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CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS (ROAD REPAIR/STREET IMPROVEMENT
PROJECTS), SERIES 2016

OBLIGATION PURCHASE AGREEMENT

_____, 2016

Mayor and City Council
City of Flagstaff, Arizona
211 West Aspen Avenue
Flagstaff, Arizona 86001

The undersigned, RBC Capital Markets, LLC (the “Underwriter”), offers to enter into the following agreement with the City of Flagstaff, Arizona (the “City”), which, upon the City’s written acceptance of this offer, will be binding upon the City and upon the Underwriter. This offer is made subject to the City’s written acceptance hereof on or before 11:59 p.m., Arizona time, on the date first written above, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the City. The acceptance is made by the City by signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Trust Agreement (as defined herein) or in the Official Statement (as defined herein).

1. Purchase and Sale of the Obligations.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to cause to be sold, executed and delivered to the Underwriter, all, but not less than all, of the City’s Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016 (the “Obligations”). Inasmuch as this purchase and sale represents a negotiated transaction, the City acknowledges and agrees that: (i) the Underwriter is not acting as an agent or fiduciary of the City, but rather is acting solely in its capacity as underwriter for itself and its own account; (ii) the transaction contemplated by this Agreement is an “arm’s length,” commercial transaction between the City and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor, or fiduciary to the City; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the

Underwriter has provided other services or is currently providing other services to the City on other matters); (iv) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (v) the City has consulted its own legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

(b) The principal amounts of the Payments (as defined below) represented by the Obligations, the dated date, the payment dates, the prepayment provisions and the rates per annum of the interest amount represented by the Obligations are set forth in the Schedule attached hereto. The terms of the Obligations shall be as otherwise described in, and the Obligations shall be executed and delivered by the Trustee pursuant to a Second Trust Agreement, to be dated as of July 1, 2016 (the "Trust Agreement"), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon among the Underwriter, the City and the Trustee. The Obligations represent undivided proportionate interests in the installment payments (each a "Payment," and, collectively, the "Payments") to be made by the City pursuant to a Second Purchase Agreement, to be dated as of July 1, 2016 (the "Purchase Agreement"), between the City and the Trustee, as seller.

(c) The proceeds of the Obligations will be used to (i) pay costs of acquisition and construction of street improvements and on-going preservation of street conditions, and (ii) pay costs relating to the execution and delivery of the Obligations.

(d) The Obligations will be purchased by the Underwriter at a purchase price of \$_____ (consisting of the par amount of the Obligations, plus [net] original issue premium of \$_____ and less the Underwriter's discount of \$_____).

2. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Obligations at a price not to exceed the public offering price set forth on the inside front cover page of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Obligations to certain dealers (including dealers depositing Obligations into investment trusts) and others at prices lower than, or yields higher than, the public offering prices or yields stated on the inside front cover page of the Official Statement.

3. The Official Statement.

(a) The Preliminary Official Statement, dated _____, 2016 (including the cover page, the inside front cover page and Appendices thereto, the "Preliminary Official Statement"), of the City relating to the Obligations, as to be subsequently revised to reflect the changes resulting from the sale of the Obligations and including amendments or supplements thereto, is hereinafter called the "Official Statement."

(b) The Preliminary Official Statement has been prepared by the City for use by the Underwriter in connection with the public offering, sale and distribution of the Obligations by the Underwriter. The City hereby deems the Preliminary Official Statement "final" as of its date, except for the omission of such information which is dependent upon the

final pricing of the Obligations for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”).

(c) The City represents that the City Council (or appropriate officials of the City) has reviewed and approved the information in the Official Statement and hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Obligations. The City ratifies to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Obligations. The City shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the City’s acceptance of this Agreement (but, in any event, not later than within seven business days after the City’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Obligations), the City becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the City will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the City or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the City will forthwith prepare and furnish, at the City’s own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the City shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the City can assume that the “end of the underwriting period” for purposes of the Rule is the date of the Closing (as defined herein).

4. Representations, Warranties and Covenants of the City. The undersigned on behalf of the City, but not individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) The City is validly existing as a municipal corporation duly created, organized and existing under the laws of the State, and has full legal right, power and authority, and at the date of the Closing will have full legal right, power and authority pursuant to the ordinance of the Mayor and City Council of the City adopted on _____, 2016 (the “Ordinance”), authorizing the sale and execution and delivery of the Obligations, (i) to enter into, execute and deliver this Agreement, the Trust Agreement, the Purchase Agreement and an Undertaking which satisfies the requirements of Section (b)(5)(i) of the Rule (the “Undertaking”) and all documents required hereunder and thereunder to be executed and delivered by the City (this Agreement, the Trust Agreement, the Purchase Agreement and the Undertaking are hereinafter referred to as the “City Documents”), (ii) to carry out and consummate the transactions contemplated by the City Documents and the Official Statement, and (iii) to impose, levy, collect and pledge the Excise Tax Revenues as contemplated in the City Documents and the Official Statement, and the City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents as they pertain to such transactions;

(b) By all necessary official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized all necessary action to be taken by it for (i) adoption of the Ordinance by the Mayor and City Council for the execution and delivery and sale of the Obligations, (ii) the approval, execution and delivery of, and the performance by the City of the obligations on its part contained in, the City Documents and (iii) the consummation by the City of all other transactions contemplated by the Official Statement, the City Documents, the Ordinance and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the City in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) This Agreement has been duly executed and delivered by the City, and the other of the City Documents (when such City Documents are executed and delivered by the other parties thereto) will constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors’ rights; the Obligations, when executed and delivered and paid for in accordance with the Trust Agreement and this Agreement, shall constitute legal, valid and binding obligations entitled to the benefits of the Trust Agreement and enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors’ rights and, upon the execution and delivery of the Obligations as aforesaid, the Purchase Agreement and the Trust Agreement shall provide, for the benefit of the holders from time to time of the Obligations, the legally valid and binding pledge and lien they purport to create as set forth in the Purchase Agreement and the Trust Agreement;

(d) The City is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, trust agreement, bond, note,

Ordinance, agreement or other instrument to which the City is a party or to which the City is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the City under any of the foregoing; and the execution and delivery of the City Documents and the adoption of the Ordinance and compliance with the provisions on the City's part contained therein, will not conflict with or constitute a material breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City securing the Obligations or under the terms of any such law, regulation or instrument;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under the City Documents have been duly obtained;

(f) The Obligations conform to the description thereof contained in the Official Statement under the caption "THE OBLIGATIONS;" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE;"

(g) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the City after due inquiry, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Obligations or the levying or collection of Excise Tax Revenues securing the payment of the Obligations pursuant to the Trust Agreement or in any way contesting or affecting the validity or enforceability of the City Documents, or contesting the exclusion from gross income of interest on the Obligations for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or any authority for the execution and delivery of the Obligations, the adoption of the Ordinance or the execution and delivery of the City Documents, nor, to the best knowledge of the City, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Obligations or the City Documents;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) The City has not granted a lien on, made a pledge of or agreed to apply the Excise Tax Revenues and other moneys payable pursuant to the Purchase Agreement, except as provided or permitted in the Purchase Agreement or as described in the Official Statement;

(j) At the time of the City's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as it relates to the City does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The City will apply, or cause to be applied, the proceeds from the sale of the Obligations as provided in and subject to all of the terms and provisions of the Trust Agreement and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Obligations;

(m) The City will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Obligations for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate, and (z) determine the eligibility of the Obligations for investment under the laws of such states and other jurisdictions, and (B) to continue such qualifications in effect so long as required for the distribution of the Obligations (provided, however, that the City will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the City of any notification with respect to the suspension of the qualification of the Obligations for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(n) The City has submitted to the Arizona Department of Revenue or the Arizona State Treasurer's Office, as applicable, the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the City pursuant to Arizona Revised Statutes, and will file the information relating to the Obligations required to be submitted to the Arizona State Treasurer's Office pursuant thereto within 60 days of the date of Closing;

(o) The City has executed and delivered or shall execute and deliver prior to the Closing, and in time for the Closing to occur at its specific time, the documents required to

cause the Obligations to be eligible for deposit with DTC (as defined herein) or other securities depositories;

(p) The financial statements of and other financial information regarding the City in the Official Statement fairly present the financial position and results of the City as of the dates and for the periods therein set forth in accordance with generally accepted accounting principles as applicable to governmental units and have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods concerned (except as otherwise disclosed in the Official Statement or financial statements); since June 30, 2015, the City has not incurred any material liabilities, direct or contingent, nor has there been any material change in the financial position, results of operations or condition, financial or otherwise, of the City that are not disclosed in the Official Statement, whether or not arising from transactions in the ordinary course of business and prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the City, and the City is not a party to any litigation or other proceeding pending or, to the best knowledge of the City after due inquiry, threatened which, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City, or on the imposition, levy, collection or pledge of Excise Tax Revenues for the payment of the Obligations;

(q) Except as otherwise indicated in the Official Statement, the City has been in material compliance with the terms of all continuing disclosure undertakings previously executed by the City pursuant to the Rule for the previous five years;

(r) Prior to the Closing, the City will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which secure the Obligations without prior approval of the Underwriter; and

(s) Any certificate signed by any official of the City authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

5. Closing.

(a) At 8:30 a.m. Arizona time, on _____, 2016, or at such other time and date as shall have been mutually agreed upon by the City and the Underwriter (the "Closing"), the City will, subject to the terms and conditions hereof, cause the Obligations to be delivered to the Underwriter, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Obligations as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the City. Payment for the Obligations as aforesaid shall be made at the offices of Bond Counsel, or such other place as shall have been mutually agreed upon by the City and the Underwriter.

(b) Delivery of the Obligations shall be made by means of a F.A.S.T. closing through the facilities of The Depository Trust Company ("DTC"), New York, New York. The

Obligations shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one certificate for each maturity of the Obligations, registered in the name of Cede & Co., all as provided in the Trust Agreement, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

6. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the City contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Obligations shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the City of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the City contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The City shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the City Documents and the Obligations shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and (ii) all actions of the City required to be taken by the City shall be performed in order for Greenberg Traurig, LLP ("Bond Counsel") and counsel to the Underwriter to deliver their respective opinions referred to hereinafter;

(d) At the time of Closing, all official action of the City relating to the Obligations and the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the City Documents shall have been duly executed and delivered by the City and the Trustee shall have duly executed and delivered the Obligations;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the City, from that set forth in the Official Statement that in the judgment of the Underwriter is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Obligations on the terms and in the manner contemplated in the Official Statement;

(g) The City shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, executed on behalf of the City by its Management Services Director, or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) the City Documents with such supplements or amendments as may have been agreed to by the Underwriter;

(3) the approving opinion of Bond Counsel, dated the date of Closing, with respect to the Obligations, in substantially the form attached to the Official Statement, along with a reliance letter with respect thereto, dated the date of the Closing and addressed to the Underwriter;

(4) The supplemental opinion of Bond Counsel, dated the date of the Closing, addressed to the Underwriter and substantially in the form attached hereto as the Exhibit;

(5) An opinion of the counsel to the City that, based on an investigation of the records of the Superior Court of Coconino County and the United States District Court, District of Arizona, Phoenix Division, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or, to his or her knowledge (upon due inquiry), threatened (i) in any way affecting the powers of the City, the existence of the City or the title to office of any of the officials of the City, (ii) seeking to restrain or enjoin the sale, execution and delivery of the Obligations, or the levy and collection of Excise Tax Revenues to be levied to pay the Payments, (iii) in any way contesting or affecting the validity or enforceability of the Obligations, the City Documents or any agreements entered into in connection therewith, (iv) contesting in any way the completeness or accuracy of the Official Statement, (v) which may adversely affect the City or its properties or (vi) questioning the applicable tax-exempt status of the Obligations; nor, to the best knowledge of such counsel, is there any reasonable basis therefor;

(6) An opinion, dated the date of the Closing and addressed to the Underwriter, of counsel for the Underwriter, to the effect that:

(i) The Obligations are exempt securities under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Obligations, to register the Obligations under the 1933 Act and the Trust Agreement need not be qualified under the Trust Indenture Act; and

(ii) Based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement and the information regarding DTC and its book-entry system, in each case as to which no view need be expressed);

(7) A certificate, dated the date of Closing and signed by the Mayor, the City Clerk and the City Manager of the City, to the effect that to the best of their knowledge (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the date of the Closing with the same effects if made on the date of the Closing; (ii) there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or threatened in any way affecting the existence of the City or the titles of its officials to their respective positions, or seeking to restrain or to enjoin the sale or delivery of the Obligations, or the levy and collection of the Excise Tax Revenues imposed and levied or to be imposed and levied to pay all the Payments, or the imposition thereof, or in any way contesting or affecting the validity or enforceability of the Obligations or the City Documents, or contesting in any way the completeness or accuracy of the Official Statement or the exclusion from gross income of interest with respect to the Obligations, or contesting the powers of the City or its authority with respect to the Obligations or the City Documents and (iii) the City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing;

(8) A certificate, dated the date of Closing and signed by the Mayor, the City Clerk and the City Manager of the City, to the effect that to the best of their knowledge after due investigation (i) the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances pursuant to which they were made, not misleading; (ii) the financial statements of the City contained in the Official Statement fairly present the financial position and results of operations and changes in fund balances of the City as of the dates and for the periods therein set forth and the City has no reason to believe that such financial statements have not been prepared in accordance with generally accepted accounting principles consistently applied; (iii) since June 30 of the last fiscal year presented in the audited financial statements of the City included in the Official Statement, the City has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the results of operations or financial condition of the City that is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business, nor are there any deficits in any fund of the City except as disclosed in the Official Statement; (iv) no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for

which it is to be used or which it is necessary to disclose therein with respect to the City in order to make the information therein in the light of the circumstances pursuant to which they were made or set forth not misleading in any material respect; and (v) the City has complied with all of the terms of this Agreement and the City Documents to be complied with by it prior to or concurrently with the Closing;

(9) A certificate, dated the date of Closing, of appropriate representatives of the City in form and substance satisfactory to Bond Counsel (a) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Obligations will be used in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (b) certifying that to the best of the knowledge and belief of the City there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(10) A certificate of the Trustee to the effect that (i) the Obligations have been duly executed and delivered by an authorized officer of the Trustee; (ii) the Trust Agreement has been duly executed and delivered by an authorized officer of the Trustee; and (iii) the Ordinances of the Trustee authorizing the execution and delivery and/or performance of the Trust Agreement by the Trustee have been duly adopted by the Trustee, are in full force and effect and have not been modified, amended or repealed;

(11) Any other certificates and opinions required by the Trust Agreement for the issuance thereunder of the Obligations;

(12) Evidence satisfactory to the Underwriter that the Obligations have been assigned a rating of “____” by Standard & Poor’s Financial Services LLC and that such rating is in effect as of the date of the Closing;

(13) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the City;

(14) A certified copy of the Ordinance;

(15) The filing copy of the Information Return Form 8038-G (IRS) for the Obligations; and

(16) The filing copy of the Report of Bond and Security Issuance for the Arizona State Treasurer’s Office pursuant to Section 35-501(B), Arizona Revised Statutes.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Obligations shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and none of the Underwriter or the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriter set forth in Section 8 hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Obligations if, between the date of this Agreement and the Closing, the market price or marketability of the Obligations shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the Arizona Legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon interest received on obligations of the general character of the Obligations or, with respect to State taxation, of the interest on the Obligations as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Obligations, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Obligations as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restriction (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Obligations or as to obligations of the general character of the Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(f) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the City, its property, income securities (or interest thereon), or the validity or enforceability of the City's pledge of any portion of the Excise Tax Revenues;

(g) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the City;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or an escalation of existing hostilities or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred any downgrading, or any notice shall have been given of (A) any intended or potential downgrading or (B) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the City's obligations (including the rating to be accorded the Obligations); or

(l) the purchase of and payment for the Obligations by the Underwriter, or the resale of the Obligations by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay any expenses incident to the performance of the City's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the City Documents, the Preliminary Official Statement and the Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation and printing of the Obligations; (iii) the fees and disbursements of Bond Counsel and Stifel, Nicolaus & Company, Incorporated as financial advisor to the City; (iv) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the City; and (v) the fees for bond ratings and credit enhancement fees or premiums, if any. The City shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter, which are incidental to implementing this Agreement, including, but not limited to, means, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Obligations; (ii) fees of counsel to the Underwriter; and (iii) all other expenses incurred by it in connection with the public offering of the Obligations.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the City to comply with the terms or to fulfill any of the conditions of this Agreement or if for any reason the City shall be unable to perform its obligations under this Agreement, the City will reimburse the Underwriter for all out-of-pocket expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The City hereby acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the issuance of the Obligations.

9. Notices. Any notice or other communication to be given to the City under this Agreement may be given by delivering the same in writing to the address set forth on the first page of this Agreement, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to the Underwriter, RBC Capital Markets, LLC, 2398 East Camelback Road, Suite 700, Phoenix, AZ 85016, Attention: Nicholas Dodd.

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the City, and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the City. All of the City's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Obligations pursuant to this Agreement; and (iii) any termination of this Agreement.

11. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the City and shall be valid and enforceable at the time of such acceptance.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State.

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

14. Business Day. For purposes of this Agreement, “business day” means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. Notice Concerning Cancellation of Contracts. To the extent applicable by provision of law, the parties hereto acknowledge that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes.

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least one counterpart of this Agreement shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

RBC CAPITAL MARKETS, LLC
As Underwriter

By: _____
Nicholas Dodd, Managing Director

Accepted at _____ o'clock __.m. MST this _____ day of _____, 2016.

CITY OF FLAGSTAFF, ARIZONA

By: _____
Management Services Director, City of Flagstaff, Arizona

ATTEST:

By: _____
City Clerk, City of Flagstaff, Arizona

APPROVED AS TO FORM:
GREENBERG TRAURIG, LLP, as Bond Counsel

By: _____
Name: _____

SCHEDULE

\$[PAR]
CITY OF FLAGSTAFF, ARIZONA
PLEDGED REVENUE OBLIGATIONS (ROAD REPAIR/STREET IMPROVEMENT
PROJECTS), SERIES 2016

Obligations Dated: Date of Initial Delivery

PAYMENT SCHEDULE

Date (July 1)	Amount	Interest Rate	Yield
	\$		%

* Yield calculated to July 1, 20__, the first optional redemption date

Optional Prepayment. Principal represented by the Obligations payable before or on July 1, 20__, will not be subject to prepayment prior to their stated payment dates. Principal represented by the Obligations payable on or after July 1, 20__, may be prepaid prior to the stated payment date, in whole or in part on any date, in any order of payment date and by lot within any payment date, by the City, on or after July 1, 20__, at a prepayment price equal to the principal amount thereof plus accrued interest on such principal to the date fixed for prepayment, but without premium.

Schedule-1

EXHIBIT

[LETTERHEAD OF GREENBERG TRAURIG, LLP]

[Date of Closing]

RBC Capital Markets, LLC
Phoenix, Arizona

Re: Pledged Revenue Obligations (Road Repair/Street Improvement Projects), Series 2016, Evidencing Proportionate Interests of the Owners Thereof in Purchase Price Payments to be Made by the City of Flagstaff, Arizona to The Bank of New York Mellon Trust Company N.A., as Trustee, Dated the Date Hereof

Pursuant to an Obligation Purchase Contract, dated _____, 2016 (the "Purchase Contract"), between the City of Flagstaff, Arizona and RBC Capital Markets, LLC we have delivered to you our approving opinion of even date herewith (the "Approving Opinion") relating to the captioned Obligations. All terms used herein shall have the same meaning assigned in the Purchase Contract.

We hereby supplement the aforesaid Approving Opinion and further advise you as follows:

1. The City has all requisite power and authority pursuant to the Constitution and laws of the State (a) to execute and deliver, as applicable, the City Documents, (b) to approve, execute and authorize the use and distribution of the Preliminary Official Statement and the Official Statement and (c) to carry out and consummate the transactions contemplated by the Official Statement, the City Documents and the Obligations (including performing the applicable obligations pursuant thereto).

2. The City has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the Official Statement, the City Documents and the Obligations.

3. The City Documents have been duly authorized, executed and delivered, as applicable, by the City, are in full force and effect and, assuming due and valid authorization, execution and delivery by, and enforceability against, if any, the other party thereto, constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms. The foregoing is subject to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the enforcement of creditors' rights and the principles of equity in the event equitable remedies are sought.

4. Adoption of the Ordinance, authorization, execution and delivery, as applicable, of, and the due performance by the City of the City Documents and the approval, execution and authorization of the use and distribution of, the Official Statement (including, as applicable, the Preliminary Official Statement) by the City under the circumstances contemplated thereby and

each of such instruments, do not and will not conflict with, or constitute on the part of the City a material breach of or default under, any federal or State constitutional or statutory provision.

5. No consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Obligations and other than approvals that may be required under “blue sky” laws of any jurisdiction) is required in connection with the adoption by the Mayor and Council of the City of the Ordinance or the authorization, execution, delivery and performance, as applicable, by the City of the City Documents and the consummation of the transactions contemplated by the Official Statement.

6. The information contained (but not incorporated by reference) in the Official Statement in the tax caption on the cover thereof, under the headings “THE OBLIGATIONS,” “SECURITY AND SOURCES OF PAYMENT,” “TAX MATTERS,” and “CONTINUING DISCLOSURE” (except the existence or status of compliance with prior undertakings by the City) and, only as it relates to us, therein and in Appendix C “SUMMARY OF SELECT PROVISIONS OF PRINCIPAL DOCUMENTS,” Appendix D “FORM OF APPROVING LEGAL OPINION” and Appendix E “FORM OF CONTINUING DISCLOSURE UNDERTAKING” thereto, insofar as such information purports to summarize certain provisions of the laws of the State and the United States of America, the Obligations, the Trust Agreement, the Purchase Agreement and the Continuing Disclosure Undertaking fairly present the information purported to be shown; provided, however, that such information does not purport to summarize all the provisions of, and is qualified in its entirety by, the complete laws and documents that are summarized.

7. It is not necessary in connection with the sale and execution of the Obligations to the public to register the Obligations pursuant to the Securities Act of 1933, as amended, or to qualify the Trust Agreement pursuant to the Trust Indenture Act of 1939, as amended.

You may rely upon the Approving Opinion as though it were specifically addressed to you.

This letter is provided pursuant to Section 6(i)(4) of the Purchase Contract and is being given solely for the information of and assistance to the addressee of this letter in its capacity as the underwriter of the Obligations. In giving this opinion to such underwriter, it is expressly understood that no attorney-client relationship is being created thereby. Without our express prior written permission, this opinion may not be relied upon by any person other than such underwriter and is not to be used, circulated, quoted, or otherwise referred to in connection with the offering of the Obligations, except that reference may be made to this opinion in any list of closing documents pertaining to the execution and delivery of the Obligations.

Respectfully submitted,