIFIED SCHOOL DISTRICT NO. 10 OF
NAVAJO COUNTY, ARIZONA

SCHOOL IMPROVEMENT BONDS, PROJECT OF 1987, SERIES B (1988)

NOTICE IS HEREBY GIVEN that sealed, unconditional bids will be received by the Board of Supervisors of Navajo County, Arizona at the Office of the Clerk of the Board of Supervisors of Navajo County, Arizona, Navajo County Courthouse, Holbrook, Arizona 86025, on December 5, 1988 until the hour of 11:00 a.m. Mountain Standard Time, for the purchase of general obligation bonds of Show Low Unified School District No. 10 of Navajo County, Arizona (the "District") in the principal amount of Three Million Five Hundred Thousand Dollars (\$3,500,000), to be designated Show Low Unified School District No. 10 of Navajo County, Arizona, School Improvement Bonds, Project of 1987, Series B (1988) (the "Bonds").

The Bonds will be dated December 1, 1988, and will be issued in fully registered form without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest on the Bonds shall be payable semiannually on January 1 and July 1 of each year, beginning January 1, 1990. Principal on the Bonds will be payable at the principal corporate trust office of The Valley National Bank of Arizona, in Phoenix, Arizona, which will be designated by the Board of Supervisors of Navajo County, Arizona as Bond Registrar and Paying Agent, when due upon surrender of such Bonds at the principal corporate trust office of the Bond Registrar and Paying Agent. Interest on the Bonds will be payable by check or draft mailed to the registered owners thereof, as shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent, at the address appearing thereon at the close of business on the 15th day of the calendar month next preceding that interest payment date.

The Bonds will be serial Bonds and will mature on July 1 in each of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
1994	\$150,000
1995	175,000
1996	175,000

<u>Year</u>	<u>Principal Amount</u>
1997	\$200,000
1998	200,000
1999	225,000
2000	250,000
2001	250,000
2002	250,000
2003	300,000
2004	300,000
2005	325,000
2006	325,000
2007	375,000

FORM AND DENOMINATION: The Bonds will be issued in fully registered form without coupons, in the denomination of \$5,000 or any integral multiple thereof. The initial purchaser must accept one fully registered Bond for all amounts in each maturity for which names and addresses of the initial owners of the Bonds were not provided to the Bond Registrar at least seven (7) days prior to the date of closing.

REGISTRATION AND TRANSFER: The Bonds will be transferable only upon the bond register maintained by the Bond Registrar upon surrender of the Bonds to the Bond Registrar with an appropriate instrument of transfer.

PRIOR REDEMPTION: Bonds of this series, maturing on or before July 1, 1997, are not subject to call for redemption prior to maturity. Bonds of this series maturing on or after July 1, 1998, are subject to call for redemption prior to maturity in whole or in part on July 1, 1997, or on any interest payment date thereafter, by the payment of the principal amount of each Bond called for redemption plus accrued interest to the date fixed for redemption plus a premium payable from any source lawfully available therefor, the premium to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 1, 1997 and January 1, 1998	3%
July 1, 1998 and January 1, 1999	2½
July 1, 1999 and January 1, 2000	2
July 1, 2000 and January 1, 2001	1½
July 1, 2001 and January 1, 2002	1
July 1, 2002 and January 1, 2003	½
and without premium thereafter	

QUALIFIED TAX-EXEMPT OBLIGATIONS: The County, on behalf of the District, does not expect to issue during the calendar year in which the Bonds are issued an aggregate amount of qualified tax-exempt obligations greater than \$10,000,000 and the County and the District will designate the Bonds qualified tax-exempt obligations within the meaning of and for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

AUTHORITY: The Bonds will be issued pursuant to the Constitution and laws of the State of Arizona, including particularly Title 15, Chapter 9, Article 7, Arizona Revised Statutes, as amended, and a Resolution to be adopted by the Board of Supervisors of Navajo County, Arizona on December 5, 1988.

ELECTION AND SECURITY: The Bonds represent the second installment of an aggregate voted issue of \$6,000,000 principal amount voted at an election held on November 3, 1987. Principal of and interest on the Bonds are payable from an unlimited ad valorem tax levied against all of the taxable property in the District pursuant to Title 15, Chapter 9, Article 7, Arizona Revised Statutes, as amended.

INTEREST RATES: Bidders are to name the rate or rates of interest per annum which the Bonds are to bear, not to exceed twelve percent (12%) per annum, to be expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%); however, no fractional cents will be paid (or accumulated for payment) on any Bond, and interest rates bid which indicate payment of fractional cents will be deemed to be a waiver of the right to payment of such fractional cents. Interest will be calculated on the basis of 360 days per year or twelve 30-day months. Any number of interest rates may be named, but the rate of interest on the Bonds of each separate maturity must be the same single rate for all Bonds of that maturity from their date to such maturity date. Any bid which specifies a split interest rate or the payment of any premium offered in anything other than federal funds will not be considered.

FORM OF BID: No proposal offering to purchase less than all of the Bonds at the par value of all of the Bonds and accrued interest for all of the Bonds will be considered. Each bid shall be enclosed in a sealed envelope marked "Proposal for Purchase of Show Low Unified School District No. 10 of Navajo County, Arizona School Improvement Bonds, Project of 1987, Series B (1988)" and shall be addressed to the Clerk, Board of Supervisors of Navajo County, Arizona, Navajo County Courthouse, Holbrook, Arizona 86025. All bids must be uncondi-

tional, and bidders must use the bid form prepared by the District. Young, Smith & Peacock, Inc., Financial Consultant to the District, has reserved the right to bid on the Bonds.

RIGHT OF REJECTION: The Board of Supervisors of Navajo County, Arizona reserves the right to reject any and all bids and to waive any irregularity or informality in any bid, except that the time for receiving bids shall be of the essence.

AWARD OF BONDS: Unless all proposals are rejected, the Board of Supervisors of Navajo County, Arizona, at the regularly scheduled meeting of the Board of Supervisors of Navajo County, Arizona to be held on December 5, 1988, will award the Bonds not later than 5:00 p.m., Mountain Standard Time, on December 5, 1988, to the responsible bidder offering to purchase all of the Bonds at the lowest net interest cost to the District, which shall be determined by computing the aggregate amount of interest payable on the Bonds from December 1, 1938 to their respective maturities and by deducting therefrom any premium.

Bidders are to take notice that, pursuant to Arizona law, if within three years from the award of contract of purchase of Bonds any person who was significantly involved in initiating, negotiating, securing, drafting or creating a contract for the purchase of the Bonds on behalf of the County becomes an employee or agent of the winning bidder in any capacity or a consultant to the winning bidder with respect to the contract for the purchase of the Bonds, the County may cancel the award of contract without penalty or further obligation by the County and refuse to deliver the Bonds to the winning bidder. In addition to such cancellation, if such person becomes an employee or agent of the winning bidder with respect to the contract for the purchase of the Bonds, the County may recoup any fees or commissions paid or due to said winning bidder with respect to the award to said bidder and the actual sale of the Bonds.

GOOD FAITH CHECKS: Each proposal must be accompanied by a certified check, drawn on a bank doing business in the State of Arizona, payable to the order of the County Treasurer of Navajo County, Arizona, for not less than Seventy Thousand Dollars (\$70,000) to guarantee performance of such proposal. No interest will be allowed on the good faith deposits, and the checks of the unsuccessful bidders will be returned to the bidders' representatives promptly. The good faith check of the successful bidder will be retained by the County Treasurer of Navajo County, Arizona uncashed until the delivery of the Bonds, at which time said check will be cashed and applied

toward the purchase of the Bonds, or said check will be cashed and the proceeds thereof forfeited to the District as and for stipulated and liquidated damages if the successful bidder fails or neglects to take up and pay for the Bonds in accordance with its proposal.

DELIVERY: The executed Bonds will be delivered to the purchaser in Phoenix, Arizona, at the expense of the District, at the law offices of O'Connor, Cavanagh, Anderson, Westover, Killingsworth & Beshears, P.A., One East Camelback Road, Phoenix, Arizona, Bond Counsel, or at the request and expense of the purchaser, at any other place mutually agreeable to the District, the Board of Supervisors of Navajo County, Arizona and to the purchaser. It is expected that delivery will be made on or about January 3, 1989. Payment of the entire purchase price must be made in federal funds.

INFORMATION TO BE PROVIDED BY PURCHASER: The purchaser must certify to the District the initial offering price to the public (excluding bond houses, brokers and other intermediaries) of each maturity of the Bonds at which a substantial amount of Bonds (at least 10%) of that maturity were sold, to enable the District to compute the yield on the Bonds for federal arbitrage law purposes.

COST OF BOND FORMS: The District will bear the cost of the Bond forms and the printing thereof and will furnish fully executed Bonds, registered in the name of the purchaser, to the purchaser upon payment therefor. The expenses (and transfer taxes, if applicable) pertaining to subsequent registrations will be paid by the transferor. All costs and expenses of registration and payment will be borne by the District.

LEGAL OPINION: Bonds are sold with the understanding that the District will furnish the purchaser with the approving opinion of O'Connor, Cavanagh, Anderson, Westover, Killingsworth & Beshears, P.A., of Phoenix, Arizona. Said attorneys have been retained by the District as Bond Counsel and, in such capacity, are to render their opinion only upon the legality of the Bonds under Arizona law and on the exemption of the interest income on such Bonds from federal and State of Arizona income taxes, the delivery of said opinion being a condition precedent to the delivery of the Bonds and the purchase thereof by the successful bidder (see "TAX EXEMPTION"). The fees of Bond Counsel will be paid from Bond proceeds.

TAX EXEMPTION: The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the Bonds, including investment re-

restrictions, periodic payments of certain investment earnings to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith and certain other matters. The Resolution relating to the Bonds includes provisions which, if complied with by the County and the District, meet the requirements of the Code. Failure to comply with certain of such Resolution provisions may cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds.

Assuming compliance by the County and the District with the provisions of the Resolution, in the opinion of O'Connor, Cavanagh, Anderson, Westover, Killingsworth & Beshears, P.A., Bond Counsel, interest on the Bonds will not be, under current law, includable in gross income of the owners thereof for federal income tax purposes, and therefore will be exempt from present federal income taxation, except to the extent that such interest will be taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations, in computing the environmental tax imposed on certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations as described below, and is exempt from present Arizona income taxation. Interest on the Bonds will not be treated as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations which is levied for taxable years beginning after December 31, 1986, in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the taxable income with certain adjustments. One of the adjustment items used in computing AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, or REMICs) is an amount equal to 50% of the excess of such corporation's "adjusted net book income" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). For taxable years beginning after 1989, such adjustment item will be 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). Both "adjusted net book income" and "adjusted current earnings" would include all tax-exempt interest, including interest on the Bonds.

The "Superfund Revenue Act of 1986" imposes an additional tax (the "environmental tax") on a corporation at a rate of 0.12% on the excess over \$2,000,000 of such corporation's

"modified alternative minimum taxable income," which would include a portion of the interest on the Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax may be levied (for taxable years beginning after December 31, 1986) on the "effectively connected earnings and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Bonds.

Individuals receiving benefits under the Social Security Act or the Railroad Retirement Act may be required to treat specially the interest received on the Bonds in particular circumstances specified in the Code.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts solely within the District's knowledge relating to the project financed with the proceeds of the Bonds and the application of the proceeds of the Bonds.

CERTIFICATES TO BE DELIVERED: The District will deliver a certificate showing that no litigation is pending affecting the issuance and sale of the Bonds. The District also will deliver an arbitrage certificate covering its expectations concerning the use of proceeds from the sale of the Bonds and related matters.

CUSIP IDENTIFICATION NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and to pay for the Bonds in accordance with the terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Bond or a part of the contract evidenced thereby, and no liability shall hereafter attach to the District or to any of its officers or agents because of or on account of such numbers or any use made thereof. All expenses in relation to the printing of CUSIP identification numbers on the Bonds and the CUSIP Service Bureau charge for the assignment of said numbers shall be paid for by the District.

FURTHER INFORMATION: Further information, including copies of the Notice Inviting Proposals For Purchase Of Bonds, copies of the bid form, copies of the Resolution pursuant to which the Bonds will be issued, and copies of the Official Statement containing information relating to the issuance, sale and security for the Bonds, may be obtained from the undersigned at the Navajo County Courthouse, Holbrook, Arizona 86025, or from Young, Smith & Peacock, Inc., 3443 North Central

Avenue, Phoenix, Arizona 85012 (Telephone Number (602) 264-8800), Financial Consultant to the District.

The District will furnish the successful bidder, without cost, up to 50 copies of the Official Statement relating to the Bonds.

DATED: November 21, 1988.

Clerk, Board of Supervisors
of Navajo County, Arizona