

[EVENT FILING - Adverse Tax...]

In 2004, Pinal County, Arizona (the "County"), entered into a transaction resulting in the issuance of Certificates of Participation, Series 2004 (the "2004 Certificates of Participation") in the original principal amount of \$71,615,000, of which \$54,620,000 remains outstanding. The 2004 Certificates of Participation were issued as federally tax-exempt instruments to finance (i) improvements and expansion of adult and juvenile detention facilities in the County (the "County Detention Facilities") and (ii) a Sheriff's training facility.

In what appears from national news reports to be part of a widespread examination of tax-exempt obligations issued to finance local jail facilities, the Internal Revenue Service (the "IRS") commenced an audit of the County's 2004 Certificates of Participation in March 2012 (the "Audit"). In the Audit and in news reports of other audits, the IRS has taken the position that certain arrangements with federal agencies to house federal detainees in facilities owned by local governments may constitute a "private business use" of those facilities that endangers the tax-exempt status of the obligations that were issued to finance the facilities. The County has responded to a number of information requests from the IRS concerning the 2004 Certificates of Participation and the operation of the County Detention Facilities and is in the process of discussions with the IRS concerning the 2004 Certificates of Participation and their compliance with applicable federal tax law requirements.

The Continuing Disclosure Undertaking, dated December 30, 2004, relating to the 2004 Certificates of Participation requires that adverse tax events (including particularly any non-random audits) be the subject of the notice with an appropriate repository if knowledge of the occurrence thereof would be material as interpreted pursuant to the Securities Exchange Act of 1934, as amended. Out of abundance of caution, County management is making this Filing in case the Audit could be considered non-random and the occurrence of the related event material for such purpose.

The County believes that the 2004 Certificates of Participation comply with the applicable requirements for tax-exempt status, and, to date, the IRS has not issued a Notice of Proposed Issue (Form 5701) challenging the tax-exempt status of the 2004 Certificates of Participation. It is possible, however, that the County may ultimately enter into an agreement with the IRS to redeem and refinance on a taxable basis a portion of the outstanding 2004 Certificates of Participation in order to conclude the Audit and maintain the tax-exempt status of the remaining 2004 Certificates of Participation. In addition, it is possible that the County may agree to make a payment to the IRS in settlement of this matter. The County believes that such settlement payments may represent some portion of the taxes that would have been collected by the federal government (in tax years not closed under the 3-year statute of limitation) with respect to interest paid on the 2004 Certificates of Participation if the 2014 Certificates of Participation had been issued as taxable obligations. The County currently cannot predict the outcome of the Audit or ultimate settlement terms.

Payments on the 2004 Certificates of Participation come from lease payments which must be budgeted annually by the Board of Supervisors of the County from general unobligated funds of the County. No specific revenues of the County are legally obligated for the lease payments. No source of payment of any costs of a settlement with the IRS, including costs of retiring or refinancing all or portions of the 2004 Certificates of Participation and any cash payments made to the IRS, has yet been identified. County management is currently of the view that any foreseeable payment of costs required in connection with a settlement with the IRS would not have a material adverse impact upon the finances or operations of the County or its ability to repay the 2014 Obligations.