



**NOTICE OF EXPENDITURES OF \$500,000 OR MORE OF TIF REVENUE
PURSUANT TO A.R.S. §48-4204
(CATERPILLAR/SM&T DIVISION HEADQUARTERS)**

Caterpillar, Inc. (“Caterpillar”) is the world’s leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The company has three main product segments - Construction Industries, Energy & Transportation and Resource Industries Group. One of the four divisions of the Resource Industry Group is Caterpillar’s Surface Mining & Technology Division (the “SM&T Division”). The SM&T Division was formed in 2015 when the company combined its surface-mining sales-and-support teams with its Hauling & Extraction Division, a reorganization that Caterpillar expects to “simplify” its mining business and help it become “more nimble, lean and responsive.”

As part of this reorganization and streamlining effort, Caterpillar began looking for a site where it could relocate and consolidate its SM&T Division headquarters. This headquarters operation, which will include financial, personnel, administrative, legal, planning, and related business functions for the SM&T Division is expected to grow to include nearly 900 jobs within 5 years. Those jobs are highly skilled and highly paid, consisting mostly of engineers and those involved in research and development. Caterpillar is prepared to build or purchase a large building for its Operation; it anticipates needing one that is large enough to house 700-900 employees, with up to 500 associated parking spaces (the “Facility”).

District representatives have worked with representatives of Sun Corridor, Governor Ducey, the Arizona Commerce Authority, the City of Tucson, and Pima County to assemble a creative and valuable package of potential economic incentives that ultimately has induced Caterpillar to select Tucson as the site for its reorganized SM&T Division headquarters. Based upon such incentives Caterpillar has announced its intent to relocate its consolidated SM&T Division to Tucson with the process commencing no later than January 1, 2017.

Based on the District Board’s review of Sun Corridor’s Economic Impact Report, the Board has determined that, subject to the appropriate final documentation, the construction of the new Facility for Caterpillar’s operation will be beneficial to the District. For that reason, the District Board has authorized the preparation of a Memorandum of Understanding that contemplates the District (1) contributing \$2 million to help defray Company’s relocation costs, (2) acquiring the necessary land from the City (in exchange for the release of debt) and (3) financing the construction of the new Facility, at a cost of up to \$50 million. Rio Nuevo will lease the new Facility to Caterpillar for a period of 25 years. This anticipated expenditure exceeds the \$500,000 threshold set forth in A.R.S. §48-4204.

If you have any questions or concerns, please contact your appointee or the Chairman of the Board.

[SIGNATURES ON SEPARATE PAGE]

STATEMENTS OF BOARD MEMBERS' FINANCIAL INTERESTS IN SUBJECT
OF PROPOSED EXPENDITURE

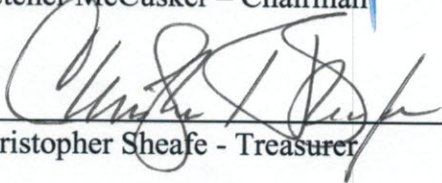
Board Members Having No Financial Interest:



Fletcher McCusker – Chairman



Mark Irvin, Secretary



Christopher Sheafe - Treasurer

Jeffrey Hill

Jannie Cox

Edmund Marquez

Cody Ritchie

Board Members Having Financial Interest:

None.


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