

**PRELIMINARY LIMITED OFFERING MEMORANDUM DATED MAY \_\_\_, 2014****NEW ISSUE - BOOK-ENTRY-ONLY****NOT RATED**

*In the opinion of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with certain restrictions, conditions and requirements by the District, as mentioned under "TAX EXEMPTION" herein, interest income on the Bonds is excluded from gross income for federal income tax purposes. Interest income on the Bonds is not an item of tax 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. In the opinion of Bond Counsel, interest income on the Bonds is exempt from Arizona income taxes. See "TAX EXEMPTION," "ORIGINAL ISSUE DISCOUNT" and "BOND PREMIUM" herein.*

*The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The District will certify that it reasonably anticipates that the aggregate amount of qualified tax-exempt obligations which will be issued by the District in calendar year 2014 will not exceed \$10,000,000. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.*

**\$3,145,000\***

**EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1  
(CITY OF MESA, ARIZONA)  
GENERAL OBLIGATION BONDS, SERIES 2014**

*Dated: Date of Initial Delivery**Due: As shown on the inside front cover page*

The \$3,145,000\* principal amount of Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, Series 2014 (the "Bonds") will be issued in the form of fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available initially to ultimate purchasers through the book-entry system maintained by DTC in amounts of \$5,000 of principal amount or integral multiples in excess thereof due on specified maturity dates. Interest on the Bonds (except defaulted interest, if any) will be paid semiannually on each January 15 and July 15 of each year, commencing January 15, 2015\*. Payments of principal and interest will be paid by wire transfer to DTC for subsequent disbursements to DTC participants which will remit such payments to the beneficial owners of the Bonds. See APPENDIX C - "BOOK-ENTRY-ONLY SYSTEM."

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**SEE INSIDE FRONT COVER PAGE FOR MATURITY SCHEDULE**

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The Bonds are authorized pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended, and an election held on May 17, 2012 in and for Eastmark Community Facilities District No. 1, a community facilities district formed within the boundaries of the City of Mesa, Arizona (the "District") and will be issued pursuant to a resolution of the District Board of the District adopted on April 3, 2014\*. The Bonds will be payable as to both principal and interest from *ad valorem* taxes to be levied on all taxable property within the boundaries of the District, without limitation as to rate or amount. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS."

The Bonds will be subject to redemption by the District prior to maturity as described herein.\*

Proceeds of the sale of the Bonds will be used to finance the acquisition of certain public infrastructure (including specifically road improvements within the District) by the District.

**The Bonds are not being sold in a public offering. The Bonds may be purchased by and transferred to "Qualified Investors" only. To insure transfer to Qualified Investors only, all sales and transfers must occur utilizing a broker, dealer or municipal securities dealer. See "INVESTOR SUITABILITY STANDARDS AND TRANSFER RESTRICTIONS" herein.**

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

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

The Bonds are offered when, as and if issued and subject to the approval of Gust Rosenfeld P.L.C., Phoenix, Arizona, Bond Counsel. Certain legal matters will be passed upon for the District by its counsel, Gust Rosenfeld P.L.C., Phoenix, Arizona, for the Underwriter by its counsel, Greenberg Traurig, LLP, Phoenix, Arizona, and for DMB Mesa Proving Grounds, LLC by its counsel, Greenberg Traurig LLP, Phoenix, Arizona. It is expected that delivery of the Bonds will be made through the facilities of DTC on or about June \_\_, 2014.

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

**RBC CAPITAL MARKETS**

June \_\_, 2014\*

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\* Preliminary, subject to change

## MATURITY SCHEDULE\*

Year (July 15)	Principal Amount	Rate	Yield	CUSIP®(1) No. (Base _____)
2015	\$ 60,000			
2016	80,000			
2017	80,000			
2018	85,000			
2019	90,000			
2020	90,000			
2021	95,000			
2022	100,000			
2023	105,000			
2024	110,000			
2025	115,000			
2026	120,000			
2027	125,000			
2028	130,000			
2029	135,000			
2030	145,000			
2031	150,000			
2032	160,000			
2033	170,000			
2034	180,000			
2035	190,000			
2036	200,000			
2037	210,000			
2038	220,000			

\$\_\_\_\_\_ Term Bonds @ \_\_\_\_\_% Due July 15, 20\_\_ - Yield \_\_\_\_\_% - \_\_\_\_\_

\$\_\_\_\_\_ Term Bonds @ \_\_\_\_\_% Due July 15, 20\_\_ - Yield \_\_\_\_\_% - \_\_\_\_\_

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\* Preliminary, subject to change.

## **EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1**

### **District Board**

Scott Smith, Chairman  
Alex Finter, Vice Chairman  
Dave Richins, Board Member  
Scott Somers, Board Member  
Dennis Kavanaugh, Board Member  
Christopher Glover, Board Member  
David Luna, Board Member

### **District Staff**

Chris Brady, District Manager  
Michael Kennington, District Treasurer  
DeeAnn Mickelsen, District Clerk  
Gust Rosenfeld P.L.C., District Counsel

### **Bond Registrar and Paying Agent**

U.S. Bank National Association  
Phoenix, Arizona

### **Financial Advisor**

Wedbush Securities Inc.  
Phoenix, Arizona

**This Limited Offering Memorandum, which includes the cover page, the inside front cover page and the appendices hereto, should be considered in its entirety, and no one subject should be considered less important than another by reason of location in the text. Brief descriptions of the Bonds, the security for the Bonds, the District, the development of land within the District and other information are included in this Limited Offering Memorandum. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds and other documents are qualified in their entirety by reference to such documents, copies of which may be obtained from RBC Capital Markets, LLC (the “Underwriter”), at 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016.**

**No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give information or to make any representation other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter.**

**The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.**

**THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS LIMITED OFFERING MEMORANDUM: THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.**

**THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS THE PROMISE OR GUARANTEE OF THE UNDERWRITER. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF *AD VALOREM* TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IS INTENDED TO SHOW RECENT HISTORICAL INFORMATION, AND, EXCEPT AS EXPRESSLY STATED OTHERWISE, IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS. NO REPRESENTATION IS MADE THAT THE PAST EXPERIENCE SHOWN BY SUCH INFORMATION WILL NECESSARILY CONTINUE OR BE REPEATED IN THE FUTURE. THIS LIMITED OFFERING MEMORANDUM CONTAINS, IN PART, ESTIMATES AND MATTERS OF OPINION WHICH ARE NOT INTENDED AS STATEMENTS OF FACT, AND NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OF SUCH ESTIMATES AND OPINIONS, OR THAT THEY WILL BE REALIZED. THIS LIMITED OFFERING MEMORANDUM IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE DISTRICT OR THE UNDERWRITER AND THE PURCHASERS OR HOLDERS OF ANY OF THE BONDS.**

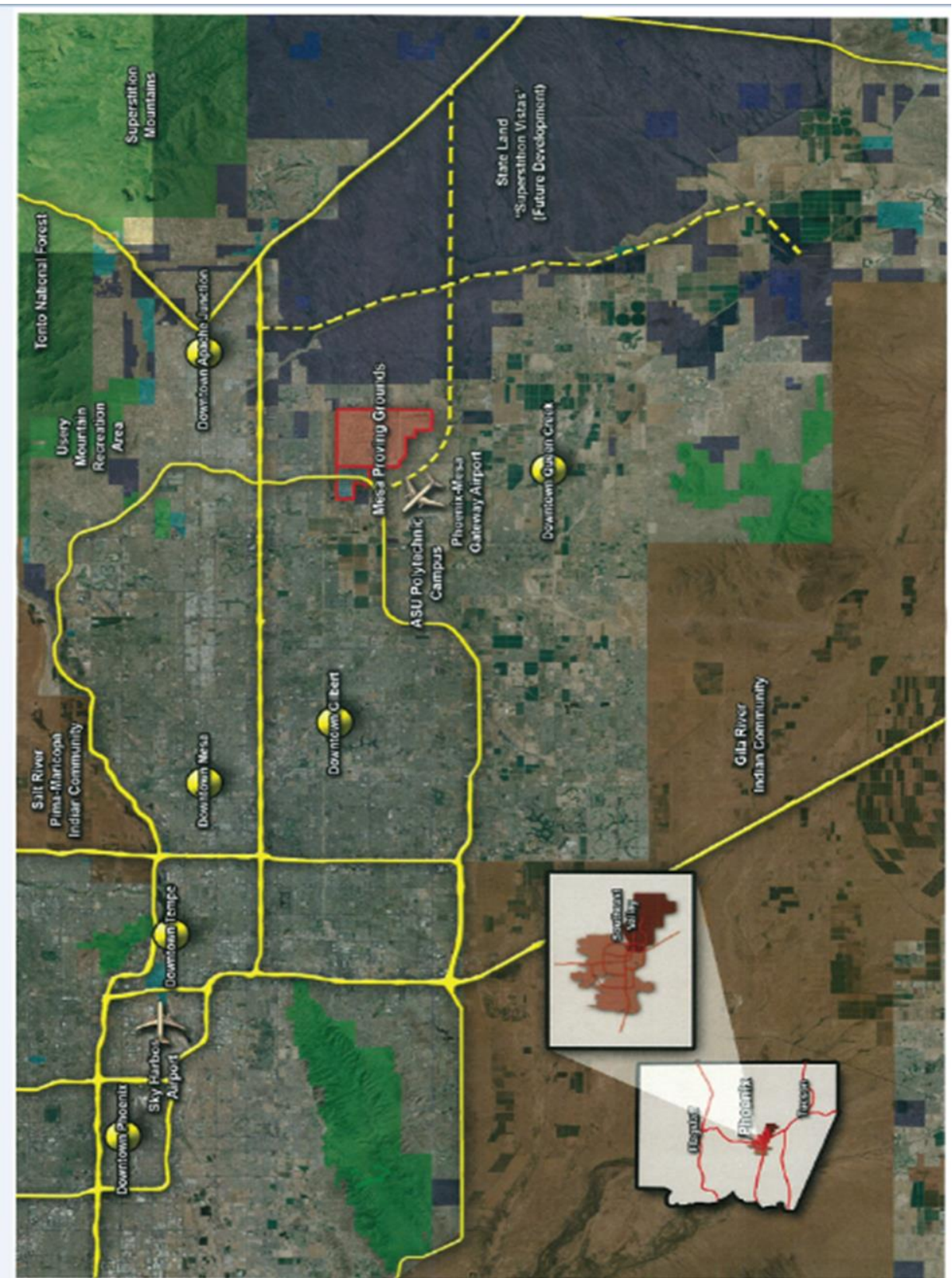
**THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS LIMITED OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE DISTRICT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN, SINCE THE DATE OF THIS LIMITED OFFERING MEMORANDUM.**

**THE DISTRICT HAS COVENANTED TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM UNDER “CONTINUING DISCLOSURE” AND IN APPENDIX D - “FORM OF CONTINUING DISCLOSURE UNDERTAKING” PURSUANT TO RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.**

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**MAP SHOWING LOCATION OF EASTMARK  
WITHIN METROPOLITAN PHOENIX AREA**



AERIAL PHOTOGRAPH OF EASTMARK



**\$3,145,000\***  
**EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1**  
**(CITY OF MESA, ARIZONA)**  
**GENERAL OBLIGATION BONDS,**  
**SERIES 2014**

This Limited Offering Memorandum, which includes the cover page, the inside front cover page and the appendices hereto, provides certain information concerning the issuance of \$3,145,000\* principal amount of Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, Series 2014 (the “Bonds”).

**THE DISTRICT**

Pursuant to the Community Facilities District Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the “Act”), and in response to a petition by DMB Mesa Proving Grounds, LLC, a limited liability company organized and existing pursuant to the laws of the State of Delaware (“DMB”), the manager of which, at the time, was DMB Associates, Inc., a corporation incorporated and existing pursuant to the laws of the State of Arizona (“DMB Associates”), the Mayor and Council (the “City Council”) of the City of Mesa, Arizona (the “City”), adopted a resolution on April 2, 2012, which formed Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) (the “District”). See Appendix A hereto for certain information about the City.

The District consists of approximately 2,170 acres of a larger 3,164-acre project within the City formerly known as the Mesa Proving Grounds and now being developed as the mixed use, master planned community known as “Eastmark” (the “Project” or “Eastmark”). The Project is located east of the 202 freeway generally bounded by Elliot Road to the north, Williams Field Road to the south, Ellsworth Road to the west, and Signal Butte Road to the east. (DMB acquired fee title interest under certain purchase agreements in 2006.) Construction on the Project commenced in August, 2012, and the first home closings occurred in September of 2013. Single family residential units represent approximately 2,040 acres within the Project. See the maps at pages (ii) and (iii) with respect to the location of the District.

On April 1, 2013, a venture was formed between affiliates of Brookfield Residential Properties Inc. (“Brookfield”) and DMB Associates whereby each member has a vested equity interest in DMB, pursuant to which DMB Associates is the designated Project Manager and representatives of the members serve on an executive committee to approve the business plans for Eastmark as amended from time to time.

The District is a special purpose, tax levying public improvement district for purposes of the Constitution of Arizona and a municipal corporation for certain purposes of the laws of the State of Arizona (the “State” or “Arizona”). Except as otherwise provided in the Act, the District is considered to be a municipal corporation and political subdivision of the State, separate and apart from the City. The City Council serves as the board of directors of the District (the “Board”), and the City Manager of the City currently serves as the District Manager.

The District has provided, pursuant to the terms of certain development agreements among the City, DMB and the District, financing for the acquisition of certain public infrastructure necessary for development of the land within the boundaries of the District. See “LAND DEVELOPMENT.” The District has the authority to issue general obligation bonds payable from *ad valorem* taxes levied on all taxable property within the boundaries of the District, without limitation as to rate or amount, to finance, among other things, the acquisition costs of public infrastructure purposes within the District, including incidental costs and the costs of issuing bonds. The District also levies a \$0.30 *ad valorem* tax per \$100 of secondary assessed valuation, the proceeds of which are used to pay a portion of the operation and maintenance expenses of the District and the public infrastructure financed by the District.

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\* Preliminary, subject to change.

## **INVESTOR SUITABILITY STANDARDS AND TRANSFER RESTRICTIONS**

Beneficial interests with respect to the Bonds may be purchased only by Qualified Investors. As used herein, “Qualified Investor” means any purchaser which is a “qualified institutional investor” as defined in Rule 144A under the federal Securities Act of 1933, as amended or an accredited investor (excluding natural persons) as defined in Rule 501 of Regulation D of the United States Securities Exchange Commission and which is purchasing an interest through a broker-dealer. A letter in the form set forth in APPENDIX E must be provided by all Qualified Investors in connection with investment as part of the initial sale and delivery of the Bonds.

Prior to either (a) the District being informed that the Bonds have received (i) a rating from a Rating Agency of “AAA” or “AA” or (ii) a rating from a Rating Agency of “A” or “BBB” and written approval of the Board or (b) the Bonds being defeased pursuant to the terms of the hereinafter described Bond Resolution, beneficial interests in the Bonds owned by Qualified Investors will be transferable only to Qualified Investors through transactions utilizing a broker-dealer. Any owner that is a Qualified Investor of a beneficial interest in a Bond by its acceptance of such interest agrees that it will not transfer such interest to a person other than a Qualified Investor through transactions utilizing a broker-dealer and any broker-dealer acquiring such beneficial interest shall only sell or transfer such interest to a Qualified Investor.

## **THE BONDS**

### **Authorization and Purpose**

The Bonds are authorized pursuant to the Act and an election held on May 17, 2012 (the “Election”) and will be issued pursuant to a resolution adopted by the Board on April 3, 2014\* (the “Bond Resolution”). The Bonds will be the first series issued pursuant to the authorization approved by the Election, and, after issuance of the Bonds, \$431,855,000\* principal amount of such general obligation bonds will remain authorized but unissued. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - *Ad Valorem* Property Taxation in the District” and “OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES - Additional General Obligation Bonded Indebtedness of the District.” The Bonds are being issued in order to finance certain road improvements within the District. See “THE PUBLIC INFRASTRUCTURE.”

### **General Description**

The Bonds will be dated the date of their initial delivery, and will mature and bear interest at the rates as set forth on the inside front cover page of this Limited Offering Memorandum.

Interest on the Bonds will be paid semiannually on January 15 and July 15 of each year, commencing January 15, 2015\* (each such date being referred to herein as an “Interest Payment Date”). The Bonds will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the date of their initial delivery, calculated on the basis of a 360-day year of twelve 30-day months. See APPENDIX C - “BOOK-ENTRY-ONLY SYSTEM.”

The principal of, redemption price for and interest on the Bonds will be payable when due to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as the securities depository of the Bonds for a book-entry-only system. The Bonds will be available initially to Qualified Investors under such system in amounts of \$100,000 and integral multiples of \$5,000 in excess thereof due on specified maturity dates. Thereafter, the Bonds shall be denominated as further provided for in the Bond Resolution. No document of any nature whatsoever need be surrendered as a condition to payment of the principal and interest on the Bonds. See APPENDIX C - “BOOK-ENTRY-ONLY SYSTEM.”

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\* Preliminary, subject to change.

## Bond Registrar and Paying Agent

U.S. Bank National Association will serve as the initial bond registrar, transfer agent and paying agent (the “Bond Registrar and Paying Agent”) for the Bonds. The District may change the Bond Registrar and Paying Agent without notice to or consent of the owners of the Bonds.

## Redemption Provisions\*

*Optional Redemption.* The Bonds will be subject to redemption prior to maturity, at the option of the District, on or after July 15, 20\_\_, in whole or in part on any date, at the redemption price of the principal amount of the Bonds or portion thereof being redeemed plus accrued interest to the redemption date, but without premium.

*Mandatory Redemption.* The Bonds maturing on July 15 of the following years will be redeemed from funds of the District prior to maturity on the following redemption dates and in the following amounts, upon payment of the Redemption Price which consists of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the redemption date, but without premium:

Redemption Date (July 15)	Principal Amount Redeemed
Term Bond Maturing 20__	
20__	\$ _____
20__	_____
20__ (maturity)	_____
Term Bond Maturing 20__	
20__	\$ _____
20__	_____
20__ (maturity)	_____

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

*Notice of Redemption.* Notice of redemption will be given by the Bond Registrar and Paying Agent, not less than 30 days nor more than 60 days before the date fixed for redemption, to DTC. See APPENDIX C - “BOOK-ENTRY-ONLY SYSTEM.”

*Effect of Redemption.* If on the date of redemption of the Bonds sufficient moneys for payment of the redemption price and accrued interest are held by the Bond Registrar and Paying Agent, interest on the Bonds so called for redemption will cease to accrue and such Bonds will cease to be entitled to any benefit or security under the Bond Resolution except the right to receive payment from the moneys held for such Bonds.

## SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

### General

The Board will annually levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any amounts

from the sources described in the Act and available pursuant to the Bond Resolution, to pay debt service with respect to the Bonds (whether at maturity or prior redemption) when due. The Bonds will be payable from such taxes on the same basis as issues of general obligation bonds of the District which may be issued in the future. The Board also levies an additional *ad valorem* tax of \$0.30 per \$100 of secondary assessed valuation which amount will be used for operation and maintenance expenses of the District. See “OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES - Additional General Obligation Bonded Indebtedness of the District.”

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

### **Ad Valorem Property Taxation in the District**

At the general election held November 6, 2012, the voters of the State ratified Senate Concurrent Resolution 1025, which amends a provision of the Arizona Constitution relating to the State’s property tax system. Beginning in tax year 2015 (for operations during the District’s fiscal year 2015-16), and for tax years thereafter, the constitutional amendment will limit the value of real property and improvements, including mobile homes, used for all ad valorem tax purposes (both primary and secondary) to the lesser of the full cash value of the property or an amount five percent greater than the taxable value of property determined for the prior year. The foregoing limitation does not apply to (1) equalization orders that the Arizona Legislature exempts from such limitation; (2) property used in the business of patented or unpatented producing mines, mills and smelters; (3) producing oil, gas and geothermal interests; (4) real property and improvements used for operation of telephone, telegraph, gas, water and electric utilities; (5) aircraft – regularly scheduled and operated by an aircraft company; (6) standing timber; (7) pipelines; and (8) personal property, except mobile homes. Statutory amendments to implement this Constitutional amendment were enacted in the 2013 legislative session.

The information which follows under the heading “**Ad Valorem Property Taxation in the District**” summarizes the assessment, levy and collection process as it currently exists.

*General.* The State has two different valuation bases for levying *ad valorem* property taxes. They are “limited property” and “full cash value.” Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations. (See “Assessment Ratios.”)

*Primary Taxes.* Taxes levied against the assessed limited property value (after application of the assessment ratio) are referred to as primary taxes, which are used for the maintenance and operation of counties, cities/towns, school districts, community college districts and the State. The State does not currently levy *ad valorem* taxes. With the exception of personal property (other than mobile homes) and utility, mining and producing oil, gas and geothermal property with limited values equal to full cash value, limited property value cannot exceed the full cash value and is derived statutorily using one of the following two procedures:

- (a) The limited property value for property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use is established at the previous year’s limited property value increased by the greater of either 10% of the previous year’s limited property value or 25% of the difference between the previous year’s limited property value and the current year’s full cash value.
- (b) The limited property value for property that was omitted from the tax roll in the prior year, that underwent a change in use or modification through construction, destruction or demolition or that has been split, subdivided or consolidated is established at a level or percentage of the limited property value to full cash value of existing properties of the same use or legal classification.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the prior year's levy limit plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). In November 2006, the maximum allowable primary property tax levy limit was rebased to the amount of actual 2005 primary property taxes levied (plus amounts levied against property not subject to taxation in prior years). The 2% limitation does not apply to primary taxes levied on behalf of school districts. The limited and full cash values of personal property (other than mobile homes) and for utility, mining and producing oil, gas and geothermal power are the same. Property taxes on residential property only are constitutionally limited to 1% of the full cash value of such property.

As noted, primary taxes on residential property only are constitutionally limited to 1% of the full cash value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school district's taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid. See footnote (c) to TABLE 7.

*Secondary Taxes.* Taxes levied against the assessed value (after application of the assessment ratio to full cash value) are referred to as secondary taxes, which are used for debt retirement (including debt service on the Bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts. There is no limitation on the annual increases in full cash value of any property, and annual levies for voter-approved bonded indebtedness and special district assessments are unlimited.

*Determination of Full Cash Value.* The first step in the tax process is the determination of the full cash value of each parcel of real property within the State. Most property is valued by the various county assessors including for the county in which the District is located, Maricopa County, Arizona (the "County"), the Assessor of the County (the "County Assessor"), with the Arizona Department of Revenue valuing centrally assessed properties such as gas, water and electrical utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed it is "synonymous with market value." "Market value" means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally include the market approach, the cost approach and the income approach. As a general matter, the County Assessor uses a cost approach for commercial/industrial property and a sales data (market) approach for residential property. Arizona law allows taxpayers to appeal the County Assessor's valuations by providing evidence of a lower value, which may be based upon another valuation approach.

County assessors, upon meeting certain conditions, may value residential, agricultural and vacant land at the same full cash valuation for up to three years. The County Assessor currently values existing properties on a two-year cycle.

Certain residential property owners 65 years of age and older may obtain a property valuation "freeze" against valuation increases (the "Property Valuation Protection Option") if the owners total income from all sources does not exceed 400 percent (500 percent for two or more owners of the same property) of the "Social Security Income Benefit Rate." The Property Valuation Protection Option must be renewed every three years. If the property is sold to a person who does not qualify, the valuation reverts to its current full cash value. Any freeze on increases in full cash value will, as a result, freeze the secondary assessed value of the affected property as hereinafter described.

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*Assessment Ratios.* The appropriate property classification ratio is applied to the full cash value to determine the assessed valuation for such parcel. The assessment ratios utilized during the indicated tax years for each class of property are set forth below:

**TABLE 1**

**Property Tax Assessment Ratios (Tax Year)**

<b>Property Classification (a)</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Mining, Utilities, Commercial and Industrial (b)	21%	20%	20%	19.5%	19.0%
Agriculture and Vacant Land (b)	16	16	16	16	16
Owner Occupied Residential	10	10	10	10	10
Leased or Rented Residential	10	10	10	10	10
Railroad, Private Car Company and Airline Flight Property (c)	17	15	15	15	15

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.
- (b) For tax year 2013, full cash values up to \$133,868 on commercial, industrial and agricultural personal property are exempt from taxation. For tax year 2014, full cash values up to \$141,385 on commercial, industrial and agricultural personal property are exempt from taxation. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of that amount will be assessed at the applicable rate. The assessment ratio for mining, utilities, commercial and industrial property will be reduced to 18.5% for tax year 2015 and further reduced one-half of one percent for each year to 18% for tax year 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

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

*Collection.* On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth the valuation by taxing district of all property in the County subject to taxation. The County Assessor is required to complete the assessment roll by December 15<sup>th</sup> of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County (the "County Treasurer"). The County Assessor may, however, change such roll any time before December 20 of such year. *Any subsequent decrease in the volume of the tax roll as it existed on the date of the tax levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.*

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the tax levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

The *ad valorem* property taxes due the District pursuant to the assessment and tax roll delivered to the County Treasurer are billed along with State and County *ad valorem* property taxes and are due and payable in two equal installments on October 1 of that calendar year and on March 1 of the subsequent calendar year. The two *ad valorem* property tax installments become delinquent and begin to accrue interest at the rate of 16 percent per annum

simple interest prorated monthly on November 1 of that calendar year and May 1 of the subsequent calendar year, respectively. Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.

All taxes become a lien upon the property assessed (they are not a personal obligation of the property owner), attaching on the first day of January of each tax year, subject to the possible exception of *ad valorem* property taxes levied against the real property of a property owner in bankruptcy. See "RISK FACTORS - Bankruptcy and Foreclosure Delays." Generally, a tax lien is not satisfied or removed until the taxes are paid or the property is finally vested in a purchaser under a tax lien sale. An *ad valorem* tax lien is prior and superior to all the liens and encumbrances on the property, except liens and encumbrances held by the State.

If the *ad valorem* property taxes are not paid when due, the County Treasurer is required to secure a payment through the sale of the tax lien. Not later than December 31 of each year, the County Treasurer must prepare a list of all real property upon which the *ad valorem* property taxes for prior years were unpaid and delinquent. The property so listed is advertised for sale and the sale of the tax lien for delinquent *ad valorem* property taxes must be held by the County Treasurer in February of the calendar year immediately following the publication of notice of the tax lien sale. The County Treasurer will offer at the sale a tax lien on each delinquent property at a price equal to the amount of taxes, interest and penalties due on the property to the bidder willing to accept the lowest rate of interest on the amount paid by the bidder for the tax lien. If no bidder is willing to accept less than 16 percent per annum, the lien is assigned to the State and held for subsequent resale. If a tax lien is sold, the bidder is required to pay as the purchase price the amount of taxes, interest and penalties due on the property, in cash at the time of sale. If the lien is assigned to the State, the *ad valorem* property taxes due will remain unpaid until subsequent resale or redemption of the property.

Accordingly, delinquent *ad valorem* property taxes levied by the District should, if the assessed property has sufficient value to attract bidders at the tax lien sale, be recovered by the District within 15 months after the end of the calendar year in which such taxes were levied and assessed.

The holder of a tax lien is entitled to foreclose the right to redeem the tax lien by judicial sale after the third anniversary of the right to redeem tax lien sale and to foreclose the tax lien by administrative process, without judicial action, after the fifth anniversary of the tax lien sale.

The District's semiannual payments of debt service will be funded with installments of tax payments collected on or about the immediately preceding tax payment date. If, for any reason, a material portion of the *ad valorem* property taxes due and payable to the District are not paid in a timely manner, the payment of debt service could be delayed. It cannot be determined with any certainty when delinquent *ad valorem* property taxes could be collected and available for the payment of debt service and what impact such delay could have on the secondary market for the Bonds. See "RISK FACTORS - Bankruptcy and Foreclosure Delays."

*Property Valuations.* The full cash value and secondary assessed value of taxable property within the boundaries of the District for the indicated tax years are shown in the table below:

**TABLE 2**

<b>Fiscal Year</b>	<b>Estimated Net Full Cash Valuation (a)</b>	<b>Secondary Assessed Valuation</b>
2014-15	\$56,721,429	\$8,335,985
2013-14	4,263,851	682,217

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

Source: *Property Tax Rates & Assessed Values*, Arizona Tax Research Association and Maricopa County Assessor's Office.

*Net Secondary Assessed Valuation by Property Classification.* The following is a breakdown of the above described secondary assessed valuation by property classifications:

**TABLE 3**

<b>Legal Class</b>	<b>Description</b>	<b>Net Secondary Assessed Valuation 2013-14</b>	<b>2013-14 Percent of Total</b>	<b>Net Secondary Assessed Valuation 2014-15</b>	<b>2014-15 Percent of Total</b>
1	Commercial, industrial, utilities & mines	N/A	0.00%	\$977,538	11.73%
2	Agricultural and vacant	\$682,217	100.00%	5,868,797	70.40%
3	Residential (owner occupied)	N/A	0.00	454,350	5.45%
4	Residential (rental)	N/A	0.00	1,035,300	12.42%
<b>Total (a)</b>		<b>\$682,217</b>	<b>100.00%</b>	<b>\$8,335,985</b>	<b>100.00%</b>

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

Source: *Property Tax Rates & Assessed Values*, Arizona Tax Research Association and Maricopa County Assessor's Office.

**See also in this respect the discussion under the subheading "LAND DEVELOPMENT."**

*Net Secondary Assessed Valuations of Major Taxpayers.* As reported by the County Assessor, shown below are the major property taxpayers located within the District, the then current net secondary assessed value of their property and its relative proportion of the total net secondary assessed value of property within the District.

**TABLE 4**

<b>Taxpayer</b>	<b>2013-14 Secondary Assessed Valuation</b>	<b>As % of District's 2013-14 Secondary Assessed Valuation</b>
DMB Mesa Proving Grounds LLC	\$598,794	87.77%
Maracay 91 LLC	18,075	2.65
Meritage Homes Of Arizona Inc.	14,958	2.19
Mattamy Arizona LLC	13,044	1.91
Woodside Trails North At Horsemans Park LLC	11,021	1.62
Taylor Morrison Arizona Inc.	7,722	1.13
Em 646 LLC	6,772	0.99
Em 84 LLC	5,966	0.87
First American Title Insurance Company	5,775	0.85
Woodside Trails North At Hosemans Park LLC	90	0.01

Source: Maricopa County Assessor.

**See “RISK FACTORS - General Risks of Real Estate Investment and Development; Certain Factors Which May Adversely Affect Development; Consequences.”**

*Record of Taxes Levied and Collected in the District.* Under Arizona law, the Board of Supervisors of the County is required to establish and levy a tax in an amount sufficient to satisfy debt service requirements of the District. Property taxes are levied and collected on property within the District and certified by County Treasurer on behalf of the District. The following table sets forth the tax levy of the District for the indicated tax years.

**TABLE 5**

<b>Fiscal Year</b>	<b>Real and Secured Personal Property Tax Levy</b>	<b>Fiscal Year Collections (a)</b>		<b>Total Collections (b)</b>	
		<b>Amount</b>	<b>Percent of Tax Levy</b>	<b>Amount (d)</b>	<b>Percent of Tax Levy</b>
2013-14	\$ 2,047	(c)	(c)	\$1,766	86.15%

- (a) Reflects collections made through June 30, the end of the fiscal year, on such year’s levy. Property taxes are payable in two installments. The first installment is due on October 1 and becomes delinquent on November 1; the second installment is due on March 1 and becomes delinquent on May 1. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above but are deposited in the County’s General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year’s taxes are paid by December 31.
- (b) Tax levy is as reported by the County Treasurer as of August of each tax year. Amount does not include adjustments made to levy amounts after the August report. The District’s tax rate includes the amount necessary for debt service as well as a \$0.30 tax rate for maintenance and operation expenses for the District. The District’s tax rate for fiscal year 2013-14 is \$0.30.
- (c) 2013-14 taxes in course of collection.
- (d) Collections are through February 28, 2014.

Source: Maricopa County Treasurer’s Office.

*General Obligation Bonded Indebtedness to be Outstanding.* The Bonds will be the first general obligation bonded indebtedness issued by the District.

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*Annual Debt Service Requirements of General Obligation Bonded Indebtedness To Be Outstanding.* The District will have the following annual debt service requirements after the issuance of the Bonds:

**TABLE 6**

<b>Fiscal Year Ending (July 15)</b>	<b>Estimated Debt Service Requirements for the Bonds</b>		<b>Total Estimated Combined Debt Service Requirements</b>
	<b>Principal*</b>	<b>Estimated Interest* (a)</b>	
2015	\$ 60,000	\$176,001 (b)	\$236,001
2016	80,000	155,813	235,813
2017	80,000	152,613	232,613
2018	85,000	149,413	234,413
2019	90,000	146,013	236,013
2020	90,000	142,413	232,413
2021	95,000	138,813	233,813
2022	100,000	135,013	235,013
2023	105,000	131,013	236,013
2024	110,000	126,550	236,550
2025	115,000	121,875	236,875
2026	120,000	116,125	236,125
2027	125,000	110,125	235,125
2028	130,000	103,875	233,875
2029	135,000	97,375	232,375
2030	145,000	90,625	235,625
2031	150,000	82,650	232,650
2032	160,000	74,400	234,400
2033	170,000	65,600	235,600
2034	180,000	56,250	236,250
2035	190,000	46,125	236,125
2036	200,000	35,438	235,438
2037	210,000	24,188	234,188
2038	220,000	12,375	232,375

(a) Interest is estimated at 6.25%.

(b) The first interest payment on the Bonds will be due on January 15, 2015\*. Thereafter, interest payments will be made semiannually on July 15 and January 15 until maturity or prior redemption.

\* Preliminary, subject to change.

## OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER DEBT AND OTHER OVERLAPPING TAXES

### Overlapping General Obligation Bonded Indebtedness

Overlapping general obligation bonded indebtedness is shown below including a breakdown of each overlapping jurisdiction's applicable general obligation bonded indebtedness, net assessed valuation and combined tax rate per \$100 assessed valuation. Outstanding bonded indebtedness is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. The applicable percentage of each jurisdiction's assessed valuation which lies within the District's boundaries was derived from information obtained from the County Assessor. See "RISK FACTORS - Direct and Overlapping Indebtedness and Taxes."

**TABLE 7**

Jurisdiction	2013-14 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding (a)	Portion Applicable to the District		Combined Tax Rate Per \$100 Assessed Valuation (b)
			Percent	Net Debt Amount	
State of Arizona	\$52,594,377,492	None	0.080%	None	\$0.0000
Maricopa County (c)	32,229,006,810	None	0.130	None	1.7930 (d)
Maricopa County Community College District	32,229,006,810	\$ 712,735,000	0.130	\$926,556	1.5340
Eastern Valley Institute of Technology District No. 401 (EVIT)	11,953,646,919	35,000,000	0.340	119,000	0.0592
Queen Creek Unified School District No. 95	225,793,747	36,565,000	1.256	459,256	7.9765
Gilbert Unified School District No. 41	1,452,378,410	135,905,000	0.045	60,932	7.4779
City of Mesa (e)	2,559,633,922	325,570,000	0.025	81,393	0.8636
<b>The District (f)</b>	<b>682,217</b>	<b>3,145,000*</b>	<b>100.000</b>	<b>3,145,000*</b>	
<b>Total Net Direct and Overlapping General Obligation Bonded Debt</b>				<b>4,792,137*</b>	

- (a) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County improvement districts, as the obligations of these districts are presently being paid from special assessments against property within the various improvement districts.

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States Department of the Interior (the "Department of the Interior"), for repayment of certain capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the

\* Preliminary, subject to change.

entire 50-year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona's Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Limited Offering Memorandum, the tax levy is limited to 14 cents per \$100 of secondary assessed valuation, of which 14 cents is being levied. (See Sections 48-3715 and 48-3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

- (b) The combined tax rate includes the tax rate for debt service payments, which is based on the secondary assessed valuation of the entity, and the tax rate for all other purposes such as maintenance and operation and capital outlay, which generally is based on the primary assessed valuation of jurisdictions other than special districts and on the secondary assessed valuation of special districts such as the District.
- (c) Includes the "State Equalization Assistance Property Tax." The State Equalization Assistance Property Tax in fiscal year 2013-14 has been set at \$0.5123 and is adjusted annually pursuant to Arizona Revised Statutes, Section 41-1276. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - *Ad Valorem* Property Taxation in the District - Primary Taxes."
- (d) The County's tax rate includes the \$0.1400 tax rate of CAWCD, the \$0.1392 tax rate of the Maricopa County Flood Control District, the \$0.0438 tax rate of the County Free Library, the \$0.1939 tax rate of the Maricopa Special Health Care District and the \$0.0121 tax rate of the County Fire District. It should be noted that the County Flood Control District does not levy taxes on personal property.
- (e) The City expects to issue \$37,500,000 of General Obligation Bonds, Series 2014 in approximately May 2014.
- (f) Includes the Bonds. Does not include special assessment revenue bonds outstanding in the aggregate principal amount of \$2,712,000. See "Other Debt of the District" herein.

#### **Additional General Obligation Bonded Indebtedness of the District**

In addition to the Bonds, the District retains the right to issue, in accordance with the procedures set forth in the Act, additional series of bonds payable from *ad valorem* taxes. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS - *Ad Valorem* Property Taxation in the District -- General Obligation Bonded Indebtedness to be Outstanding." See also "**RISK FACTORS - Direct and Overlapping Indebtedness and Taxes.**"

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

Pursuant to the Election, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed \$435,000,000 and will have \$431,855,000\* of such amount remaining after issuance of the Bonds in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs. Additional indebtedness could be authorized for the District in the future pursuant to other elections.

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\* Preliminary, subject to change.

### **Additional Overlapping General Obligation Bonded Indebtedness**

The District has no control over the amount of additional indebtedness payable from taxes on all or a portion of the property within the District that may be issued in the future by other political subdivisions, including but not limited to the City, the County, Queen Creek Unified School District No. 95, Gilbert Unified School District No. 41, Maricopa County Community College District, East Valley Institute of Technology or other entities having jurisdiction over all or a portion of the land within the District. Additional indebtedness could be authorized for such overlapping jurisdictions in the future. **See “RISK FACTORS - Direct and Overlapping Indebtedness and Taxes.”**

### **Other Debt of the District**

To finance costs to acquire certain public infrastructure for development of land in the District, the District has issued Special Assessment Revenue Bonds, Series 2013 in the aggregate principal amount of \$2,712,000 for Assessment District No. 1 in the District, of which \$2,712,000 remains outstanding. All of the infrastructure financed with such bonds has been or will be dedicated to the City.

Other series of assessment bonds payable solely from and secured by special, separate funds established and maintained by the District from installments due with respect to certain other special assessments may be issued by the District in the future. The District expects to issue Special Assessment Revenue Bonds with respect to Assessment District No. 2 and Assessment District No. 3 in the District this year.

The term “special assessments” as used hereinabove refers to the assessments which would be levied and assessed by the District in the related assessment area which would encompass portions of the District, each of which would constitute a first lien on the parcel so levied and assessed, subordinate and subject only to general property taxes (including that for the Bonds) and prior special assessments. The per lot assessment is approximately \$3,500 payable with interest in installments. If a lot owner fails to pay an assessment installment when due the lot can be offered for sale by the District for the amount of the assessment together with interest, costs and penalties. Neither the District nor the City is obligated to bid at the sale. The lien for the property taxes levied to pay the Bonds is senior to the lien of such assessments; however, the lien for such assessments is not extinguished by foreclosure with regard to taxes. There can be no assurance that additional amounts of such bonds payable from special assessments will not be issued in the future, increasing the amount of liens on property in the District for such purposes. **SEE “RISK FACTORS – Direct and Overlapping Indebtedness and Taxes.”**

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## LAND DEVELOPMENT

**The information contained in this section relates to and has been obtained from DMB, unless otherwise sourced or noted, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading “RISK FACTORS” as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.**

### In General

The General Motors Proving Grounds (now Eastmark) was purchased by DMB in December 2006, and the property was successfully rezoned to include flexible mixed-uses for both residential and commercial.

Eastmark is planned to include ultimately, among other uses, approximately 2,040 acres of single-family residential units and approximately 130 acres of commercial and other use. (See maps at pages (ii) and (iii) for the location of the District.) The major components of the infrastructure necessary for development in the District are described under the heading “THE PUBLIC INFRASTRUCTURE.”

Eastmark is subject to a Community Plan adopted by the City in October of 2008 and a Pre-Annexation and Development Agreement, by and between the City and DMB (in such capacity, referred to herein as the “Developer”), dated November 3, 2008, recorded on November 13, 2008, in the official records of the County as Instrument No. 2008-0974930 (the “Land Development Agreement”), which addresses the rights of the Developer to develop the property as provided in and subject to the conditions of such agreement. (The Land Development Agreement has been amended by means of a recorded amendment, dated May 16, 2011 and a recorded amendment, dated November 1, 2013.) The Land Development Agreement addresses various issues often times made the subject of development agreements in Arizona, such as, among other things City services, reimbursements to the Developer for certain public infrastructure, the City’s processing of plans and permits, and public bidding. The Land Development Agreement, as amended, also addresses the legal right to obtain and legal obligation to provide potable water and the required capital and operations contributions to the City for water, sewer, police and fire services within the District. Police, fire and sanitation services are provided to the District by the City. The Developer is obligated to assist in the funding of certain capital and operational costs associated with the provision of water, sewer, police and fire protection within the District.

Although the number of acres devoted to each particular land use may ultimately vary from those presented, the development of the District is currently expected to include the following land uses:

**TABLE 8**

<b>Total Project</b>	<b>Approximate District Acres</b>
Single Family Residential	2,040
Non-residential (a)	130
Total	2,170

(a) Includes churches, police and fire stations, schools, civic and commercial.

Development of the property within the District and construction of homes and infrastructure is subject to obtaining various development and construction approvals and permits. As a condition to the sale of homes in the District, homebuilders will be required to obtain building and any additional permits required for the construction and completion of all such homes and certain other infrastructure.

The Developer is responsible for the construction of all offsite infrastructure and subdivision improvements and neighborhood parks and entry improvements. Homebuilders are responsible for subdivision improvements necessary to deliver fully finished lots. Single family residences will be constructed by homebuilders.

## The District

*Utility Services.* Wastewater collection and treatment and potable water production and distribution are provided by the City. Electrical service for the District is provided by Salt River Project. Telephone service is provided by Century Link. Cable service is provided by Cox Communications.

*Schools.* The District is located in Queen Creek Unified School District No. 95 and Gilbert Unified School District No. 41. The school districts currently do not have plans to build any additional schools within the Eastmark boundaries. However, the charter operator BASIS opened a 5th through 12th grade school within the District called BASIS Mesa at Eastmark in 2013.

## THE PUBLIC INFRASTRUCTURE

**The information contained in this section relates to and has been obtained from DMB, unless otherwise sourced or noted, and neither the District nor the Underwriter assumes any responsibility for the accuracy or completeness thereof. The information included under the heading “RISK FACTORS” as it relates to the information contained under this heading is hereby incorporated under this heading by this reference.**

Acquisition Project Description	Total Estimated Cost	Certified Engineer's Cost	To Be Paid By The Bonds	Eligible For Funding From Future Bonds	Completion Date
<b>1. Ray Road Phase 1 Project CP016 (S828)</b> Construction of a new major arterial roadway within the District consisting of approximately 2 miles of half street improvements. These improvements include water, non-potable water, water valves, fire hydrants, storm drain, storm drain manholes, concrete catch basins, vertical concrete curb and gutter, concrete sidewalk, concrete ramps with truncated domes, paving, striping, street lights, public signage, landscaping and irrigation, reinforced concrete triple box culvert, reinforced concrete channel weir structure, drywells, and conduit for future traffic signalization. The roadway consists of three paved lanes made up of 5 ½” of asphaltic concrete over 10” of aggregate base course, together with vertical curb for the raised/landscaped median. All improvements are shown on the approved plans dated 7-25-12 by the City of Mesa, which may be amended from time to time to allow for additional property uses adjacent to Ray Road that are not yet known.	\$6,713,392	\$6,713,392	\$2,928,953	\$3,784,439	June 2013
<b>2. Signal Butte Phase 1 Project CP0168 (S831)</b> Construction of a new major arterial roadway within the District consisting of approximately ½ mile of half street improvements. These improvements include	\$2,411,089	\$2,411,089	\$0	\$2,411,089	June 2013

<b>Acquisition Project Description</b>	<b>Total Estimated Cost</b>	<b>Certified Engineer's Cost</b>	<b>To Be Paid By The Bonds</b>	<b>Eligible For Funding From Future Bonds</b>	<b>Completion Date</b>
water, waterline casing, water valves, fire hydrants, storm drain, storm drain manholes, concrete catch basins, vertical concrete curb and gutter, concrete sidewalk, concrete ramps with truncated domes, paving, striping, street lights, public signage, landscaping and irrigation, two reinforced concrete double box culverts, gabion retaining walls, and conduit for future traffic signalization. The roadway consists of three paved lanes made up of 5 ½" of asphaltic concrete over 10" of aggregate base course. All improvements are shown on the approved plans dated 7-25-12 by the City of Mesa, which may be amended from time to time to allow for additional property uses adjacent to Signal Butte that are not yet known.					
<b>3. Great Park Phase 1 Project S833</b>	<b>\$2,570,087</b>	<b>\$2,570,087</b>	<b>\$0</b>	<b>\$2,570,087</b>	<b>June 2013</b>
Construction of a new public park within the District consisting of approximately 8 acres of park improvements. These improvements include water, non-potable water, water valves, fire hydrants, storm drain bleed lines, concrete sidewalks, concrete multi-use paths, concrete palm plaza, concrete splash pad, CMU splash pad equipment enclosure, two CMU trash enclosures, paved parking lot, vertical curb in parking lot area, 3 half basketball courts, landscaping and irrigation. All improvements are shown on the approved plans dated 10-18-12 by the City of Mesa, which may be amended from time to time to allow for future uses.					
<b>TOTAL:</b>	<b>\$11,694,568</b>	<b>\$11,694,568</b>	<b>\$2,928,953</b>	<b>\$8,765,615</b>	

[Remainder of page intentionally left blank.]

## SOURCES AND APPLICATIONS OF FUNDS

### Sources

Par Amount of Bonds	\$ 3,145,000.00*
[Net] Original Issue [Discount]	
DMB Contribution	
	<hr/>
Total	<hr/> \$

### Applications

Acquisition of Public Infrastructure	\$
Costs of Issuance (including Underwriter's Compensation)	
	<hr/>
Total	<hr/> \$

## RISK FACTORS

*Investment in the Bonds involves a significant degree of risk and is speculative in nature. The Bonds will be secured solely by ad valorem property taxes to be levied on all taxable property within the boundaries of the District. Anyone considering investing in the Bonds should carefully examine this Limited Offering Memorandum, including the Appendices hereto. INVESTMENT IN THE BONDS SHOULD BE UNDERTAKEN ONLY BY PERSONS WHOSE FINANCIAL RESOURCES ARE SUFFICIENT TO ENABLE THEM TO ASSUME SUCH RISK. THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET FORTH IN THIS LIMITED OFFERING MEMORANDUM, BEFORE MAKING AN INVESTMENT DECISION.*

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

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

*Construction of houses on the remaining lots within the District may be affected by changes in the income tax treatment of real property ownership; changes in national, regional and local market and economic conditions; changes in long and short term interest rates; changes in the climate for real estate purchases; changes in demand for or supply of competing properties; unanticipated development costs, market preferences and architectural trends; unforeseen environmental risks and controls; the adverse use of adjacent and neighboring real estate; changes in interest rates and the availability of mortgage funds to buyers of the homes to be built in Eastmark, which may render the sale of such homes difficult or unattractive; acts of war, terrorism or other political instability; delays or inability to obtain governmental approvals; changes in laws; moratorium; force majeure (which may result in uninsured losses); strikes; labor shortages; energy shortages; material shortages; inflation; adverse weather conditions; subcontractor defaults; and other unknown contingencies and factors beyond the control of the owners of such land. Land development within the District also could be affected adversely by changes in governmental policies, including, but not limited to, governmental policies to restrict or*

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\* Preliminary, subject to change.

*control development. (Any approvals needed in the future for the development must come from the City, over which the District has no control.)*

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

*Vacant lots also provide less security to the Bondholders should it be necessary for the District to foreclose due to nonpayment of ad valorem taxes. Furthermore, an inability to construct houses on the remaining lots within the District will likely reduce the diversity of ownership on land within the District, making the Bondholders more dependent upon timely payment of the ad valorem taxes levied on the vacant lots.*

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

#### **Failure or Inability to Complete Proposed Development**

*The development of land in the District will be staged so that a particular phase is not planned to be developed all at once. The financing for development of property in the District as a whole will be provided by third-party lenders, funds provided by DMB and other sources. The availability of funding for the completion of Eastmark will depend upon the demand for residential lots or units within Eastmark and local, regional and national market and economic conditions. No assurance is given that funding will be obtained for development of property in the District, or, if obtained, will be in an amount sufficient to complete development of Eastmark. If satisfactory funding is unavailable, DMB may be required to delay or suspend completion of the development of the balance of Eastmark.*

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

#### **Completion of the Public Infrastructure and the Other Infrastructure**

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

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

## **Sale of Portions of the Land in the District**

*It is possible that DMB or other land owners within the District may sell portions of their land to other owners. Such new owners may not develop their land on the same schedule as DMB or the other land owners, thus slowing the pace of growth and delaying increases in assessed valuation.*

## **Availability of Utilities**

*Water and sewer service to the District will be provided by the City as described under the subheading “THE PUBLIC INFRASTRUCTURE.” Failure or inability to complete proposed development including development of necessary utilities could affect adversely development of the land in the District. See “RISK FACTORS - Failure or Inability to Complete Proposed Development.” Certain utilities are to be developed by the City pursuant to certain development agreements including as described above. There can be no assurances that such utilities will be financed and developed.*

## **Effect of Valuation of Property**

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

## **Direct and Overlapping Indebtedness and Taxes**

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

## **Bankruptcy and Foreclosure Delays**

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

*When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor’s estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against*

*the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of a bankruptcy court. It is reasonable to conclude that “tax sale investors” may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections becomes uncertain.*

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

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

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

#### **Amendment of Documents Referenced**

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

*The development of the property within the District is approximately [\_\_\_\_] percent complete. Circumstances could change as the development process continues and other issues are raised or new developers or owners become involved. Accordingly, DMB anticipates that there may be significant changes to the agreements and contracts summarized in this Limited Offering Memorandum to address any such issues. Because the existing contracts and agreements are subject to change, the summaries of any contracts or agreements contained hereinabove may not accurately reflect the future conditions relating to the development of the District; however, DMB does not presently anticipate that any modifications of the current contracts or agreements would materially affect the repayment of the Bonds.*

#### **Environmental Matters**

*Property in the District will be subject to risks arising out of environmental, archaeological and biological considerations generally associated with the ownership of real estate and the construction of improvements located thereon. Such risks include, in general, potential liability arising as a result of any contamination later discovered on the site and the possibility of a decline in property values in Eastmark resulting from any contamination on the site or from the proximity of the site to other contaminated areas; or discovery of archaeological artifacts located on the site or in the vicinity of the site; discovery of endangered species of animals, plants or other habitat for endangered species and a determination of the waterways of the United States against dredging or fill. Liability may arise under a variety of federal, state or local environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), the Endangered Species Act and the National Historical Preservation Act. In addition, development may require approvals and actions under the Clean Water Act and the National Environmental Protection Act may limit, delay or change materially the number and type of development on the site.*

## **Projections**

*Included in this Limited Offering Memorandum are various projections. The projections are based on assumptions concerning future events and should be viewed with an abundance of caution. Circumstances that may not yet be ascertainable, which may be significant and which DMB cannot control may also exist. There are usually differences between projections and results, because events frequently do not occur as expected, and those differences may be material. There can be no assurances that the various projections set forth in this Offering Memorandum can be achieved.*

## **No Credit Rating**

*No credit rating for the Bonds has been sought, nor is it anticipated that any such rating will be applied for. There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary market trading in connection with a particular issue is suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then generally prevailing circumstances. Such prices could be substantially different from the original purchase price.*

## **No Financial Statements**

*The District is not required to, nor does it, prepare financial statements.*

## **Cancellation of Contracts**

*The State, its political subdivisions, including the District, or any department or agency of either 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 the State, its political subdivisions (including the District) or any of the departments or agencies of either is, while the contract or any extension thereof 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. Cancellation of contracts entered into by the District may adversely affect the Bonds.*

## **LITIGATION**

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

## **TAX EXEMPTION**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain restrictions, conditions and requirements by the District as described below, interest income on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest income on the Bonds is exempt from State income taxes. The opinion of Bond Counsel will be dated as of the date of initial delivery of the Bonds. A form of such opinion is included as APPENDIX B 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 Bonds from gross income for federal income tax purposes, including a requirement that the District rebate to the federal government certain of its investment earnings with respect to the Bonds. The District 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 Bonds being included in gross income for federal income tax purposes, under certain circumstances, from the date of issuance. The Bonds do not provide for an adjustment in interest rate or yield in the event of taxability and an event of taxability does not cause an acceleration of the principal on the Bonds. The opinion of Bond 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. Interest income on the Bonds 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 interest on the Bonds.

Although Bond Counsel will render an opinion that, as of the delivery date of the Bonds, interest income on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal tax liability of a Beneficial Owner of a Bond. Certain taxpayers may experience other tax consequences. Taxpayers who become Beneficial Owners of the Bonds, 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 advisors 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. Bond Counsel expresses no opinion regarding any such other tax consequences.

The Bonds are not “private activity bonds” within the meaning of Section 141 of the Code.

Currently and from time to time, there are legislative proposals in Congress, which, if enacted or made effective, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Any such change that occurs before initial delivery of the Bonds could cause Bond Counsel to deliver an opinion substantially different from the opinion shown in APPENDIX B. The extent of change in Bond Counsel’s opinion cannot be determined at this time. It cannot be predicted whether, when or in what form any such proposal or proposals might be enacted or whether, if enacted, such proposal or proposals would apply to obligations (such as the Bonds) issued prior to the enactment or effective date. Prospective purchasers should consult with their own tax advisors regarding any other pending or proposed federal income tax legislation.

## **ORIGINAL ISSUE DISCOUNT**

The initial public offering prices of the Bonds maturing on July 15, 20\_\_, through and including July 15, 20\_\_ (collectively the “Discount Bonds”), are less than the respective amounts payable at maturity. As a result, the Discount Bonds will be treated as issued with an original issue discount. The difference between the initial public offering price (the “Issue Price”) of the Discount Bonds, and the amount payable at maturity, of the Discount Bonds will be treated as “original issue discount.” With respect to a Beneficial Owner who purchases a Discount Bond in the initial public offering at the Issue Price and who holds the Discount Bond to maturity, 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 Bond 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 Bond at maturity.

The original issue discount on each Discount Bond is treated for federal income tax purposes and Arizona income tax purposes as accreting daily over the term of such Discount Bond 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 15 and July 15 (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 Bond. The adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bond. An initial Beneficial Owner of a Discount Bond who disposes of the Discount Bond prior to maturity should consult his or her tax advisor as to the amount of the original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or disposition of the Discount Bond 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 Bonds. Beneficial Owners who do not purchase the Discount Bonds 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 Bonds.

A portion of the original issue discount that accretes in each year to a Beneficial Owner of a Discount Bond may result in certain collateral federal income tax consequences as described in "TAX EXEMPTION" herein. Beneficial Owners of Discount Bonds in states other than Arizona should consult their own tax advisors with respect to the state and local taxes.

## **BOND PREMIUM**

The initial public offering prices of the Bonds maturing on July 15, 20\_\_ through and including July 15, 20\_\_ (collectively, the "Premium Bonds") are greater than the amount payable on such Premium Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial Beneficial Owner of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond 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 Bond. 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 Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning Premium Bonds.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. At the time of delivery and payment for the Bonds, appropriate representatives of the District will certify that the District reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3)(B) of the Code) which will be issued by the District in calendar year 2014 will not exceed \$10,000,000.

## **NO CREDIT RATING**

*The District has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds. See "RISK FACTORS – No Credit Rating."*

## NO FINANCIAL STATEMENTS

*The District is not required to, nor does it, prepare financial statements.*

## LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the legal opinion of Bond Counsel, a form of which is included herein as APPENDIX B. (See “TAX EXEMPTION” herein.) Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered upon the initial delivery of the Bonds. Certain legal matters will be passed upon for the District by Bond Counsel, for the Underwriter by counsel to the Underwriter; and for DMB by its counsel, Greenberg Traurig, LLP. See “RELATIONSHIPS AMONG PARTIES.”

The legal opinion to be delivered may vary from the text of APPENDIX B if necessary to reflect the facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Limited Offering Memorandum or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

Such legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## UNDERWRITING

The Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Bonds at a net effective aggregate purchase price of \$\_\_\_\_\_ (reflecting the aggregate principal amount of the Bonds, [less net] original issue [discount] in the amount of \$\_\_\_\_\_ less compensation of the Underwriter in the amount of \$\_\_\_\_\_). The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing such Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside front cover page hereof. The offering prices set forth on the inside front cover page hereof may be changed after the initial offering by the Underwriter.

## CONTINUING DISCLOSURE

The District will covenant for the benefit of certain owners of the Bonds to provide certain financial information and operating data relating to the District by not later than February 1 in each year commencing February 1, 2015 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports, the Notices of Listed Events and any other document or information required to be filed by the District as such will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system, each described in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is also set forth in APPENDIX D. These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12(b)(5) (the “Rule”). A failure by the District to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. *Pursuant to Arizona Law, the ability of the District to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants.* Should the District not comply with such covenants due to a failure to appropriate for such purpose, the District has covenanted to provide notice of such fact to the MSRB. Absence of continuing disclosure, due to

non-appropriation or otherwise, could adversely affect the Bonds and specifically their market price and transferability.

[The District has complied materially with each continuing disclosure undertaking previously entered into by the District. TO BE CONFIRMED.]

### FINANCIAL ADVISOR

Wedbush Securities Inc. (the “Financial Advisor”), has been engaged by the District for the purpose of advising the District as to certain debt service structuring matters specific to the Bonds and on certain matters relative to the District’s overall debt financing program. The Financial Advisor has assisted in the assembly and preparation of this Limited Offering Memorandum at the direction and on behalf of the District. No person is entitled to rely on the Financial Advisor’s participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy and completeness of the information contained herein.

### RELATIONSHIPS AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter with the advice of the Financial Advisor and may do so in the future. Bond Counsel also serves and has served as bond counsel for one or more of the political subdivisions that the District territorially overlaps. Counsel to the Underwriter has previously acted as bond counsel with respect to other bonds underwritten by the Underwriter and may continue to do so in the future if requested.

**As noted above, Greenberg Traurig, LLP is acting as counsel to the Underwriter. Greenberg Traurig, LLP also represents DMB and affiliated entities with regard to certain matters, including matters relating to the issuance of the Bonds. The Underwriter and DMB will agree that Greenberg Traurig, LLP may represent each of them simultaneously in connection with the issuance of the Bonds and will consent to and approve such representations.**

The Underwriter and the Financial Advisor have underwritten or acted as financial advisor with respect to bonds issued by the City and other overlapping political subdivisions.

This Limited Offering Memorandum has been approved, executed and delivered by the District.

EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1  
(CITY OF MESA, ARIZONA)

By: \_\_\_\_\_  
Chairman, District Board

## INFORMATION REGARDING THE CITY OF MESA, ARIZONA

*The following information is given as background information concerning the City. THE BONDS WILL NOT BE AN OBLIGATION OF THE CITY. The Bonds will be secured and payable only as described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" herein. The holders of the Bonds will have no right to payment except as described therein.*

### General

The City is the third largest city in the State and the 38th largest city in the United States. Founded in 1878 and incorporated in 1883, the City has an estimated population of 450,310. The following table illustrates the City's population statistics since 1990, along with the population statistics for the County and the State, respectively.

### POPULATION STATISTICS

Year	City of Mesa	Maricopa County	State of Arizona
2013 Estimate*	450,310	3,944,859	6,581,054
2010 Census	439,041	3,817,117	6,392,017
2000 Census	396,375	3,072,149	5,130,632
1990 Census	288,091	2,122,101	3,665,305

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Source: Arizona Department of Administration, Office of Employment and Population Statistics and US Census Bureau, American FactFinder.

\* Estimate as of July 1, 2013 (Published December 15, 2013).

The following table sets forth a record of the City's geographic area since 1970.

### SQUARE MILE STATISTICS City of Mesa, Arizona

Year	Square Miles
2010	133.14
2000	125.00
1990	122.11
1980	66.31
1970	20.80

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Source: City of Mesa, Arizona, Planning and Community Development Department.

### Municipal Government and Organization

The City operates under a charter form of government with citizens electing a Mayor and six Council members to set policy for the City. In 1998, a voter initiative was approved changing the way Council members are elected from

an at-large to a district system. Six districts were created and in March 2000, the first three district Council members were elected in Districts 1, 2 and 3. In March 2002, Districts 4, 5 and 6 elected their first district Council members. The City's Council members serve terms of four years, with three members being elected every two years. The Mayor continues to be elected at-large every four years. The Mayor and Council are elected on a non-partisan basis, and the Vice Mayor is a councilmember selected by the City Council.

The City Manager, who has full responsibility for carrying out City Council policies and administering City operations, is appointed by the Mayor and City Council. The City Manager is responsible for the appointment of City department heads. Additionally, City employees are hired under merit system procedures as specified in the City Charter. The various functions of City government and operations are undertaken by City employees working the various City departments.

### **City Administrative Staff**

*Christopher Brady, City Manager.* Mr. Brady was appointed by City Council to serve as City Manager effective January 1, 2006. Under Mesa's council-manager form of government, the City Manager serves as the chief operating officer of the City, one of the fastest-growing cities of the United States. Mr. Brady implements the policies established by the City Council and coordinates all City departments and other affairs assigned by the City Charter. Prior to joining the City, Mr. Brady served as Assistant City Manager for the City of San Antonio, Texas. Mr. Brady has a Bachelor of Fine Arts degree in Political Science and a Masters in Public Administration from Brigham Young University.

*Kari Kent, Deputy City Manager.* Ms. Kent has been with the City since 1993. She was promoted to Solid Waste Management Director in 1999, Assistant Development Services Director in July 2001, and Neighborhood Services Director since June 2006, and was appointed Deputy City Manager in June 2007. Ms. Kent received a Bachelor of Science Degree from Northern Arizona University and a Masters of Public Administration from Arizona State University.

*John Pombier, Deputy City Manager.* Mr. Pombier was hired as the City Prosecutor in 2003 and was promoted to Deputy City Manager in 2011. Mr. Pombier has a law degree from Arizona State University and a Bachelor of Business Administration from University of Michigan School of Business.

*Chuck Odom, Senior Executive Manager.* Mr. Odom has been with the City in various positions since March 1987. He was promoted to Budget Director in February 2006 and Senior Executive Manager in December 2010. He earned a Bachelor of Science Degree in Accountancy from Northern Arizona University.

*Michael Kennington, Chief Financial Officer.* Mr. Kennington was hired as the City's Chief Financial Officer in July 2012 and is responsible for the City's overall financial policies, strategies, planning and forecasts. He has a Master of Accountancy degree and Master of Business Administration degree from Brigham Young University and is a Certified Public Accountant.

### **Economy**

The City's major economic sectors are comprised of manufacturing, non-manufacturing, government and commercial activities (including construction and commerce), agriculture and tourism.

The following table sets forth unemployment averages for the United States, the State, the County and the City for the most recent five full years for which such information is available.

## UNEMPLOYMENT AVERAGES

<b>Year</b>	<b>United States</b>	<b>State of Arizona (a)</b>	<b>Maricopa County (a)</b>	<b>City of Mesa (a)</b>
2013(b)	7.4%	7.9%	6.6%	6.5%
2012	8.1	8.3	7.1	7.0
2011	8.9	9.4	8.4	8.3
2010	9.6	10.4	9.6	8.8
2009	9.3	9.8	9.0	8.3

- (a) On February 29, 2012, the Local Area Unemployment Statistics (“LAUS”) program released 2011 annual average labor force estimates for census regions and divisions for all States. Data was revised back to January 2007 to incorporate new population controls, updated inputs, reestimation of models, and adjustment to new census division and national control totals. On April 20, 2012, routine revisions were made to data from 2007 through 2011 for geographic areas below the State level. For all areas, estimation inputs were revised back to 2010, while the revisions for 2007–09 consisted of controlling to the new State totals described above.
- (b) Data is not seasonally adjusted and is a preliminary average through December, 2013 for LAUS data.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

### Manufacturing and Non-Manufacturing Employment

A list of significant employers located within the City is set forth in the following table.

#### MAJOR EMPLOYERS City of Mesa, Arizona (a)

<b>Employer</b>	<b>Description</b>	<b>Approximate Employment</b>
Banner Health System	Hospital Network	9,573
Mesa Public Schools	Public Education	8,770
The Boeing Company	Helicopter Manufacturing and Assembly	4,086
City of Mesa	Government	3,715
Maricopa County Government	Government	2,644
Wal-Mart	Retail	2,533
Mesa Community College	Education	1,951
The Kroger Company (Fry's)	Grocery Store	1,210
Gilbert Unified Schools	Public Education	1,087
Aviall Inc.	Aviation Parts	842
Home Depot	Retail	837

- (a) As of November 2013. Apple announced a planned employee count of 700 employees within the City.

Source: City of Mesa – Office of Economic Development, Phoenix Business Journal, Reference USA, MAG Employer Database, updated December 2013.

### Phoenix-Mesa Gateway Airport and the Airport/Campus District

Phoenix-Mesa Gateway Airport (formerly known as Williams Gateway Airport) has three runways (10,401 feet, 10,201 feet, and 9,301 feet) and a newly expanded and remodeled passenger terminal. Phoenix-Mesa Gateway Airport is a small-hub commercial airport serving the Phoenix-Mesa metropolitan area and currently has two airlines, Allegiant Air and Spirit Airlines. Allegiant Air and Spirit Airlines provide direct service to over 30 cities.

One of the fastest growing commercial airports in the United States, Phoenix-Mesa Gateway Airport served over 950,000 passengers in 2011 with an estimated 1.3 million expected for 2012.

Phoenix-Mesa Gateway Airport is also developing as an international aerospace center with aircraft maintenance, modification, testing, and pilot training. Currently more than 35 aviation companies operate on the airport, including three manufacturer service centers for Cessna, Embraer, and Hawker-Beechcraft. In Fiscal Year 2010, the airport commissioned Arizona State University to conduct an economic impact study. According to that study, the total economic benefit (including all multiplier effects) totaled \$685 million, supporting 4,900 jobs in the area. On-airport economic activity produced \$273 million of output, creating employment for 886 on-airport workers, and proprietor earnings of \$53.6 million.

Phoenix-Mesa Gateway Airport is owned and operated by the Phoenix-Mesa Gateway Airport Authority whose members include the City, City of Phoenix, Town of Gilbert, Town of Queen Creek, and the Gila River Indian Community.

Adjacent to Phoenix-Mesa Gateway Airport, the Airport/Campus District serves approximately 8,700 students. The campus includes five higher education partners - Arizona State University Polytechnic campus, Chandler-Gilbert Community College, Embry-Riddle Aeronautical University, Mesa Community College and UND Aerospace. The ASU Polytechnic campus has expanded and added new academic buildings that doubled the instructional lab and classroom space, and added faculty offices and a 500-seat auditorium.

Construction of State Route 24, a one-mile freeway segment extending access from the existing State Route 202 freeway eastward, is 87% finished and completion is anticipated in spring of 2014. This freeway segment lies immediately north of Phoenix-Mesa Gateway Airport, and will provide freeway access to the east side of the airport property. Such access will be beneficial for the economic development of properties located on, and adjacent to, Phoenix-Mesa Gateway Airport, as well as future terminal development on the east side.

## Construction

The following tables set forth annual records of building permit values and new housing permits issued within the City for the period 2009-2013.

### VALUE OF BUILDING PERMITS City of Mesa, Arizona (\$000's omitted)

Year	Residential	Commercial	Industrial	Other	Total
2012/2013(a)	\$334,138	\$308,994	-	\$ 5,266	\$706,865
2012	243,762	331,860	-	2,546	578,168
2011	169,238	293,054	-	35,323	497,615
2010	153,146	26,125	\$2,697	44,181	226,149
2009	162,040	63,988	6,550	35,306	267,884

(a) Data from 2009 through 2012 is for calendar years. Data for 2012/2013 is for fiscal year.

Source: Arizona State University Realty Studies and the City. Note that the report obtains its data 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 date on which the permit is issued is not to be construed as the date of construction.

**NEW HOUSING PERMITS**  
**City of Mesa, Arizona**

<b>Year</b>	<b>Total New Housing Units</b>
2012/2013(a)	957
2012	739
2011	1,447
2010	782
2009	1,093

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(a) Data from 2009 through 2012 is for calendar years. Data for 2012/2013 is for fiscal year.

Source: Arizona State University Realty Studies and the City. Note that the report obtains its data 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 date on which the permit is issued is not to be construed as the date of construction.

**Retail**

The following table sets forth a record of retail sales activity within the City.

**TAXABLE  
RETAIL SALES**  
**City of Mesa, Arizona**

<b>Year</b>	<b>Retail Sales</b>
2013	\$3,771,601,899
2012	3,557,501,931
2011	3,458,279,940
2010	3,662,333,085
2009	4,955,009,829

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Source: City of Mesa.

**Agriculture**

Although still a contributor to the economic base, the agricultural sector is no longer a significant factor of the City's economy due to the industrial, commercial and residential development which has occurred over the past 30 years. The principal products of the City's remaining agricultural sector are dairy operations and citrus.

**Tourism**

The tourism sector is a significant contributor to the City's economy. The City's hotels, motels, golf courses, parks and playgrounds, restaurants and retail shops provide tourists with accommodations and recreational facilities.

There are more than 60 hotels in the City, with all of the major hotel brands represented. The table below contains a listing of certain hotels located within the City.

**HOTELS**  
**City of Mesa, Arizona**

<b>Hotel Name</b>	<b>Number of Sleeping Rooms</b>
Phoenix Marriott Mesa	275
Hilton Phoenix East-Mesa	260
Holiday Inn Mesa	246
Dobson Ranch Inn & Suites	212
Arizona Golf Resort	187
Hyatt Place Phoenix-Mesa	152
Marriott Courtyard	149
Best Western Mezona Inn	128
Country Inn and Suites	126
La Quinta (West)	125
Days Hotel Mesa-Gilbert	120
Quality Inn/Suites	119

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Source: Mesa Convention and Visitors Bureau.

The City owns and operates the Mesa Convention Center (the “Convention Center”) which offers convention facilities. The Convention Center is situated on a 22-acre site adjacent to the Phoenix Marriott Mesa. The Convention Center includes Centennial Hall, which is a multipurpose facility of approximately 15,000 square feet, and the Centennial Conference Center and the Rendezvous Center, which offer an additional 18,500 square feet of meeting space. The City currently operates 58 parks and numerous other sports facilities, including 13 aquatic facilities, 33 baseball/softball fields, 23 football/soccer fields and two golf courses.

The award-winning Mesa Arts Center facility in downtown Mesa opened in 2005. The Mesa Arts Center is a 212,775-square foot performing arts, visual arts and arts education facility, the largest and most comprehensive arts center in the State.

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

\_\_\_\_\_, 2014

District Board  
Eastmark Community Facilities District No. 1  
(City of Mesa, Arizona)

Re: Eastmark Community Facilities District No. 1  
(City of Mesa, Arizona) General Obligation  
Bonds, Series 2014

Honorable Board:

At your request we have examined the official proceedings leading to the issuance of \$3,145,000\* aggregate principal amount of General Obligation Bonds, Series 2014 (the "*Bonds*"), dated the date hereof, issued by Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) (the "*District*") initiated under Resolution No. CFD EM1 RES\_\_\_\_, adopted by the District Board on April 3, 2014.

We have examined the law and such documents and matters as we have deemed necessary to render this opinion including, without limitation, Resolution No. CFD EM1 RES\_\_\_\_, passed and adopted by the District Board on April 3, 2014 (the "*Resolution*"). 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 certifications, 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 Bonds to be and remain excluded from gross income for federal income tax purposes.

Based upon the foregoing, we are of the opinion, as of this date, which is the date of initial delivery of the Bonds against payment therefor, that:

1. The District is duly created and validly existing as a community facilities district and political subdivision of the State of Arizona with power to pass and adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolution has been duly passed and adopted by the District Board and is valid and binding upon and enforceable against the District.

3. The Bonds and the proceedings leading to and including the issuance thereof are legal and constitute a valid and binding general obligation of the District.

4. All taxable property within the District is subject to the levy of a direct, annual, ad valorem tax to pay the principal of and interest on the Bonds without limit as to rate or amount. It is required by law that there be levied, assessed and collected, at the same time and in the same manner as other taxes, an annual tax upon all taxable property in the District sufficient, together with any money from other sources lawfully available therefor, to pay the principal of and interest on the Bonds when due.

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\* Preliminary, subject to change.

5. Under existing laws, regulations, rulings and judicial decisions, the interest income on the Bonds is excluded from gross income for the purpose of calculating federal income taxes and is exempt from Arizona income taxes. Interest income on the Bonds is not an item of tax preference to be included in computing the alternative minimum tax of individuals or corporations; such interest income must, however, 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. The Bonds are not 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 the Bonds.

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

The rights of the owners of the Bonds and the enforceability of those rights and the rights and obligations of the District with respect to the Resolution and the Indenture and to collection of assessments may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and to the enforcement of those rights may be subject to the exercise of judicial discretion in accordance with general principles of equity.

GUST ROSENFELD P.L.C.

By \_\_\_\_\_  
For the Firm

## BOOK-ENTRY-ONLY SYSTEM

This information concerning DTC and DTC's book-entry system has been obtained from DTC and the District takes no responsibility for the accuracy thereof. The Beneficial Owners (defined below) should confirm this information with DTC or the DTC participants.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and Paying Agent and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Registrar and Paying Agent 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Bonds and redemption payments on the Bonds will be made by the Bond Registrar and Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect 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 (or its nominee), the Bond Registrar and Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and redemption proceeds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

FORM OF CONTINUING DISCLOSURE UNDERTAKING

DRAFT

CONTINUING DISCLOSURE UNDERTAKING

\$3,145,000\*

EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1  
(CITY OF MESA, ARIZONA)  
GENERAL OBLIGATION BONDS, SERIES 2014

(CUSIP BASE NUMBER \_\_\_\_\_)

This Undertaking is executed and delivered by Eastmark Community Facilities District No. 1 (hereinafter referred to as the “Issuer”), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the “Securities”) for the benefit of the owners of the Securities, being the registered owners thereof or any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

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

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

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

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

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

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

“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.

Section 2. Contents and Provision of Annual Reports.

(a) (i) ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN FEBRUARY 1 OF EACH YEAR, COMMENCING FEBRUARY 1, 2015,***

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\* Preliminary, subject to change.

**PROVIDE THROUGH EMMA AN ANNUAL REPORT WHICH IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION.**

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

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

(A) Information of the type in TABLES \_\_\_\_\_ of the Limited Offering Memorandum, dated \_\_\_\_\_, 2014, with respect to the Securities as well as with respect to tax collections and delinquencies in the preceding tax year of the Issuer.

(B) Audited financial statements for the preceding fiscal year, if any, such statements to be prepared on the basis of generally accepted accounting principles as applied to governmental units. (The Issuer does not currently obtain audited financial statements.) **IF THE FISCAL YEAR OF THE ISSUER CHANGES, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.**

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

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

### Section 3. Reporting of Listed Events.

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

1. Principal and interest payment delinquencies,
2. Nonpayment related defaults under the Authorizing Document, if material,
3. Unscheduled draws on debt service reserves reflecting financial difficulties,
4. Unscheduled draws on credit enhancements reflecting financial difficulties,
5. Substitution of the credit or liquidity providers or their failure to perform,
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations, in each case, with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities,
7. Modifications to rights of holders of the Securities, if material,

8. Bond calls, if material, or tender offers,
  9. Defeasances,
  10. Release, substitution or sale of property securing repayment of the Securities, if material,
  11. Rating changes,
  12. Bankruptcy, insolvency, receivership or similar events of the Issuer, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer 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 Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer,
  13. The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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,
  14. Appointment of a successor trustee or an additional trustee or the change of the name of the trustee, if material, and
  15. Notice of a failure of the Issuer to provide required annual financial information on or before the date specified in Section 2 above, including any non-appropriation to cover applicable costs.
- (b) Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.
- (c) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Authorizing Document.
- (d) ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY, BUT NOT MORE THAN TEN (10) BUSINESS DAYS THEREAFTER, FILE A NOTICE OF LISTED EVENT OF SUCH OCCURRENCE THROUGH EMMA.***

#### Section 4. Termination of Reporting Obligation.

- (a) The obligations of the Issuer pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. ***THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION THROUGH EMMA AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE.***
- (b) To the extent applicable by provision of law, this Undertaking is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein.

#### Section 5. Amendment or Waiver.

- (a) Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an

opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Issuer or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Issuer or by an approving vote of the registered owners of the Securities pursuant to the terms of the Authorizing Document at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. ***IF THE ACCOUNTING PRINCIPLES OF THE ISSUER CHANGE, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.***

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

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

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

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and, to the extent permitted by applicable law, the Issuer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Dissemination Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Dated: [Closing Date]

EASTMARK COMMUNITY FACILITIES DISTRICT NO. 1  
(CITY OF MESA, ARIZONA)

By.....  
Scott Smith, Chairperson, District  
Board

**FORM OF INVESTOR LETTER**