

**RIO NUEVO DISTRICT'S BOARD
RESOLUTION NO. 2016-__
CATERPILLAR PROJECT**

The following sets forth the basis for and the Board's direction to prepare the necessary and appropriate agreements for the Board's participation the "Caterpillar Project."

Preamble

1. The Rio Nuevo Multipurpose Facilities District ("District") was created for the express purpose of aiding and assisting in the development of properties within its "Boundaries" as more specifically set forth in the District's "Enabling Statutes" and the resulting Intergovernmental Agreements ("IGA(s)").
2. Pursuant to such Enabling Statutes and applicable IGAs, the District Board has the authority to acquire property and construct commercial facilities within the District's Boundaries that the Board determines are necessary or beneficial to the District's primary and secondary components, to issue revenue bonds for that purpose, and to enter into agreements with developers, contractors, tenants and other users of all or part of such facilities.
3. The District's Board of Directors ("Board") has reviewed and considered:
 - a. The Economic Impact Report of Applied Economics for Sun Corridor, Inc. ("Impact Report") evaluating the potential financial impact of Caterpillar, Inc. ("Caterpillar") establishing the headquarters for its Surface Mining & Technology Division (the "SM&T Division") within the District's Boundaries (generically "Caterpillar Project").
 - b. The material terms of the pending agreement between the Arizona Commerce Authority ("ACA") and Caterpillar setting forth ACA's pending participation in the Caterpillar Project ("ACA Agreement").
 - c. The material terms of the pending agreement between "Pima County" and Caterpillar setting forth Pima County's pending participation in the Caterpillar Project ("Pima County Agreement").
 - d. The May 2, 2016 letter from the Board's executive officers outlining the District's proposed participation in the establishment of Caterpillar's SM&T Division headquarters ("Executive Officers' Proposal").
 - e. The potential cost and availability of acquiring the real property identified by Caterpillar as the "Site" for its new headquarters building.
4. Based upon such review and consideration, the Board has determined that its participation in the Caterpillar Project as generally outlined in the Executive Officers' Proposal is beneficial to the primary and secondary components of the District.

TERMS OF RESOLUTION

Pursuant to the foregoing Recitals and subject to the execution of the documents necessary to finalize as binding the ACA Agreement and the Pima County Agreement, the Board hereby directs its executive officers and counsel to negotiate, prepare and bring back to the Board for final approval the documents and agreements necessary or convenient to:

1. **Moving Expenses:** Contribute \$2,000,000 to help defray Caterpillar's moving costs, which payment will be made concomitantly with ACA's payment of \$4,000,000 for the same purpose.

2. **New Facility Construction:**

a. Acquire the Site from the City of Tucson ("City") in exchange for a release of some of the debt owed by the City to the District.

b. Commence the process of obtaining the financing for the construction of the "New Facility" to accommodate 700-900 employees at a cost of up to \$50 million.

c. Design the New Facility pursuant to Caterpillar's requirements.

d. With Caterpillar's involvement, select the design and construction professionals in accordance with the District's Procurement Code and Title 34 of the Arizona Revised Statutes.

3. **Lease of New Facility:** "Lease" the Site and the New Facility to Caterpillar. The Lease will include the following provisions:

a. The Lease "Term" shall be for 25 years commencing upon substantial completion of the New Facility.

b. Should Caterpillar so desire, the Lease may include an "Option" to purchase the Site and the New Facility (1) at the end of the Lease Term, for a nominal amount, or (2) during the Lease Term by payment in full of the remaining principal balance of the District's cost of acquiring the Site and designing and constructing the New Facility.

c. The Lease will be "triple net" such that Caterpillar will be responsible for all operating and maintenance costs, taxes, and utilities associated with the Site and the New Facility.

d. Notwithstanding the "triple net" nature of the Lease, the District will provide a pass-through abatement of the property taxes for the first eight (8) years of the Lease Term, and during the following seven (7) years, the rent will gradually increase until this property tax relief expires.

e. The "Base Rent" in the Lease will be structured over the Term to cover the District's design, building costs; financing costs, including interest, plus the \$2 million moving expenses.

PASSED, ADOPTED AND APPROVED by the Board of Directors of the Rio Nuevo Multipurpose Facilities District on May ____, 2016.

RIO NUEVO MULTIPURPOSE FACILITIES
DISTRICT, a special taxing district of the State of
Arizona

By: _____

Chairman

ATTEST:

By: _____
Secretary

APPROVED AS TO FORM:

GUST ROSENFELD P.L.C.

By: _____
Mark L. Collins