



# CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION A G E N D A

**CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION  
PUBLIC MEETING  
THURSDAY, DECEMBER 17, 2009  
2:00 P.M.**

**Council Chambers  
201 South Cortez Street  
Prescott, Arizona  
(928) 777-1100**

The following Agenda will be considered by the City of Prescott Municipal Property Corporation at a **Public Meeting** to be held on Thursday, December 17, 2009, in the City Hall Council Chamber, 201 S. Cortez Street, Prescott, Arizona.

- I. **CALL TO ORDER**
- II. **ROLL CALL:**
- III. Discussion of SR89A/Side Road Project and funding
- IV. CONSIDERATION AND POSSIBLE ADOPTION OF AN ORDINANCE (1) APPROVING THE ISSUANCE OF NOT TO EXCEED \$19,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION REVENUE BONDS, SERIES 2010; (2) APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; (3) DELEGATING TO THE BUDGET/FINANCE DIRECTOR OF THE CITY THE AUTHORITY TO DETERMINE VARIOUS TERMS WITH RESPECT TO THE SERIES 2010 BONDS AND THE SALE THEREOF; (4) AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS ORDINANCE AND (5) DECLARING AN EMERGENCY.
- V. Adjournment

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Prescott City Hall on \_\_\_\_\_ at \_\_\_\_\_ .m. in accordance with the statement filed by the Prescott City Council with the City Clerk.

\_\_\_\_\_  
Elizabeth A. Burke, City Clerk

RESOLUTION OF THE BOARD OF DIRECTORS OF CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION (1) AUTHORIZING THE ISSUANCE OF ITS NOT TO EXCEED \$19,000,000 AGGREGATE PRINCIPAL AMOUNT OF REVENUE BONDS, SERIES 2010 FOR THE PURPOSE OF REFINANCING AND FINANCING CERTAIN PROJECTS FOR THE CITY OF PRESCOTT, ARIZONA; (2) DELEGATING TO THE BUDGET/FINANCE DIRECTOR OF THE CITY OF PRESCOTT, ARIZONA, THE AUTHORITY TO DETERMINE VARIOUS TERMS WITH RESPECT TO THE SERIES 2010 BONDS AND THE SALE THEREOF; (3) PROVIDING FOR THE APPLICATION OF THE PROCEEDS FROM THE SALE OF THE SERIES 2010 BONDS; (4) APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION OF A SECOND SUPPLEMENT TO TRUST INDENTURE APPROPRIATE FOR THE PROTECTION AND DISPOSITION OF REVENUES AND FURTHER SECURING THE PAYMENT OF THE SERIES 2010 BONDS, AN EXTENSION OF SERIES 2007 GROUND LEASE, A SERIES 2010 CITY LEASE, A DEPOSITORY TRUST AGREEMENT AND A BOND PURCHASE CONTRACT; (5) APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT RELATING TO THE SERIES 2010 BONDS AND (6) AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION

WHEREAS, the City of Prescott Municipal Property Corporation (the "Corporation"), a nonprofit corporation designated a political subdivision of the State of Arizona (the "State"), by virtue of the laws of the State, is authorized and empowered, among other things (a) to issue its special obligation bonds for the purposes of assisting the City of Prescott, Arizona (the "City"), in constructing, improving and equipping municipal improvements and otherwise incurring expenses to improve the use of municipal facilities, (b) to enter into a ground lease, a city lease and other necessary documents and to provide for lease payments sufficient to pay the principal of and premium, if any, and interest on such bonds, (c) to secure such bonds as provided for herein and (d) to enact this Resolution and enter into the Indenture Supplement, the Ground Lease and the City Lease (all as hereinafter defined) upon the terms and conditions provided herein and therein; and

WHEREAS, the City will have certain property available, as set forth in Exhibit A to the Ground Lease, to lease or sublease to the Corporation in connection with the issuance of the Series 2010 Bonds (as hereinafter defined); and

WHEREAS, the Board of Directors of the Corporation desires to extend the period of time it will retain sites from the City (the "2007 Project Sites") and cause to be refinanced all or a portion of its remaining outstanding Excise Tax Revenue Bonds, Series 1998-F (the

"Series 1998-F Bonds") under the circumstances described herein and to be constructed certain roadway improvements (the "Projects") for the benefit of the City for municipal purposes, and the City desires to grant an extension leasehold interests in the 2007 Project Sites from the Corporation as set forth in the Series 2010 City Lease; and

WHEREAS, in order to provide funds for such refinancing and the construction of the Projects, the Corporation desires to issue its Revenue Bonds, Series 2010 in an aggregate principal amount of not to exceed \$19,000,000 (the "Series 2010 Bonds"), the proceeds of which shall be used to assist the City in the financing of the Projects; and

WHEREAS, in connection with the issuance of the Series 2010 Bonds, the Corporation and the City will enter into an Extension of Series 2007 Ground Lease, to be dated as of the first day of the month of the date established as the dated date of the Series 2010 Bonds as provided herein (the "Ground Lease"), pursuant to which the City will extend the lease of the 2007 Project Sites to the Corporation and a Series 2010 City Lease, to be dated as of the first day of the month of the date established as the dated date of the Series 2010 Bonds as provided herein (the "City Lease"), pursuant to which the Corporation will lease the 2007 Project Sites to the City, and the City will provide for construction of the Projects with proceeds of the sale of the Series 2010 Bonds on behalf of the Corporation; and

WHEREAS, the Series 2010 Bonds (and certain parity obligations heretofore and hereafter issued) have been and will be secured by a Trust Indenture, dated as of December 1, 2004, as supplemented by a First Supplement to Trust Indenture, dated as of May 1, 2007, and to be supplemented by a Second Supplement to Trust Indenture, to be dated as of the first day of the month of the date established as the dated date of the Series 2010 Bonds as provided herein (the "Indenture Supplement"), from the Corporation to U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, the Series 2010 Bonds will be secured by rent payments due for that purpose pursuant to the City Lease, as security for which the City will pledge, with certain limitations as provided therein, (a) revenues from the unrestricted transaction privilege (sales) tax, licenses, franchise fees, permits, fines, forfeitures and charges for services which the City imposes; provided that the Council of the City may impose other transaction privilege taxes in the future, the uses of revenues from which will be restricted, at the discretion of such Council (collectively, the "Excise Taxes") and (b) tax revenues collected by the State and distributed to the City pursuant to Sections 42-5029 and 43-306, Arizona Revised Statutes, as amended, or any successor statutes thereto (except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes) (the "State Shared Revenues"); and

WHEREAS, the Corporation has not made and does not intend to make any profit by reason of any business or venture in which it

may engage or by reason of the assistance it renders the City in such financing, and no part of the net earnings of the Corporation, if any, shall ever inure to the benefit of any person, firm or corporation except the City; and

WHEREAS, there have been presented to the Board of Directors of the Corporation at the meeting of the Board of Directors of the Corporation at which this Resolution is being adopted (1) the proposed form of the Ground Lease; (2) the proposed form of the City Lease; (3) the proposed form of a Depository Trust Agreement, to be dated as of the first day of the month of the date established as of the dated date of the Series 2010 Bonds as provided herein (the "Depository Trust Agreement"), between the Corporation and U.S. Bank National Association, as depository trustee (the "Depository Trustee"); (4) the proposed form of the Indenture Supplement (the Ground Lease, the City Lease, the Depository Trust Agreement and the Indenture Supplement being referred to herein collectively as the "Basic Documents"); (5) the proposed form of Bond Purchase Contract, to be dated the date of the sale of the Series 2010 Bonds (the "Purchase Contract"), submitted by RBC Capital Markets Corporation (the "Underwriter"), for the purchase of the Series 2010 Bonds and (6) the proposed form of the Preliminary Official Statement, to be dated the date of the mailing thereof (the "Preliminary Official Statement"), relating to the Series 2010 Bonds, which, as to be revised after sale of the Series 2010 Bonds, shall constitute the Official Statement, to be dated the date of the sale of the Series 2010 Bonds (the "Official Statement"), relating to the Series 2010 Bonds;

WHEREAS, the Board of Directors of the Corporation hereby determines that: (i) the Corporation was formed to assist the City in financing certain projects at no profit to the Corporation; (ii) the City desires to refinance certain portions of the Series 1998-F Bonds and to lease the 2007 Project Sites from the Corporation; (iii) the City will grant the Corporation leasehold interests in the 2007 Project Sites under the Ground Lease; (iv) the Corporation has not and will not make any profit by reason of the assistance it renders the City in connection with the issuance of the Series 2010 Bonds and (v) the Corporation is authorized by law and deems it necessary to borrow money for purposes of carrying out its obligations under the Ground Lease and the City Lease by issuing the Series 2010 Bonds, and to secure the payment of the principal of and interest on the Series 2010 Bonds and the performance of the covenants and conditions contained in the Basic Documents, and to provide for the application of the proceeds from the Series 2010 Bonds in accordance with the Indenture Supplement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION AS FOLLOWS:

Section 1. (A) The Series 2010 Bonds are hereby authorized to be issued as a series of special, limited obligation bonds of the Corporation in the aggregate principal amount of not to exceed \$19,000,000. The Series 2010 Bonds shall be issued in the denom-

ination of \$5,000 of principal amount or any integral multiple thereof and shall be fully registered bonds without coupons as provided in the Indenture Supplement.

(B) The Budget/Finance Director of the City is hereby authorized to determine on behalf of the City and the Corporation the date the Series 2010 Bonds are to be sold to the Underwriter; the total aggregate principal amount of the Series 2010 Bonds which are to be issued and, for purposes of the next subsection, the series thereof but not to exceed the total principal amount indicated hereinabove; the date the Series 2010 Bonds are to be dated; the dates on which interest on the Series 2010 Bonds is to be payable and the rates of interest per annum the Series 2010 Bonds are to bear; the dates the Series 2010 Bonds are to mature but not later than July 1, 2030, the principal amounts to mature on such dates and the provisions for redemption thereof in advance of such dates; the maturity dates and principal amounts of the Series 1998-F Bonds to be refinanced and the provisions for redemption thereof; the terms upon which the Series 2010 Bonds or any series thereof are to be sold to the Underwriter (including determinations of price, original issue discount and premium and underwriting compensation) and the provisions pursuant to which the Series 2010 Bonds or any series thereof are to be credit enhanced (including determinations with respect to bond insurance, if any, for the Series 2010 Bonds); provided, however, that the foregoing determinations shall not result in the yield on the Series 2010 Bonds, calculated for federal income tax purposes, exceeding eight percent.

(C) If, and to the extent, the Series 2010 Bonds or any portion thereof meet the requirements therefor pursuant to the Internal Revenue Code of 1986, as amended, the Series 2010 Bonds or such portion thereof may be qualified and sold as "Build America Bonds" with the federal tax credits paid directly to the City. The Budget/Finance Director of the City is hereby authorized and directed to determine such matters on behalf of the Corporation and then to take any action, make any modification of documents, enter into any agreements, make any elections or certifications and pay any costs necessary to provide for the sale and issuance of the Series 2010 Bonds or such portion thereof in such manner and to comply with the requirements of such Code and the terms of the Series 2010 Bonds or such portion thereof and any agreement related thereto including causing the Series 2010 Bonds to be issued in multiple series as designated by the Budget/Finance Director of the City.

(D) The form and other terms and provisions of the Series 2010 Bonds, including for signatures, authentication, payment, registration, transfer, exchange, redemption and number, shall be as set forth in the Indenture Supplement and are hereby approved, with only such changes therein as are not inconsistent herewith and as are approved by the officers authorized to execute the Series 2010 Bonds, and each is hereby authorized to execute and deliver the Series 2010 Bonds. The signatures of the President or Vice President and the Secretary on the Bonds may be by facsimile.

Section 2. The forms, terms and provisions of the Basic Documents and the Purchase Contract, in substantially the forms of such documents (including the exhibits thereto) presented at the meeting at which this Resolution was adopted, are hereby approved, with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the President or Vice President (which approval will be conclusively demonstrated by their execution thereof), and the President or Vice President and the Secretary or any other director are hereby authorized to execute and attest and deliver, respectively, the Basic Documents and the Purchase Contract as well as any other documents necessary in connection therewith to provide for the issuance of the Series 2010 Bonds including any financial guaranty or related agreement necessary with respect to credit enhancement for the Series 2010 Bonds.

Section 3. The Series 2010 Bonds shall be sold to the Underwriter in accordance with the terms of the Purchase Contract as such terms are to be determined as provided hereinabove.

Section 4. The President, Vice President or Secretary are authorized to execute and deliver to the Trustee the written order of the Corporation for the authentication and delivery of the Series 2010 Bonds by the Trustee.

Section 5. Upon the delivery of the Series 2010 Bonds, the proceeds of the Series 2010 Bonds shall be deposited as provided in the Indenture Supplement.

Section 6. The officers of the Corporation shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated hereby, including without limitation, the execution and delivery of the closing and other documents required to be delivered in connection with the sale and delivery of the Series 2010 Bonds.

Section 7. All actions (not inconsistent with the provisions of this Resolution) heretofore taken by or at the direction of the Corporation and its officers directed toward the sale and issuance of the Series 2010 Bonds are hereby approved and ratified.

Section 8. The form and use by the Underwriter of the Preliminary Official Statement is hereby approved. The President or Vice President are hereby authorized and directed to cause the preparation of and to execute the Official Statement, in substantially the form of the Preliminary Official Statement, revised to reflect the provisions of sale of the Series 2010 Bonds and with such changes as may be acceptable to such officers of the Corporation, and the distribution of the Official Statement by the Underwriter is hereby approved.

Section 9. The Series 2010 Bonds shall be special, limited obligations of the Corporation payable solely from rental payments to be made by the City under the City Lease. Nothing contained in this Resolution, the Basic Documents or any other instrument shall be

construed as obligating the Corporation except to the extent provided in such documents or instruments or as incurring a charge upon the general credit of the Corporation nor shall the breach of any agreement contained in this Resolution, the Basic Documents or any other instrument or documents executed in connection therewith impose any charge upon the general credit of the Corporation.

Section 10. U.S. Bank National Association is hereby confirmed as the Trustee and Registrar and Paying Agent (as such terms are defined in the Indenture Supplement) pursuant to, and for purposes of, the Indenture Supplement, and as the Depository Trustee pursuant to, and for purposes of, the Depository Trust Agreement.

Section 11. After any of the Series 2010 are delivered by the Trustee to the Underwriter upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Series 2010 Bonds and the interest thereon shall have been fully paid, cancelled and discharged.

Section 12. (A) If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

(B) Any provisions of any bylaws, orders, procedural pamphlets and resolutions inconsistent herewith are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any bylaw, order, procedural pamphlet or resolution or any part thereof.

(C) It is hereby found and determined that all formal actions of the Corporation and its Board of Directors concerning and relating to the adoption of this Resolution were adopted in an open meeting and that all deliberations that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements of the State and the Corporation.

(D) This Resolution shall be effective immediately.

ADOPTED AND APPROVED this 17th day of December, 2009.

.....  
Jesse Thomas, President

ATTEST:

.....  
\_Mark Woodfill, Secretary

DEPOSITORY TRUST AGREEMENT

This Depository Trust Agreement, dated as of \_\_\_\_\_ 1, 2010, between the CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION, a nonprofit corporation organized and existing under the laws of the State of Arizona (the "Corporation"), and U.S. BANK NATIONAL ASSOCIATION, a bank duly organized and validly existing and authorized to do trust business in the State of Arizona, as trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, the following bonds of the Corporation have been issued and are outstanding and the portion of the principal amounts of such bonds identified below are being refunded as provided herein (the "Bonds Being Refunded"):

<u>Issue</u>	<u>Outstanding Amount/ Principal Amount Being Refunded</u>	<u>Maturity Dates Being Refunded</u>	<u>Redemption Date</u>
Excise Tax	\$_____/ \$_____	_____ 1, 20__	January 1, 20__ @ 10_%
Revenue	_____/ _____	_____ 1, 20__	January 1, 20__ @ 10_%
Bonds,	_____/ _____	_____ 1, 20__	January 1, 20__ @ 10_%
Series	_____/ _____	_____ 1, 20__	January 1, 20__ @ 10_%
1998-F	_____/ _____	_____ 1, 20__	January 1, 20__ @ 10_%

; and WHEREAS, the Board of Directors of the Corporation by a Resolution adopted on December 17, 2009 (the "Bond Resolution"), has authorized the issuance of its Revenue Bonds, Series 2010 in a principal amount of \$\_\_\_\_\_,000 (the "Refunding Bonds"), a portion of the net proceeds of the sale of which are being used to refund the Bonds Being Refunded as provided herein; and

WHEREAS, pursuant to the Bond Resolution, the Corporation has sold and delivered the Refunding Bonds and has provided that such portion of the proceeds of the sale shall be applied to the payment of the debt service on the Bonds Being Refunded and to purchase the securities described in Exhibit I attached hereto and made a part hereof (collectively, the "Securities"), consisting of direct obligations of the United States that do not permit the redemption thereof at the option of the issuer, the principal and interest on which, together with the Initial Cash Deposit (defined hereinafter), will be sufficient to pay the principal of and premium, if any, and interest on the Bonds Being Refunded when due; and

WHEREAS, the Bond Resolution authorizes and directs the President and Secretary of the Corporation to enter into an irrevocable depository trust agreement with the Trustee with respect to the

safekeeping and handling of the moneys and securities to be held in trust for the payment of the Bonds Being Refunded; and

WHEREAS, the Trustee agrees to accept and administer the trust created hereby;

NOW THEREFORE, in consideration of the mutual covenants, conditions and agreements hereinafter set forth, it is hereby agreed as follows:

Section 1. The Corporation has deposited proceeds of the Refunding Bonds in the amount of \$\_\_\_\_\_ with the Depository Trustee, all of which is to be held by the Depository Trustee in a special and separate trust fund which is hereby created and designated as the "City of Prescott Municipal Property Corporation Refunding Bonds, Series 2010 Trust Fund" (the "Trust Fund"). The Trustee has purchased the Securities from amounts on deposit in the Trust Fund. Based upon the report of Grant Thornton, LLP, verification agent, dated as of \_\_\_\_\_, 2010, the Securities and the remaining \$\_\_\_\_\_ in the Trust Fund (such cash deposit being referred to herein as the "Initial Cash Deposit") are sufficient to assure that the funds available in the Trust Fund will at all times be sufficient, together with the interest income and profits, if any, realized and accrued on the Securities therein, to promptly pay the principal of and premium, if any, and interest on the Bonds Being Refunded as the same become due as described in Exhibit II and to the redemption of the Bonds Being Refunded as described in Exhibit II. The Initial Cash Deposit and cash receipts from the Securities shall be applied by the Trustee to the payments due on the Bonds Being Refunded as described in Exhibit II.

Section 2. The Trustee shall at all times hold the Initial Cash Deposit and the Securities (any other securities or moneys deposited therein) in the Trust Fund for the account of the Corporation and for the benefit of the owners of the Bonds Being Refunded and shall maintain the Trust Fund wholly segregated from other funds and securities on deposit with the Trustee; shall never commingle such securities and moneys with other funds or securities of the Trustee and shall never at any time use, loan or borrow the same in any way, so that sufficient funds will be available to pay the interest, redemption premium and principal requirements of the respective Bonds Being Refunded as the same accrue and become due and payable, including as a result of redemption, from time to time. The Initial Cash Deposit shall be held in the Trust Fund in cash and not invested.

Section 3. The Trustee, with the approval of the Budget/ Finance Director of the City of Prescott, Arizona (the "City"), shall have the power to substitute for the Securities other direct obligations of the United States (the "Substituted Securities"), provided that prior to any such substitution there is delivered to the Trustee:

A. A report of a firm of nationally recognized certified public accountants verifying that the moneys then on deposit in the Trust Fund, together with the proceeds from and the interest on the Securities then on deposit in the Trust Fund and the Substituted Securities, as such accrues, will be sufficient to pay the principal, premium and interest requirements of the Bonds Being Refunded as the same become due and payable as set forth in Exhibit II, without the necessity of sale or redemption thereof prior to maturity; and

B. An opinion of nationally recognized bond counsel that such substitution will not adversely affect the exclusion of interest on the Refunding Bonds or the Bonds Being Refunded from gross income for federal income tax purposes.

Upon any such substitution, any amounts not needed in the Trust Fund to provide for the payment of the Bonds Being Refunded may be withdrawn from the Trust Fund for deposit by the Corporation in the "Bond Retirement Fund" established by the indenture for the Refunding Bonds.

Section 4. The Trust Fund shall be irrevocable and the owners of the Bonds Being Refunded shall have an express lien on, and are hereby granted a security interest in, all securities and moneys in the Trust Fund until paid, used and applied in accordance with this Depository Trust Agreement. The Trustee shall maintain the Trust Fund until the date on which the paying agent for the Bonds Being Refunded has on deposit all moneys necessary to fully pay all principal of and redemption premium and interest on the Bonds Being Refunded when due or redeemed. On such date, the Trustee shall remit to the Corporation all moneys, if any, then remaining therein for deposit by the Corporation in the Bond Retirement Fund.

Section 5. Any moneys in the Trust Fund, including any moneys realized upon the maturity of any securities deposited therein, shall be held as a demand deposit and shall be secured by direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in an amount at all times at least equal to the total unexpended amount of said moneys. The Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Depository Trust Agreement and made in compliance with the provisions hereof.

Section 6. The Trustee shall, from time to time on the respective days on which principal of and redemption premium and interest on the Bonds Being Refunded are due, forward to the paying agent for the Bonds Being Refunded for deposit in the appropriate funds and trust accounts for the payment thereof the amount of interest, redemption premium and principal becoming due at maturity or on an applicable redemption date for the Bonds Being Refunded in accordance with Exhibit II. The timely forwarding of the money from funds available therefor shall be the duty of the Trustee; payment of the Bonds Being Refunded shall be the duty of the paying agent for the Bonds Being Refunded.

Section 7. The Trustee shall immediately notify the Budget/Finance Director of the City by telephone and by registered, first-class mail, postage prepaid, whenever for any reason the funds on hand in the Trust Fund will be insufficient to pay the principal of and redemption premium and interest on the Bonds Being Refunded to be paid from the Trust Fund as the same become due and accrue, including as a result of redemption, and the Corporation shall forthwith deposit into such account such additional funds as may be required to pay in full the amount of principal, redemption premium and interest prior to the date on which it becomes due and payable, including as a result of redemption.

Section 8. The Trustee shall forward by first class mail by \_\_\_\_\_ 2, 20\_\_, to the Budget/Finance Director of the City, a statement with respect to the Trust Fund stating in detail the income, investments, sales, redemptions and withdrawals of moneys therefrom from \_\_\_\_\_ 1, 20\_\_.

Section 9. The Trustee for services hereunder shall be entitled to an initial and first year fee due upon the date of the initial deposit of moneys into the Trust Fund of \$\_\_\_\_\_. In no event are the amounts available in the Trust Fund to be used to pay the Trustee.

Section 10. As the owners of the Bonds Being Refunded have a beneficial interest in the securities and moneys held in the Trust Fund and are relying upon the irrevocable character of the trust created hereby, this Depository Trust Agreement shall be irrevocable and shall not be amended in any manner which may adversely affect the rights herein sought to be protected until the provisions of this Depository Trust Agreement have been fully carried out.

Section 11. The Trustee shall be under no obligation to inquire into or be otherwise responsible for the performance or non-performance by the Corporation of any of its obligations or to protect any of the rights of the Corporation under any of the proceedings with respect to the Bonds Being Refunded or the Refunding Bonds. The Trustee shall not be liable for any act done or step taken or omitted by it or for any mistake of fact or law or for anything which it may do or refrain from doing except for its negligence or its default in the performance of any obligation imposed upon it under the terms of this Depository Trust Agreement.

Section 12. The Trustee shall cause a notice of refunding of the Bonds Being Refunded, in substantially the form of Exhibit III, and a notice of redemption, in substantially the form of Exhibit IV, to be mailed as provided in said Exhibits. All expenses associated with such notices shall be paid by the City.

Section 13. Neither this Depository Trust Agreement nor the trust created hereunder may be assigned by the Trustee without the prior written consent of the Budget/Finance Director of the City unless the Trustee is required by law to divest itself of its interest

in its trust department or unless the Trustee sells or otherwise assigns all or substantial all of its corporate trust business, in which event the trust shall be continued by the Trustee's successor in interest.

Section 14. Notice from one of the parties to the other or to the Budget/Finance Director of the City under this Depository Trust Agreement shall be sufficient hereunder if it is contained in a writing mailed by first class mail postage prepaid to the Corporation or to the Budget/Finance Director of the City at 201 South Cortez, Prescott, Arizona 86303, Attention: Budget/Finance Director, to the Depository Trustee at Suite 1600, 101 North First Avenue, Phoenix, Arizona 85003, Attention: Corporate Trust Services or to any other address which may be designated from time to time by either party in writing delivered to the other party.

Section 15. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have executed this Depository Trust Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains any ambiguity which may be construed as wither valid or invalid, the valid constructions shall be adopted.

Section 16. This Depository Trust Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This Depository Trust Agreement expresses the entire understanding and all agreements of the parties hereto with each other with respect to the subject matter hereof, and no party hereto has made or shall be bound by any agreement or any representation to any other party which is not expressly set forth in this Depository Trust Agreement.

Section 17. This Depository Trust Agreement may be executed in several counterparts, each of which shall be an original, all of which together shall constitute but one instrument.

Section 18. A. Pursuant to the requirements of Section 38-511 of the Arizona Revised Statues, notice is hereby given that the State of Arizona, its political subdivisions or any department or agency of either may, within three years after its execution, cancel any contract, without penalty of further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State its political subdivisions 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.

B. To the extent applicable under Section 41-440, Arizona Revised Statutes, as amended, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes, as amended. The breach by the Trustee of the foregoing shall be deemed a material breach of this Depository Trust Agreement and may result in the termination of the services of the Trustee. The Corporation retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the Corporation including granting the Corporation entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

C. Pursuant to Sections 35-391.06 and 35-393.06, Arizona Revised Statutes, as amended, the Trustee does and shall not have a scrutinized business operation in Sudan or Iran. For the purpose of this Section the term "scrutinized business operations" shall have the meanings set forth in Section 35-391 and 35-393, Arizona Revised Statutes, as amended, as applicable. If the Corporation determines that the Trustee submitted a false certification, the Corporation may impose remedies as provided by law including terminating the services of the Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Depository Trust Agreement to be executed as of the day and year first above written.

CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION

By.....  
President

ATTEST:

.....  
Secretary

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By.....  
Vice President

EXHIBIT I

SECURITIES

<u>Maturity Date</u>	<u>Description</u>	<u>Coupon Rate</u>	<u>Principal Amount/Cost</u>
/ /20	SLGS-CI	%	\$
7/01/20	SLGS-CI		
1/01/20	SLGS-NT		
7/01/20	SLGS-NT		
1/01/20	SLGS-NT		
7/01/20	SLGS-NT		

EXHIBIT II

PAYMENTS REQUIRED ON  
BONDS BEING REFUNDED

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
7-1-	--	\$	\$
1-1-	--		
7-1-	--		
1-1-	--		
7-1-__	\$		

Paying Agent: U.S. Bank National Association

EXHIBIT III

NOTICE OF REFUNDING

CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION  
EXCISE TAX REVENUE BONDS, SERIES 1998-F

Notice is hereby given that the captioned bonds of the City of Prescott Municipal Property Corporation maturing on \_\_\_\_\_, 20\_\_, have been refunded in advance of their stated maturity dates by the establishment of an irrevocable trust fund with U.S. Bank National Association, as depository trustee. According to a report by Grant Thornton, LLP, certified public accountants, the moneys and obligations issued or guaranteed by the United States of America, which have been deposited in the trust fund, are scheduled to provide funds in amounts sufficient to pay all principal of and interest and redemption premiums on the refunded bonds as the same become due.

Such bonds will be redeemed on \_\_\_\_\_ 1, 20\_\_, at a redemption price equal to 100.0% of the principal amount redeemed plus accrued interest to the date of redemption.

U.S. BANK NATIONAL ASSOCIATION, as  
Depository Trustee

REQUIREMENTS:

This notice shall be mailed by registered or certified mail to the registered owner of each bond to be redeemed at the address shown on the registration books as soon as possible after issuance of the Refunding Bonds.

EXHIBIT IV

NOTICE OF REDEMPTION

of  
City of Prescott Municipal Property Corporation  
Excise Tax Revenue Bonds, Series 1998-F  
Dated: December 1, 1998  
Bonds Numbered Nos. ....  
Maturing on \_\_\_\_\_ 1, in the years:  
20\_\_, 20\_\_ and  
20\_\_ through 20\_\_

Notice is hereby given that the above-referenced bonds have been called for redemption prior to their stated maturity dates. The above-referenced maturities of such bonds will be redeemed on \_\_\_\_\_ 1, 20\_\_.

Owners of the above-described bonds called for redemption are notified to present the same at U.S. Bank National Association on or after the date set for redemption where redemption will be made by payment of the principal amount of each such bond plus accrued interest to the date of redemption plus a premium in the amount determined for each maturity as a percentage of the principal amount thereof of 10\_.0%. From and after \_\_\_\_\_ 1, 20\_\_, no interest will be paid on the above-described bonds.

U.S. BANK NATIONAL ASSOCIATION, as  
Bond Registrar and Paying Agent

REQUIREMENTS:

Not more than 60 nor less than 30 days prior to \_\_\_\_\_ 1, 20\_\_, this notice shall be mailed by registered or certified mail to the registered owner of each Bond to be redeemed at the address shown on the registration books. [**Confirm**]

DRAFT  
07/27/09  
12/10/09

When recorded mail to:

Michael Cafiso, Esq.  
Suite 700  
2375 East Camelback Road  
Phoenix, Arizona 85016

EXEMPT FROM AFFIDAVIT AND FEE  
PURSUANT TO SECTION  
11-1134(A)(3), ARIZONA REVISED  
STATUTES, AS AMENDED

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CITY OF PRESCOTT, ARIZONA, as  
Lessor

TO

CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION,  
as Lessee

EXTENSION  
OF  
SERIES 2007 GROUND LEASE

DATED AS OF \_\_\_\_\_ 1, 2010

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EXTENSION  
OF  
SERIES 2007 GROUND LEASE

CITY OF PRESCOTT, ARIZONA,  
as Lessor,

TO

CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION,  
as Lessee

THIS EXTENSION OF SERIES 2007 GROUND LEASE, dated as of \_\_\_\_\_, 1, 2010 (this "Ground Lease"), by and between the CITY OF PRESCOTT, ARIZONA, a municipal corporation existing pursuant to the laws of the State of Arizona (the "City"), and CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION, a nonprofit corporation incorporated and existing under the laws of the State of Arizona (the "Corporation");

W I T N E S S E T H:

WHEREAS, the City owns the sites situated in the City of Prescott, Yavapai County, Arizona, described on Exhibit A attached hereto and by this reference made a part hereof (the "Real Property"); and

WHEREAS, pursuant to a Series 2007 Ground Lease, dated as of May 1, 2007, by and between the City and the Corporation, the Real Property was leased by the City to the Corporation; and

WHEREAS, the lease of the Real Property to the Corporation has been extended by the City in connection with the issuance by the Corporation of its \$\_\_\_\_,000 aggregate principal amount of Revenue Bonds, Series 2010 (the "Series 2010 Bonds") pursuant hereto;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED, IT IS AGREED AS FOLLOWS:

Section 1. The City hereby extends the lease to the Corporation, and the Corporation hereby extends the lease from the City, for the period continuing until July 2, 20\_\_, or such later date as of which the Series 2010 City Lease described in Section 2 hereof as it relates to the Real Property shall be terminated, the Real Property. This Ground Lease shall be subject to earlier termination in accordance with Section 6 hereof.

Section 2. Simultaneously with the execution of this Ground Lease, the City and the Corporation shall execute a Series 2010 City Lease, dated as of \_\_\_\_\_, 1, 2010 (the "City Lease"),

pursuant to the terms of which the Corporation shall lease the Real Property to the City.

Section 3. The Corporation shall pay to the City, as rental for the Real Property pursuant to this Ground Lease, \$10 for the entire term, together with other good and valuable consideration as provided herein, upon the execution and delivery of this Ground Lease.

Section 4. The Corporation, as of the date hereof, shall assign all rights and benefits hereunder to U.S. Bank National Association as trustee (the "Trustee"), pursuant to the Trust Indenture, dated as of December 1, 2004, as supplemented by a First Supplement to Trust Indenture, dated as of May 1, 2007, and a Second Supplement to Trust Indenture, dated as of \_\_\_\_\_, 1, 2010 (as so supplemented, the "Indenture"), and shall grant the Trustee a lien on its interest in this Ground Lease for the benefit of the holders of the Series 2010 Bonds to be issued pursuant to the Indenture. The City hereby consents to such assignment and grant of lien. The Trustee shall have no obligations hereunder except as otherwise provided in the Indenture.

Section 5. Notwithstanding this Ground Lease, the City, so long as no event of default by the City under the City Lease shall have occurred and be continuing, shall at all times have and retain such rights of access and control of the Real Property.

Section 6. The City shall have the right to terminate this Ground Lease upon written notice to the Corporation given concurrently with or subsequent to the date the lien granted to the Trustee pursuant to the Indenture is released of record as a result of the payment of or provision for the payment of the entire indebtedness secured by such lien as provided in the Indenture. The Corporation shall not at any time increase the amount of its indebtedness secured by such lien except (a) to the extent it may be necessary in connection with any refinancing or refunding which, by reason of a default by the City in the payment of rentals due under the City Lease, may then be required for the Corporation to meet its obligations to the then holders of indebtedness secured by such lien or (b) in accordance with Section 7.5 of the City Lease, relating to additional financing or for refunding bonds issued for such purposes. So long as the City and the Corporation have entered into the City Lease and the City Lease has not been terminated, the City shall have no right to terminate this Ground Lease for any reason except the nonpayment of the rent required to be paid under the provisions of Section 3 hereof.

Section 7. Upon the expiration or termination of this Ground Lease, the Corporation shall surrender the Real Property to the City, together with any improvements thereon. At the time of such surrender, the Real Property shall be free and clear of all liens and encumbrances other than (a) conditions, reservations, exceptions, rights-of-way and easements of record on the date of the commencement of the term of the City Lease or (b) liens or encumbrances imposed as a result of an act or failure to act by the City.

Section 8. If any term or provision of this Ground Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Ground Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Ground Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 9. To the extent applicable by provision of law, the City and the Corporation acknowledge that this Ground Lease is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein.

IN WITNESS WHEREOF, the City and the Corporation have caused their respective names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF PRESCOTT, ARIZONA, a municipal corporation

By.....  
Marlin Kuykendall, Mayor

ATTEST:

.....  
Elizabeth Burke, Clerk

CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION, an Arizona nonprofit corporation

By.....  
Patti Venuti, President

ATTEST:

.....  
\_\_\_\_\_, Secretary

STATE OF ARIZONA            )  
                                  )ss.  
COUNTY OF YAVAPAI        )

On this, the ..... day of \_\_\_\_\_, 2010, before me, the undersigned Notary Public, personally appeared Marlin Kuykendall and Elizabeth Burke, who acknowledged themselves to be the Mayor and Clerk, respectively, of the CITY OF PRESCOTT, ARIZONA, a municipal corporation, and that they, as such officers, being duly authorized so to do, executed the foregoing Series 2010 Ground Lease for the purposes therein contained by signing the name of the municipal corporation by themselves as such officers.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....  
Notary Public

My Commission Expires:  
.....

STATE OF ARIZONA            )  
                                  )ss.  
COUNTY OF YAVAPAI        )

On this, the ..... day of \_\_\_\_\_, 2010, before me, the undersigned Notary Public, personally appeared Patti Venuti and \_\_\_\_\_, who acknowledged themselves to be the President and Secretary, respectively, of CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION, an Arizona nonprofit corporation, and that they, as such officers, being duly authorized so to do, executed the foregoing Series 2010 Ground Lease for the purposes therein contained by signing the name of the corporation by themselves as such officers.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....  
Notary Public

My Commission Expires:  
.....

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

CENTRAL GARAGE EXPANSION SITE:

## EXHIBIT 'A'

All that portion of Section 24, Township 14 North, Range 02 West, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing from a GLO brass cap marking the Southeast corner of Section 24, Thence N 01°01'17" E, 5194.79 feet, along the East line of Section 24 to a stone marking the Northeast corner of Section 24;

Thence S 53°43'04" W, 4504.78 feet, to the Point of Beginning;

Thence N 67°42'11" W, 70.00 feet;

Thence S 22°17'49" W, 130.33 feet;

Thence S 67°42'11" E, 70.00 feet;

Thence N 22°17'49" E, 130.33 feet, to the Point of Beginning.



TRANSFER STATION EXPANSION SITE:

## EXHIBIT 'A'

All that portion of Section 34, Township 14 North, Range 02 West, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing from Southeast corner of Lot 10, Block 11, of the MOLLER ADDITION TO THE CITY OF PRESCOTT, according to the plat of record in Book 2 of Maps and Plats Page 15, on file in the Office of the Yavapai County Recorders, Yavapai County, Arizona;

Thence N 41°18'57" W, 73.17 feet, to the Point of Beginning;

Thence N 47°43'59" E, 51.27 feet;

Thence N 42°16'01" W, 5.88 feet;

Thence N 47°43'59" E, 123.73 feet;

Thence N 42°16'01" W, 120.00 feet;

Thence S 47°43'59" W, 200.00 feet;

Thence S 42°16'01" E, 90.00 feet;

Thence N 47°43'59" E, 25.00 feet;

Thence S 42°16'01" E, 35.88 feet, to The Point of Beginning.



DRAFT  
07/27/09  
12/10/09

When recorded mail to:

Michael Cafiso, Esq.  
Suite 700  
2375 East Camelback Road  
Phoenix, Arizona 85016

EXEMPT FROM AFFIDAVIT AND FEE  
PURSUANT TO SECTION  
11-1134(A)(3), ARIZONA REVISED  
STATUTES, AS AMENDED

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CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION,  
as Lessor

TO

CITY OF PRESCOTT, ARIZONA,  
as Lessee

SERIES 2010 CITY LEASE

DATED AS OF \_\_\_\_\_ 1, 2010

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SERIES 2010 CITY LEASE

CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION,  
as Lessor

TO

CITY OF PRESCOTT, ARIZONA,  
as Lessee

THIS SERIES 2010 CITY LEASE, dated as of \_\_\_\_\_ 1, 2010 (this "City Lease), by and between CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION, a nonprofit corporation incorporated and existing under the laws of the State of Arizona (the "Corporation"), and the CITY OF PRESCOTT, ARIZONA, a municipal corporation duly organized and existing under the laws of the State of Arizona (the "City");

W I T N E S S E T H:

WHEREAS, the City has heretofore leased to the Corporation certain real property under a Series 1990 Ground Lease dated as of June 1, 1990, as amended by the First Amendment to the Series 1990 Ground Lease dated as of February 18, 1991; and

WHEREAS, the City leased such real property, together with the improvements thereon, back from the Corporation under the Series 1990 City Lease dated as of June 1, 1990, as amended by the First Amendment to the Series 1990 City Lease dated as of February 18, 1991 and the Second Amendment to the Series 1990 City Lease dated as of July 1, 1993 (as so amended, the "Series 1990 City Lease"); and

WHEREAS, the Corporation has heretofore issued its Municipal Facilities Bonds, Series 1990-C (the "Series 1990-C Bonds") in the aggregate principal amount of \$7,765,000, under the Trust Indenture (the "1989 Indenture") dated June 1, 1989 between the Corporation and the predecessor in interest to U.S. Bank National Association (formerly U.S. Bank Trust National Association), as trustee, previously supplemented by a Series 1990 Supplemental Indenture (the "1990 Supplemental Indenture") dated as of June 1, 1990, a Series 1993 Supplemental Indenture (the "First 1993 Supplemental Indenture") dated as of February 1, 1993, a Series 1993-E Supplemental Indenture (the "Second 1993 Supplemental Indenture") dated as of July 1, 1993 and a Series 1998 Supplemental Indenture (the "1998 Supplemental Indenture") dated as of December 1, 1998 (the 1989 Indenture, the 1990 Supplemental Indenture, the First 1993 Supplemental Indenture, the Second 1993 Supplemental Indenture and the 1998 Supplemental Indenture being referred to herein collectively as the "Prior Indenture"), the proceeds of which bond issue was used to assist the City in financing a water reservoir project and a municipal golf course for the City on such real property of the City (the "1990 Projects"); and

WHEREAS, the Corporation advance refunded \$5,505,000 aggregate principal amount of the outstanding amount of the Series 1990-C Bonds by the issuance of a portion of its \$7,995,000 aggregate principal amount of Municipal Facilities Refunding Bonds, Series 1993-E (the "Series 1993-E Bonds"), issued pursuant to the Second 1993 Supplemental Indenture and in connection therewith executed the hereinabove referenced Second Amendment to the Series 1990 City Lease; and

WHEREAS, the remainder of the outstanding amount of the Series 1990-C Bonds has matured and been paid; and

WHEREAS, the Series 1990-C Bonds were secured by the Series 1990 City Lease; and

WHEREAS, as security for the payment of lease payments coming due under the Series 1990 City Lease, the City pledged all excise, transaction, privilege, franchise and income taxes which it now collects, which it may collect in the future, or which are allocated or apportioned to the City by the State of Arizona (the "State") or any political subdivision thereof, or by any other governmental unit or agency, EXCEPT the City's share of any excise and franchise taxes which by State law, rule or regulation must be expended for other purposes, such as the motor vehicle fuel tax (collectively, the "Initially Pledged Taxes"); and

WHEREAS, the issuance of the Series 1993-E Bonds, as a result of advance refunding a portion of the Series 1990-C Bonds, decreased the total amount of lease payments due under the Series 1990 City Lease and the payment of the remainder of the outstanding amount of the Series 1990-C Bonds eliminated by the remainder of such lease payments; and

WHEREAS, the Series 1993-E Bonds were secured by the Series 1990 City Lease; and

WHEREAS, in order to obtain the sites upon which certain other facilities were built, the Corporation entered into a Series 1998 Ground Lease with the City dated as of November 1, 1998, whereby the City leased or subleased to the Corporation certain other real property; and

WHEREAS, the Corporation caused the construction of such facilities on such real property and leased such facilities and site to the City pursuant to a Series 1998 City Lease dated as of December 1, 1998 (the "Series 1998 City Lease"); and

WHEREAS, the Corporation financed such facilities by the issuance of its \$6,160,000 aggregate principal amount of Excise Tax Revenue Bonds, Series 1998-F (the "Series 1998-F Bonds"), issued pursuant to the 1998 Supplemental Indenture; and

WHEREAS, as security for the payment of rentals coming due under the Series 1998 City Lease, the City pledged the Initially

Pledged Taxes, which pledge was on a parity with the City's prior pledge of the Initially Pledged Taxes as security for the payment of rentals coming due with regard to the Series 1993-E Bonds;

WHEREAS, the Corporation refunded the remaining outstanding amount of the Series 1993-E Bonds by the issuance of a portion of its Revenue Bonds, Series 2004 (the "Series 2004 Bonds") pursuant to a Trust Indenture, dated as of December 1, 2004 (the "Original Indenture"), from the Corporation to U.S. Bank National Association (the "Trustee"); and

WHEREAS, the issuance of the Series 2004 Bonds, as a result of refunding such remaining outstanding amounts of the Series 1993-E Bonds, eliminated the remainder of the lease payments due under the Series 1990 City Lease; and

WHEREAS, in order to encumber the real property described in the first recital hereto and further in order to obtain another site described therein, the Corporation entered into a Series 2004 Ground Lease and a Water Site Master Ground Lease, respectively, each dated as of December 1, 2004, with the City whereby the City leased or subleased to the Corporation for a certain term such real property; and

WHEREAS, the Corporation financed the acquisition of the new site with respect to which sources of water are to be developed for the City by the issuance of the remaining portion of the Series 2004 Bonds pursuant to the Original Indenture; and

WHEREAS, the Corporation and the City, for such purposes described hereinabove, executed a Series 2004 City Lease, dated as of December 1, 2004 (the "Series 2004 City Lease"), under the terms and conditions noted therein, into which the City was authorized pursuant to laws of the State to enter and which was not a supplement to the Series 1990 City Lease for any purpose; and

WHEREAS, the Series 2004 Bonds are secured by rent payments due for that purpose pursuant to the Series 2004 City Lease, as security for which the City pledged (a) revenues from the unrestricted transaction privilege (sales) tax, licenses, franchise fees, permits, fines, forfeitures and charges for services which the City imposes; except that such revenues shall not include revenues from the one percent (1%) tax approved at elections held in 1985, 1995 and 2000 which are to be expended for street improvements and open space acquisition and provided that the Council of the City may impose other transaction privilege taxes in the future, the uses of revenues from which will be restricted, at the discretion of such Council (collectively, the "Excise Taxes") and (b) tax revenues collected by the State and distributed to the City pursuant to Sections 42-5029 and 43-306, Arizona Revised Statutes, as amended, or any successor statutes thereto (except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes) (the "State Shared Revenues"), subject to

the pledge of the amount of both which are the Initially Pledged Taxes to "Lease Payments" remaining due pursuant to the Series 1998 City Lease for the remaining outstanding Series 1998-F Bonds (collectively, the "Prior Lien Debt Service"); and

WHEREAS, the Corporation financed the expansions of a central garage and a transfer station by the issuance of its Revenue Bonds, Series 2007 (the "Series 2007 Bonds") pursuant to the Original Indenture as supplemented by a First Supplement to Trust Indenture, dated as of May 1, 2007 (the "First Supplement"), by and between the Corporation and the Trustee which are Additional Obligations (as such term is hereinafter defined) and Additional Bonds; and

WHEREAS, in order to obtain from the City the sites described on Exhibit A hereto (the "2007 Project Sites") on which the Projects were constructed, the Corporation entered into a Series 2007 Ground Lease, dated as of May 1, 2007 (the "Series 2007 Ground Lease"), with the City whereby the City leased to the Corporation for a certain term the 2007 Project Sites and the improvements now or hereafter situated thereon (the "Leased Property"); and

WHEREAS, the Corporation and the City, for purposes of providing construction of the Projects with proceeds of the sale of the Series 2007 Bonds on behalf of the Corporation, executed a Series 2007 City Lease, dated as of May 1, 2007 (the "Series 2007 City Lease"), under the terms and conditions noted therein, into which the City is authorized pursuant to the laws of the State to enter; and

WHEREAS, the Series 2007 Bonds are secured by rent payments due for that purpose pursuant to the Series 2007 City Lease, as security for which the City pledged revenues from the Excise Taxes and the State Shared Revenues, subject to the pledge of the amount of both of which are the Initially Pledged Taxes to "Lease Payments" remaining due pursuant to the Series 1998 City Lease for the Prior Lien Debt Service; and

WHEREAS, pursuant to Sections 7.5 of the Series 2004 City Lease and the Series 2007 City Lease, one or more issues of Additional Obligations including Additional Bonds on a parity with the Series 2004 Bonds and the Series 2007 Bonds may be established and may be issued and delivered (specifically by encumbering revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge provided for in Sections 3.3 of the Series 2004 City Lease and the Series 2007 City Lease), in such principal amounts as may be determined by the Corporation, subject to certain specific conditions precedent; and

WHEREAS, the Corporation desires to refund the remaining outstanding amount of the Series 1998-F Bonds and to finance certain roadway improvements (the "Projects") by the issuance of its Revenue Bonds, Series 2010 (the "Series 2010 Bonds") pursuant to the Original Indenture as supplemented by the First Supplement and a Second Supplement to Trust Indenture, dated as of \_\_\_\_\_ 1, 2010 (the

"Second Supplement" and, together with the First Supplement and the Original Indenture, the "Indenture"), by and between the Corporation and the Trustee which shall be Additional Obligations and Additional Bonds; and

WHEREAS, in order to extend the period of time it will retain from the City the 2007 Project Sites for such purpose, the Corporation entered into an Extension of Series 2007 Ground Lease, dated as of \_\_\_\_\_ 1, 2010 (the "Series 2010 Ground Lease"), with the City whereby the City extends the lease of the 2007 Project Sites to the Corporation for a certain term; and

WHEREAS, the Corporation and the City, for purposes of providing for refunding of the Series 1998-F Bonds and construction of the Projects with proceeds of the sale of the Series 2010 Bonds on behalf of the Corporation, executed this City Lease under the terms and conditions noted herein, into which the City is authorized pursuant to the laws of the State to enter; and

WHEREAS, the Series 2010 Bonds will be secured by rent payments due for that purpose pursuant hereto, as security for which the City will pledge revenues from the Excise Taxes and the State Shared Revenues, subject to the pledge of the amount of both of which are the Initially Pledged Taxes to "Lease Payments" remaining due pursuant to the Series 1998 City Lease for the Prior Lien Debt Service;

NOW THEREFORE, for and in consideration of the mutual covenants hereinafter contained, IT IS HEREBY AGREED AS FOLLOWS:

## ARTICLE I

### LEASE, TERMS AND RENT

Section 1.1. The Corporation hereby extends the lease to the City, and the City hereby leases from the Corporation, for the term commencing with the date hereof and continuing until July 2, 20\_\_, or such later date as of which the Series 2010 Bonds are deemed paid and discharged under the Indenture subsequent to such date, the Leased Property.

Section 1.2. The City shall have the right to terminate this City Lease on written notice to the Corporation given concurrently with, or subsequent to, the date the Indenture is released of record as a result of the payment or provision for payment of the entire indebtedness secured hereby, as provided in the Indenture and any supplements thereto.

Section 1.3. (a) In addition to the amounts, if any, remaining due pursuant to the Series 1998 City Lease with respect to the Series 1998 Bonds, the Series 2004 City Lease with respect to the Series 2004 Bonds and the Series 2007 City Lease with respect to the Series 2007 Bonds, the City shall pay, as rent payments to the

Corporation, its successors or assigns, (1) on each June 25 and December 26, commencing on \_\_\_\_\_ 26, 20\_\_, an amount which, when added to the amount then on deposit in the Series 2010 Interest Account (as such term is defined in the Indenture) of the Interest Fund (as such term is defined in the Indenture), shall be equal to the interest due on the Series 2010 Bonds on the next interest payment date and (2) on each June 25, commencing on June 25, 20\_\_, an amount which, when added to the amount then on such deposit in the Series 2010 Bond Retirement Account (as such term is defined in the Indenture) of the Bond Retirement Fund (as such term is defined in the Indenture), shall be equal to the principal due on the Series 2010 Bonds on the next principal payment date.

(b) The rent payments payable hereunder shall be paid for and in consideration of the use and occupancy of the Leased Property which the City receives and in consideration of the continued quiet use and enjoyment thereof as provided in Section 4.1 hereof. The obligation of the City for rent payments shall be coextensive with the debt service with respect to the Series 2010 Bonds and, when the Series 2010 Bonds and the other obligations secured under the Indenture have been fully paid or payment provided for, the City shall, except for the obligation of the City to make payments to the Trustee pursuant to the provision of Section 5.06 of the Original Indenture and the payments to be made to the United States of America pursuant to Section 1.4(g) hereof, have no further obligation to make payments hereunder.

Section 1.4. The City shall pay as additional rent payments (a) all other amounts required to be paid by the City or the Corporation to the Trustee under the Indenture including indemnification owed under Article VIII of the Original Indenture, (b) all fees and expenses of the Trustee as well as the "Registrars" and the "Paying Agents" and the "Series 2010 Insurer" [???] under the Indenture to the extent, if any, that such fees, expenses and payments are not met by the regular rent payments, (c) the reasonable expenses of the Corporation approved by the City and not otherwise required to be paid by the City under the terms hereof, (d) losses on investments made by the Trustee at the direction of the City under the terms of the Indenture, but only to the extent necessary to meet the debt service on the Series 2010 Bonds, (e) fees for maintaining the Corporation's corporate existence, and all costs, expenses, losses or damages, including reasonable attorneys' fees, pertaining to any claim or legal action brought against the Trustee or the Corporation with respect to the legality of any defect in the Series 2010 Ground Lease, this City Lease, the Indenture or the Series 2010 Bonds, or questioning the legality of any action taken or to be taken pursuant thereto, (f) all other expenses of the Corporation incurred at the written request of the City or the Trustee in accordance with the provisions of this City Lease or the Indenture and (g) all amounts required to be paid to the United States of America pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Series 2010 Bonds and the investment of the proceeds thereof, as provided in Section 10.2 hereof. The City shall pay the amounts spec-

ified in (a) above directly to the Trustee as they become due and within twenty (20) days after receipt by the City of invoice therefor, except as otherwise provided in the Indenture, in (b) above to the Trustee, in (c) above to either the Corporation or its creditors, upon evidence that the expenses or fees have been incurred by it, and within twenty (20) days after receipt by the City of invoice therefor, in (d) above to the Trustee, in (e) and (f) above to the Corporation, upon evidence that such expenses have been incurred and in (g) above as required by Section 10.2 hereof.

Section 1.5. The foregoing rent payments shall be payable solely from sources referred to in Article III hereof and shall under no circumstances constitute a general obligation of the City or be payable from the proceeds of ad valorem taxes.

Section 1.6. Amounts payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Corporation and at such place as the Corporation may designate in writing. Any rent payment accruing hereunder which shall not be paid within five (5) days after its due date shall bear interest at the highest rate permitted by law, but not exceeding ten percent (10%) per annum, from the date when the same is due hereunder until the same shall be paid.

Section 1.7. All rent payments for debt service on the Series 2010 Bonds and other items required to be paid by the Indenture, as well as additional rent payments payable to the Trustee under Section 1.4 hereof, shall be paid directly to the Trustee at the designated corporate trust office of the Trustee for and on behalf of the Corporation. The Corporation shall cause the Trustee to apply the rent payments made by the City in the manner and for the purposes expressed in the Indenture.

Section 1.8. Unless otherwise requested by the City pursuant to Section 7.3 hereof, any money in the Series 2010 Revenue Account (as that term is defined in the Indenture) of the Revenue Fund (as that term is defined in the Indenture) which, in the opinion of the Trustee, exceeds the amounts necessary for the current debt service on the Series 2010 Bonds then outstanding (including administrative costs and expenses) shall, at least annually, so long as the City is not in default hereunder, constitute a credit to the City on the next succeeding rent payment or payments due or coming due hereunder.

Section 1.9. The City shall with all reasonable dispatch, on behalf of the Corporation, design, acquire, construct and equip or provide, or cause to be designed, acquired, constructed and equipped or provided, the Projects substantially in accordance with the plans and specifications therefore prepared by the City and filed by the City with the Corporation, including any and all supplements, amendments and additions (or deletions) thereto (or therefrom) as deemed desirable by the City, provided, however, that such additions or deletions shall not materially impair the effective use of the Projects contemplated by this City Lease. Upon completion of the design,

acquisition, construction and equipping or providing of the Projects, the City shall deliver to the Corporation and the Trustee the certificate referred to in the last sentence of Section 5.03 of the Original Indenture.

## ARTICLE II

### TAXES, LIENS, UTILITIES, INSURANCE AND OTHER CHARGES

Section 2.1. The rent payments payable pursuant to this City Lease shall be an absolute net return to the Corporation, free from any expenses and charges with respect to the Leased Property or the income therefrom.

Section 2.2. The City shall further pay or cause to be paid, punctually when due and payable, all property taxes, income taxes, gross receipts taxes, business and occupation taxes, occupational license taxes, water charges, sewer charges, assessments (including, but not limited to, assessments for public improvements or benefits) and all other governmental exactions of every kind and nature which at any time prior to the expiration or termination of this City Lease shall be or become due and payable by the Corporation or the City, and which shall be levied, charged, assessed or imposed:

(a) upon or with respect to the Corporation or which shall be or become liens upon the Leased Property or any interest of the Corporation or the City therein or under this City Lease;

(b) upon or with respect to the possession, operation, management, maintenance, alteration, repair, rebuilding, use or occupancy of or by the City of the Leased Property or any portion thereof or

(c) upon this transaction or any document to which the City is a party creating or transferring an interest or estate in or to the Leased Property.

The City shall furnish to the Corporation promptly, upon request, proof of the payment of any such tax, charge assessment or other governmental exaction which is payable by the City under this Section. It shall not be a breach of this Section if the City fails to pay any such tax, charge, assessment or exaction during any period or periods in which the City, in good faith, or the Corporation, shall be contesting the amount or validity of such tax, charge, assessment or exaction. The Corporation will, if requested by the City, contest the amount or validity of any such tax, charge, assessment or exaction, and the City agrees to pay the Corporation's costs therefor.

Section 2.3. The City shall also pay, when due, all sums of money that may become due for or purporting to be for, any labor, services, materials, supplies or equipment alleged to have been fur-

nished or to be furnished to or for the City in, upon or about the Leased Property and which may be secured by any mechanics', material-men's or other lien against the Leased Property or the Corporation's interest therein and shall cause each such lien to be fully discharged and released at the time of performance of any obligation secured by any such lien matures or becomes due, provided, however, that if the City desires to contest any such lien it may do so, but notwithstanding any such contest, if any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, then and in any such event the City shall forthwith pay and discharge said judgment.

Section 2.4. The City shall further also pay or cause to be paid, all charges for gas, water, steam, electricity, light, heat, power, telephone or other utility service furnished to or used in connection with the Leased Property. The Corporation shall not be required to furnish to the City or any other occupant of the Leased Property any gas, water, sewer, electricity, light, heat, power, telephone or other utility service of any kind, nor shall the Corporation be required to pay for any such charges or services.

Section 2.5. The City shall, at its own cost and expense, keep the Leased Property in good repair and condition, ordinary wear and tear excepted and shall repair, renew or replace any portion of such improvements that shall have lost its usefulness due to damage, destruction, deterioration, or obsolescence. In exchange for the rent payments herein provided, the Corporation shall provide nothing more than the Leased Property. Failure of the City to faithfully observe this covenant shall constitute a breach of this City Lease, and the Corporation shall have reasonable rights of inspection for the purpose of determining the City's performance of its obligations under this Section.

Section 2.6. The City shall cause the Leased Property to be insured against loss or damage by fire, explosion and other hazards customarily insured under extended coverage in an amount not less than the full insurable value of such property and shall maintain other insurance on its properties with respect to loss, damage, liability and other claims of the kind customarily insured against by similarly situated municipal corporations. All such insurance to be of such types and in such amounts and with such deductible provisions as are customarily carried under similar circumstances by such other municipal corporations. All such insurance shall be carried with financially sound and reputable insurance companies authorized to issue such policy or insure such risk in the State. Each policy shall contain provisions, if available, that written notice of cancellation or substantial modification thereof shall be given to the Corporation and the Trustee at least thirty (30) days or the greatest available period shorter than thirty (30) days prior to such cancellation or modification. The City may obtain blanket policies covering one or more risks if the minimum coverages required herein are met and all buildings lo-

cated on the Leased Property are covered to their full insurable value.

Section 2.7. All amounts payable pursuant to or with respect to the purposes of this Article are payable from the same source from which rent payments hereunder are payable.

### ARTICLE III

#### SOURCES OF PAYMENT AND PLEDGE

Section 3.1. All rent and other payments made in accordance herewith shall be made from (a) revenues from the Excise Taxes and (b) the State Shared Revenues, subject to the prior and paramount use of the portion of both which is the Initially Pledged Taxes for payment of the Prior Lien Debt Service. The City shall first make all rent payments accruing under Sections 1.3 and 1.4 of this City Lease and then any other payments accruing pursuant to this City Lease out of revenues from the Excise Taxes and the State Shared Revenues and thereafter may use the remaining revenues from the Excise Taxes and the State Shared Revenues for any other lawful purpose, but only to the extent that, taking into account the reasonably anticipated receipts of revenues from the Excise Taxes and the State Shared Revenues during the coming six months, revenues from the Excise Taxes and the State Shared Revenues will not be reduced to such a level that the City will be unable to make the next rent payment hereunder.

Section 3.2. The City may, at the sole option of the City, make rent and other payments required hereunder from its other funds as permitted by law and as the City shall determine from time to time, but the Corporation acknowledges that it has no claim hereunder to such other funds. No part of such payments shall be payable out of any ad valorem taxes imposed by the City, from bonds or other obligations, the payment of which the general taxing authority of the City is liable or pledged, or from the general funds of the City unless (i) the same shall have been duly budgeted by the City according to law, (ii) such rent payment or payments shall be within the budget or expenditure limitations of the Constitution and laws of the State and (iii) such rent payment is not in conflict with the Constitution and laws of the State.

Section 3.3. The City hereby pledges for the payment of the rent payments under Sections 1.3 and 1.4 hereof (a) revenues from the Excise Taxes and (b) the State Shared Revenues, subject to the prior and paramount pledge of the portion of both which is the Initially Pledged Taxes to the payment of the Prior Lien Debt Service. (Notwithstanding the right to do so pursuant to the Series 1998 City Lease, the City shall not provide for the payment of any other obligation from, or the pledge to any other obligations of, the Initially

Pledged Taxes on the same basis as to the Prior Lien Debt Service. After the final payment or provision for payment of the

Prior Lien Debt Service, the pledge of the revenues from the Excise Taxes and the State Shared Revenues pursuant hereto shall be a prior and paramount one.) Except as described hereinabove, the City intends that this pledge shall be a prior and paramount pledge upon such amounts of revenues from the Excise Taxes and the State Shared Revenues, subject to the prior and paramount pledge of the portion of both which is the Initially Pledged Taxes to payment of the Prior Lien Debt Service, as will be sufficient to make such rent payments. The City shall make such rent payments from revenues from the Excise Taxes and the State Shared Revenues, except to the extent that it chooses to make such payments from other funds pursuant to Section 3.2 above.

Section 3.4. To the extent permitted by applicable law, revenues from the Excise Taxes and the State Share Revenues shall be retained and maintained so that the amount received in the next preceding fiscal year of the City (each a "Fiscal Year") from revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding Fiscal Year) shall have been equal to at least one and one-half (1.5) times the total of such rent payments payable hereunder for debt service for the Series 2010 Bonds, pursuant to the Series 2007 City Lease for debt service for the Series 2007 Bonds and pursuant to the Series 2004 City Lease for debt service for the Series 2004 Bonds in the then current Fiscal Year. If in the next preceding Fiscal Year revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding Fiscal Year) shall not have been equal to at least one and one-half (1.5) times such rent requirements hereunder, pursuant to the Series 2007 City Lease and pursuant to the Series 2004 City Lease in any current Fiscal Year or if at any time it appears that revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding Fiscal Year) will not be sufficient to meet such rent requirements hereunder, the City shall, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which will be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed in order that (a) revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding Fiscal Year) will be sufficient to meet all current rent requirements hereunder, pursuant to the Series 2007 City Lease and pursuant to the Series 2004 City Lease and (b) revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding Fiscal Year) will be reasonably calculated to attain the level as required by the first sentence of this Section.

Section 3.5. So long as any of the Series 2010 Bonds remain outstanding and the principal and interest thereon shall be unpaid or unprovided for, the City shall not further encumber revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge provided for in Section 3.3 hereof unless revenues from the Excise Taxes plus the State Shared Revenues (after deducting from such total the greatest amount of the Prior Lien Debt Service due in

any succeeding Fiscal Year) in the next preceding Fiscal Year shall have amounted to at least three (3) times the greatest combined interest and principal requirements for any succeeding Fiscal Year for all of the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds then outstanding and any obligations proposed to be secured by such pledge of revenues from the Excise Taxes and the State Shared Revenues on a parity of lien therewith (hereinafter referred to as the "Additional Obligations") including Additional Bonds (as that term is defined in the Indenture). For purposes of this Section, any variable rate indebtedness shall be assumed to bear interest at the maximum permissible rate.

Section 3.6. In the event of any default by the City under this City Lease, the remedies of the Corporation with respect to the enforcement of the liens and pledges set forth in this Article III shall be as provided in Article V of this City Lease. The Trustee, on behalf of the owners of the Series 2010 Bonds may enforce such liens and pledges as well as the aforesaid covenants and agreements in place of the Corporation in accordance with the terms and conditions of the Indenture.

Section 3.7. The condition set forth in Sections 3.4 and 3.5 above is, at the time of the execution hereof, and shall be, at the time of the issuance of the Series 2010 Bonds, satisfied.

#### ARTICLE IV

##### QUIET ENJOYMENT; EXPIRATION OR TERMINATION OF LEASE; SURRENDER OF PREMISES

Section 4.1. The City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term hereof, peaceably and quietly, have, hold and enjoy the Leased Property, without suit, trouble or hindrance from the Corporation.

Section 4.2. In consideration of the timely payment of all rent payments provided herein and provided that (a) the City has performed all the covenants and agreements required of it to be performed and (b) the Series 2010 Bonds, as to principal, interest and any premium, together with any remaining fees or expenses of the Trustee and the "Registrars" and the "Paying Agents" under the Indenture, have been paid or provided for, the Corporation shall cause the Trustee to release the 2007 Project Sites from the lien of the Indenture under Section 1.2 hereof. Upon such termination, all rights of the Corporation or any other person or entity, except the City, in and to the 2007 Project Sites shall cease and the Corporation shall, by appropriate instruments of conveyance and without further consideration, convey the 2007 Project Sites to the City.

ARTICLE V

REMEDIES UPON DEFAULT, NO ABATEMENT OF RENTALS

Section 5.1. Upon the nonpayment of the whole or any part of the rent payments when the same are to be paid as herein provided or violation by the City of any other covenant or provision of this City Lease and if such default has not been cured (a) in the case of nonpayment of rent payments, within five (5) days and (b) in the case of the breach of any other covenant or provision hereof, within thirty (30) days after notice in writing from the Corporation specifying such default, the Corporation may bring an action for the recovery of any of the rent payments due (but not for rent payments accruing) or for damages for breach of this City Lease, and the Corporation may pursue any other remedy which the law affords, except that the remedy of specific performance shall also be available.

Section 5.2. The Corporation, upon the bringing of a suit to collect the rent payments in default, may request enforcement of the pledges and foreclosure of the liens set forth in Article III of this City Lease, in which event the Corporation, as a matter of right, without notice and without giving any bond or surety to the City or anyone claiming under the City, may have a receiver appointed of all of the revenues from the Excise Taxes and the State Shared Revenues with such powers as the court making such appointment shall confer and the City does hereby irrevocably consent to such appointment.

Section 5.3. In any suit to enforce the terms of this City Lease, the Corporation shall recover its costs therein, as well as reasonable attorneys' fees, as the court shall approve.

Section 5.4. The Corporation shall in no event be in default in the performance of any of its obligations under this City Lease unless the Corporation shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Corporation and to the Trustee properly specifying wherein the Corporation has failed to perform any such obligation. So long as any of the Series 2010 Bonds are outstanding, the City shall have no right to abate or offset the payments of rent payments to be made by the City hereunder as a result of a default by the Corporation. In the event of default by the Corporation, the Corporation agrees that specific performance may be had and that the City shall not be limited to a remedy for damages.

Section 5.5. Except as in this City Lease expressly provided, this City Lease shall not terminate or be affected in any manner by reason of the condemnation, destruction or damage, in whole or in part, or by reason of the unusability of, the Leased Property and, except as in this City Lease expressly provided, the rent payments, as well as the other amounts payable hereunder, shall be paid by the City in accordance with the terms, covenants and conditions of this City Lease without abatement, diminution or reduction.

Section 5.6. Each right, power and remedy of the Corporation or the City provided for in this City Lease shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein or, unless prohibited by the terms hereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by the Corporation or the City of any one or more of the rights, powers or remedies provided for herein or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies.

Section 5.7. The failure to insist upon strict performance of any of the covenants or agreements herein set forth shall not be considered or taken as a waiver or relinquishment for the future of the Corporation's or the City's rights to insist upon a strict compliance by the City or the Corporation with all the covenants and conditions hereof.

## ARTICLE VI

### ESTOPPEL CERTIFICATE

Section 6.1. At any time and from time-to-time, upon not less than ten (10) days' prior request by the Corporation or the Trustee, the City shall execute, acknowledge and deliver to the Corporation and the Trustee a statement in writing certifying that this City Lease and the Series 2010 Ground Lease are unmodified and in full force and effect (or, if this City Lease or the Series 2010 Ground Lease have been modified, that they are in full force and effect except as modified, and stating the modification), the dates to which the rent payments and other amounts payable hereunder have been paid in advance, if any, and that the City is in compliance with all requirements of this City Lease.

## ARTICLE VII

### REFINANCING; REFUNDING; REDEMPTIONS; PURCHASE OF SERIES 2007 BONDS; ADDITIONAL BONDS

Section 7.1. Upon notice to the Corporation, the City may request the Corporation refinance by refunding or redeeming, as the case may be, the Series 2010 Bonds then outstanding, subject to the provisions of the Indenture. The Corporation shall use its best efforts to so refinance the Series 2010 Bonds.

Section 7.2. Prior to the issuance of obligations for the purpose of refinancing the Series 2010 Bonds, the Corporation and the City shall enter into a written supplement to this City Lease or a new lease increasing or decreasing, as the case may be, the rent payments

to be paid hereunder by an amount at least sufficient to enable the Corporation to fully pay the principal and interest, when due, on such new obligations and all other usual and ordinary costs and expenses relating thereto, and such supplement to this City Lease or such separate lease shall be recorded in the Office of the County Recorder of Yavapai County, Arizona.

Section 7.3. The City shall have the right to pay, from any legally available funds, installment rent payments in advance and may specify that they be placed in the Bond Retirement Fund established pursuant to the Indenture. Except as provided in Section 1.8 hereof, in addition, if at any time the money in the Series 2010 Revenue Account of the Revenue Fund exceeds, in the opinion of the Trustee, the amounts necessary for the current debt service on the Series 2010 Bonds then outstanding and the fees, charges, expenses and other amounts due the Trustee and the Registrars and the Paying Agents which are unpaid, such excess shall, at the request of the City, be transferred to and paid over into the Bond Retirement Fund. At the request of the City, the Corporation shall cause the amount of money contained in the Series 2010 Bond Retirement Account of the Bond Retirement Fund from time to time to be used on any redemption date authorized in the Indenture to retire all or any portion of the outstanding Series 2010 Bonds pursuant to the provisions of the Indenture, or if, before the Series 2010 Bonds are subject to redemption, the Series 2010 Bonds may be obtained in the open market at a cost equal to or below par, or, after the Series 2010 Bonds are subject to redemption, the Series 2010 Bonds may be so obtained at a price below the cost of redemption, then, upon the request of the City, the Corporation shall cause money contained in the Series 2010 Bond Retirement Account of the Bond Retirement Fund to be used to purchase Series 2010 Bonds in the open market for the purpose of cancellation. At such time or times as Series 2010 Bonds are redeemed or purchased pursuant hereto, the rent payments to be paid by the City hereunder shall be adjusted in such manner as to provide for the debt service on the remaining Series 2010 Bonds. There shall be no accumulation of funds in the Bond Retirement Fund, or earnings thereon, as would cause the Series 2010 Bonds to be deemed "arbitrage bonds" under the Code.

Section 7.4. Upon retirement of all the Series 2010 Bonds by means of redemption or purchase pursuant to Section 7.3 hereof and upon payment of any remaining administrative costs and expenses or other amounts due hereunder or under the Indenture, the Corporation shall cause the Trustee to release the 2007 Project Sites from the lien of the Indenture, and the City may then exercise its right to terminate this City Lease, except for the City's obligation to make arbitrage rebate payments to the United States of America pursuant to Section 1.4(g) hereof.

Section 7.5. One or more issues of Additional Obligations on a parity with the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds may be established and may be issued and delivered, in such principal amounts as may be determined by the Corporation,

subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Obligations:

(a) such Additional Obligations shall have been authorized to finance or refinance the cost of acquiring, constructing, reconstructing or improving buildings, equipment and other real and personal properties suitable for use by and for leasing to the City or its agencies or instrumentalities, or to refinance or refund any bonds or other obligations which have been issued for such purposes, and the issuance thereof shall have been determined and declared by the Corporation, by appropriate resolution, to be necessary for that purpose;

(b) the Corporation shall be in compliance with all covenants and undertakings set forth in this City Lease and the Indenture, as either of them or both of them may have been supplemented or amended;

(c) the resolution authorizing issuance of such Additional Obligations shall require that the proceeds of the sale of such Additional Obligations shall be applied solely for one or more of the purposes set forth in (a) above and expenses and costs incidental thereto, including costs and expenses incident to the issuance and sale of such Additional Obligations and the costs of any premium relating to insurance on such Additional Obligations and interest on such Additional Obligations during the actual period of any acquisition and construction of such facilities and for a reasonable period of time thereafter;

(d) such Additional Obligations shall be equally and ratably secured with the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds, without preference or priority of any of the Series 2004 Bonds, the Series 2010 Bonds, the Series 2007 Bonds or Additional Obligations over any other Series 2004 Bonds, Series 2007 Bonds, Series 2010 Bonds or Additional Obligations, except as expressly provided in the Indenture, as supplemented;

(e) the Corporation shall have entered into an agreement with the City, or shall have amended this City Lease, in and by which the City obligates itself in the manner therein provided to increase the rent payments or to make such payments to the Corporation at the times and in amounts sufficient to provide for the payment of principal and interest on such Additional Obligations as such principal and interest become due and

(f) the conditions set forth in Section 3.5 hereof shall then be satisfied.

## ARTICLE VIII

### OFFICIAL STATEMENT DISCLOSURES; INDEMNIFICATION

Section 8.1. The City hereby recognizes that in the sale of the Series 2010 Bonds the Corporation will have issued an Official Statement describing the Series 2010 Bonds and the security for the payment thereof and containing certain information about the City which has been furnished to the Corporation by the City (the "Official Statement"). Recognizing that the Corporation and its officers, directors, agents and employees have no practicable independent means of verifying such information, the City hereby represents and warrants to the Corporation that all material contained in the Official Statement, insofar as it relates to the City and the sources of funds or as it otherwise describes the security of this City Lease and the rights of the owners of the Series 2010 Bonds with respect thereto, is accurate, contains no material misrepresentation of fact and does not omit any statement of fact which, in the light of the circumstances under which the Official Statement is issued, would be misleading.

Section 8.2. To the extent permitted by applicable law, the City shall indemnify and save the Indemnified Parties (as such term is hereinafter defined) harmless, from the same sources from which the rent payments hereunder are payable, for, from and against any and all claims by or on behalf of any person, firm, corporation or governmental authority arising from the occupation, use, or possession of the Leased Property, including any liability for any violation of conditions, restrictions, laws, ordinances or regulations affecting the said property or the occupancy or use thereof. The Indemnified Parties (other than the Corporation) shall be third party beneficiaries of this covenant. The obligations of the City under this Section shall survive the resignation or removal of the Trustee under the Indenture, the payment of the Series 2010 Bonds and discharge of the Indenture and the termination of this City Lease.

Section 8.3. None the Corporation, the Trustee, or their incorporators, members, directors, officers, agents and employees (each an "Indemnified Party" and collectively, the "Indemnified Parties") shall be liable to the City or to any other person whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in or on the Leased Property or any part thereof, unless caused by the negligence of the Indemnified Party. To the extent permitted by applicable law, the City shall indemnify and hold the Indemnified Parties harmless, from the same sources from which the rent payments hereunder are payable, for, from and against, and defend them and each of them against any and all claims, losses or judgments for, death of, injury to, any person or for damage to any property whatsoever incurred in or on the adjoining streets, roads, sidewalks and passageways, unless caused by the negligence of the Indemnified Party. In the event any action or proceeding is brought against any of the persons referred to in this Section by reason of any such claim, the City, upon notice from the Indemnified Party, shall resist or defend such action or proceeding.

The Indemnified Parties (other than the Corporation) shall be third party beneficiaries of this covenant. The obligations of the City under this Section shall survive the resignation or removal of the Trustee under the Indenture, the payment of the Series 2010 Bonds and discharge of the Indenture and the termination of this City Lease.

Section 8.4. To the extent permitted by applicable law, the City shall indemnify each Indemnified Party, from the same sources from which the rent payments hereunder are payable, for, from and against all lawful and reasonable costs and charges, including reasonable fees of attorneys, consultants, and other experts incurred in good faith and arising out of or in connection with the transactions contemplated hereby. The Indemnified Parties (other than the Corporation) shall be third party beneficiaries of this covenant. The obligations of the City under this Section shall survive the resignation or removal of the Trustee under the Indenture, the payment of the Series 2010 Bonds and discharge of the Indenture and the termination of this City Lease.

Section 8.5. In clarification and extension of the provisions of the other sections of this Article VIII and not in substitution therefor and to the extent permitted by applicable law, the City, subject to the provisions of Section 1.4 hereof, shall indemnify and hold each Indemnified Party harmless, from the same sources from which the rent payments hereunder are payable, for, from and against any and all claims, expenses, liens, judgments, liability or loss whatever, including reasonable legal fees and expenses relating to or in any way, directly or indirectly, arising out of (a) the Series 2010 Ground Lease, this City Lease and the Indenture, and security agreements, financing statements, supplements, amendments or additions thereto or the enforcement of any of the terms thereof; (b) the Series 2010 Bonds; (c) any offering statement or official statement, either preliminary or final, pertaining to the Series 2010 Bonds including the Official Statement; (d) the issuance and sale of the Series 2010 Bonds or the transactions contemplated in any of the aforementioned acts, agreements or documents and (e) malfeasance or nonfeasance in office of any officer, director, agent or employee of the Indemnified Party not otherwise included within any of the foregoing; provided, however, that such indemnity shall not extend to claims, suits and actions successfully brought against the Indemnified Party for failure to perform and carry out the duties specifically imposed upon and to be performed by it pursuant to the Series 2010 Ground Lease, this City Lease or the Indenture. The Indemnified Party shall give notice to the City of any event or condition which requires indemnification by the City hereunder, or any allegation of such event or condition, promptly upon obtaining knowledge thereof, and, to the extent that the City makes or provides for payment to the satisfaction of the Indemnified Party under the indemnity provisions hereof, the City shall be subrogated to the rights of the Indemnified Party with respect to such event or condition and shall have the right to determine the settlement of claims thereon, it being agreed that except to the foregoing extent, the Indemnified Party shall have the right to determine such settlement. The City shall pay all amounts due hereunder promptly

upon notice thereof from the Indemnified Party. In case any action, suit or proceeding is brought against the Indemnified Party by reason of any act or condition which requires indemnification by the City hereunder, the Indemnified Party shall notify the City promptly of such action, suit or proceeding, and the City may (and shall upon the request of the Indemnified Party), at the City's expense, resist and defend such action, suit or proceeding, or cause the same to be resisted and defended, by counsel for the insurer of the liability or by counsel designated by the City and approved by the Indemnified Party. If the Indemnified Party desires to participate in the defense of such action, suit or proceeding through its own counsel, it may do so at its own expense. No party's right to indemnification hereunder shall be affected by the acts or omissions of any other party entitled to such indemnification. The Indemnified Parties (other than the Corporation) shall be third party beneficiaries of this covenant. The obligations of the City under this Section shall survive the resignation or removal of the Trustee under the Indenture, the payment of the Series 2010 Bonds and discharge of the Indenture and the termination of this City Lease.

## ARTICLE IX

### ACCESS AND CONTROL OF CITY

Section 9.1. The Corporation, incident to the issuance and sale of the Series 2010 Bonds, shall assign [except for the Unassigned Corporation's Rights (as such term is defined in the Indenture)] all rights and benefits hereunder to the Trustee and shall grant the Trustee a lien on its interest in this City Lease for the benefit of the owners of the Series 2010 Bonds. The City hereby consents to such assignment and grant of lien.

Section 9.2. The City, so long as no event of default by the City under this City Lease shall have occurred and be continuing, shall at all times have and retain such rights of access and control of the Leased Property. The rights and interests of the Corporation assigned, granted and set over to the Trustee under the Indenture shall, so long as no event of default by the City under this City Lease shall have occurred and be continuing, be subject and subordinate to the rights of the City under this Section.

## ARTICLE X

### FEDERAL TAX LAW PROVISIONS

Section 10.1. (a) No direction for the making of any investment or other use of the proceeds of any Series 2010 Bonds will be made which would cause such Series 2010 Bonds to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of

the Code, and the City and the Corporation shall comply with the requirements of such Code sections and related regulations throughout the term of the Series 2010 Bonds. (Particularly, the City shall be the owner of the Projects for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), the City shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Projects unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time, or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Projects. Also, the payment of principal and interest with respect to the Series 2010 Bonds shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Series 2010 Bonds, or amounts treated as proceeds of the Series 2010 Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Series 2010 Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund, or (iii) may be invested in obligations issued by the United States Treasury.) The City and the Corporation hereby further covenant and agree to comply with the procedures and covenants contained in any arbitrage rebate provision (initially those in the next Section) or separate agreement executed in connection with the issuance of the Series 2010 Bonds for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2010 Bonds. In consideration of the purchase and acceptance of the Series 2010 Bonds by such owner from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, as amended, the City and the Corporation covenant, and the appropriate officials of the City and the Corporation are hereby directed, to take all action required with respect to maintaining such exclusion or to refrain from taking any action prohibited by such Code which would adversely affect in any respect such exclusion.

(b) The Mayor and Council of the City shall take all necessary and desirable steps to comply with the requirements hereunder in order to ensure that interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the City receives a Bond Counsel's Opinion (as such term is hereinafter defined) that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Series 2010 Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the City receives such a Bond Counsel's Opinion, the parties agree to amend this City Lease to conform to the requirements set forth in such opinion. If for any reason any requirement hereunder is not complied with, the Mayor and Council of the City

shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the City shall pay any required interest or penalty under Regulations section 1.148-3(h).

(c) The Series 2010 Bonds are hereby designated as "qualified tax-exempt obligations" within the meaning of and pursuant to the provisions of Section 265(b) of the Code as the reasonably anticipated amount of "qualified tax-exempt obligations" (other than private activity bonds within the meaning of the Code) which will be issued by or on behalf of the City during the 2010 calendar year will not exceed \$30,000,000.

Section 10.2. (a) Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the arbitrage certificate of the City delivered in connection with the issuance of the Series 2010 Bonds.

(b) The following terms shall have the following meanings:

Bond Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

Bond Year shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Series 2010 Bonds and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Series 2010 Bond.

Bond Yield is as indicated in such arbitrage certificate. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Series 2010 Bonds as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of issue of the Series 2010 Bonds and using semiannual compounding on the basis of a 360-day year.

Code shall mean the Internal Revenue Code of 1986, as amended, and any successor provisions thereto.

Gross Proceeds shall mean:

(i) any amounts actually or constructively received by the City or the Corporation from the sale of the Series

2010 Bonds but excluding amounts used to pay accrued interest on the Series 2010 Bonds within one year of the date of issuance of the Series 2010 Bonds;

(ii) transferred proceeds of the Series 2010 Bonds under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the Series 2010 Bonds within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Series 2010 Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Series 2010 Bonds in the event the City or the Corporation encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under the Indenture.

Investment Property shall mean any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

Issue Price is as indicated in such arbitrage certificate, which is the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of the Series 2010 Bonds was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

Nonpurpose Investment shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Series 2010 Bonds.

Payment shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

Rebate Requirement shall mean at any time the excess of the future value of all Receipts over the future value of all Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

Receipt shall mean any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

Regulations shall mean the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

(c) Within 60 days after the end of each Bond Year, the City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(1) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Series 2010 Bonds (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the Series 2010 Bonds (determined as of the last day of such Bond Year); and

(2) not later than 60 days after the retirement of the last Series 2010 Bond, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Series 2010 Bond).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

(d) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(e) For purposes of Subsection, whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(1) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(2) Except as provided in Subsection (f), a Nonpurpose Investment that is not of a type traded on an

established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(3) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(f) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(g) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the City, the Corporation or any other person (whether or not in connection with the Series 2010 Bonds), and that the bid is not being submitted solely as a courtesy to the City or the Corporation or any other person for purposes of satisfying the requirements in the Regulations that the City or the Corporation receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Series 2010 Bonds.

(2) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(3) At least three reasonably competitive providers (i.e. having an established industry reputation as a

competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Series 2010 Bonds (e.g., a lead underwriter within 15 days of the issue date of the Series 2010 Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the City or the Corporation uses an agent to conduct the bidding, the agent may not bid.

(4) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(5) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(7) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(8) The City retains until three years after the last outstanding Series 2010 Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the City or the Corporation and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(h) Such experts and consultants shall be employed by the City to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Series 2010 Bonds.

Section 10.3. Subject to annual appropriation to cover the costs of preparing and mailing thereof, the City hereby covenants and agrees that it will comply with and carry out all of the provisions of

the Series 2010 Continuing Disclosure Agreement, dated even date with the date of original issuance and delivery of the Series 2010 Bonds (the "Continuing Disclosure Agreement"). Notwithstanding any other provision of this City Lease, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an event of default; however, the Trustee may (and, at the request of any Participating Underwriter (as such term is defined in the Continuing Disclosure Agreement) or the owners of at least 25% aggregate principal amount in outstanding Series 2010 Bonds and receipt of indemnity to its satisfaction, shall) or any Beneficial Owner (as such term is defined in the Continuing Disclosure Agreement) may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section.

## ARTICLE XI

### GENERAL PROVISIONS

Section 11.1. The City may not sell or assign its interest in this City Lease while any of the Series 2010 Bonds are outstanding, but may sell, lease or otherwise dispose of all or any part of the Leased Property with the consent of the Corporation; provided, however, that prior to any such sale, lease or other disposition, the City shall provide to the Corporation and the Trustee an opinion of nationally recognized bond counsel to the effect that such sale, lease or other disposition shall not cause the interest on the Series 2010 Bonds to be includable in the gross income of the owners thereof for federal income tax purposes. Notwithstanding any such sale, lease or other disposition, the City shall nevertheless remain liable for the rent payments provided herein and for the performance of the other obligations of the City hereunder.

Section 11.2. All rights of the Corporation hereunder (except for the Corporation Unassigned Rights) are to be assigned, pledged, mortgaged and transferred to the Trustee as security for the Series 2010 Bonds, but subject to the rights of the City under this City Lease. The rights of the Trustee or any party or parties on behalf of whom the Trustee is acting (including, specifically, but without limitation, the right to receive the rent payments to be paid hereunder) shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any obligation of the Corporation hereunder or by reason of any other indebtedness or liability at any time owing by the Corporation to the City.

Section 11.3. All notices, consents or other communications required or permitted hereunder shall be deemed sufficient if given in writing addressed and mailed by registered or certified mail, or delivered to the party for whom the same is intended, as follows:

To the Corporation: City of Prescott Municipal  
Facilities Corporation  
c/o City of Prescott, Arizona  
201 South Cortez  
Prescott, Arizona 86303  
Attention: President

To the City: City of Prescott, Arizona  
201 South Cortez  
Prescott, Arizona 86303  
Attention: Finance Director

To the Trustee: U.S. Bank National Association  
101 North First Avenue, Suite 1600  
Phoenix, Arizona 85003  
Attention: Corporate Trust Services

or to such other address as such party may hereafter designate by notice in writing addressed and mailed or delivered to the other party hereto.

Section 11.4. This City Lease shall be governed exclusively by the provisions hereof and by the applicable laws of the State.

Section 11.5. If any term or provision of this City Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this City Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby and each term and provision of this City Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 11.6. To the extent applicable by provision of law, all parties acknowledge that this City Lease is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein.

Section 11.7. The City shall comply with all requirements of it included in the Indenture

Section 11.8. This City Lease may be executed in several counterparts, each of which shall be an original, but all of which shall constitute but one instrument.

Section 11.9. (a) This City Lease creates a valid and binding pledge of and security interest in the Excise Taxes and the State Shared Revenues (collectively, the "Pledged Revenues") in favor of the Trustee, as assignee of the Corporation under the Indenture, as security for payment of the Series 2010 Bonds, enforceable by the Trustee in accordance with the terms hereof.

(b) Under the laws of the State of Arizona, (1) such pledge of and security interest in the Pledged Revenues, (2) and each pledge, assignment, lien, or other security interest made to secure Prior Lien Debt Service or the Bonds which, by the terms hereof, ranks on a parity with or prior to the pledge and security interest granted hereby, is and shall be prior to any judicial lien hereafter imposed on such collateral to enforce a judgment against the City on a simple contract. By the date of issue of the Series 2010 Bonds the City will have filed all financing statements describing, and transferring such possession or control over, such collateral (and for so long as any Series 2010 Bond is outstanding the City will file, continue, and amend all such financing statements and transfer such possession and control) as may be necessary to establish and maintain such priority in each jurisdiction in which the City is organized or such collateral may be located or that may otherwise be applicable pursuant to Uniform Commercial Code §§9.301--9.306 of such jurisdiction.

(c) The City has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such collateral that ranks on a parity with or prior to the pledge and security interest granted hereby, except for the pledge and security interest with respect to Prior Lien Debt Service and the Bonds. The City shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the pledge and security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

IN WITNESS WHEREOF, the Corporation and the City have caused their respective names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF PRESCOTT MUNICIPAL FACILITIES CORPORATION, an Arizona nonprofit corporation

By.....  
Patti Venuti, President

ATTEST:

.....  
\_\_\_\_\_, Secretary

CITY OF PRESCOTT, ARIZONA, a municipal corporation

By.....  
Marlin Kuykendall, Mayor

ATTEST:

.....  
Elizabeth Burke, Clerk

STATE OF ARIZONA            )  
                                  ) ss.  
COUNTY OF YAVAPAI        )

On this, the ..... day of \_\_\_\_\_, 2010, before me, the undersigned Notary Public, personally appeared Patti Venuti and \_\_\_\_\_, who acknowledged themselves to be the President and Secretary, respectively, of the CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION, an Arizona nonprofit corporation, and that they, as such officers, being authorized so to do, executed the foregoing Series 2010 City Lease for the purposes therein contained by signing the name of the corporation by themselves as such officers.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....  
Notary Public

My Commission Expires:

.....

STATE OF ARIZONA            )  
                                  ) ss.  
COUNTY OF YAVAPAI        )

On this, the ..... day of \_\_\_\_\_, 2010, before me, the undersigned Notary Public, personally appeared Marlin Kuykendall and Elizabeth Burke, who acknowledged themselves to be the Mayor and Clerk, respectively, of the CITY OF PRESCOTT, ARIZONA, a municipal corporation, and that they, as such officers, being authorized so to do, executed the foregoing Series 2010 City Lease for the purposes therein contained by signing the name of the municipal corporation by themselves as such officers.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

.....  
Notary Public

My Commission Expires:

.....

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

CENTRAL GARAGE EXPANSION SITE:

### EXHIBIT 'A'

All that portion of Section 24, Township 14 North, Range 02 West, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing from a GLO brass cap marking the Southeast corner of Section 24, Thence N 01°01'17" E, 5194.79 feet, along the East line of Section 24 to a stone marking the Northeast corner of Section 24;

Thence S 53°43'04" W, 4504.78 feet, to the Point of Beginning;

Thence N 67°42'11" W, 70.00 feet;

Thence S 22°17'49" W, 130.33 feet;

Thence S 67°42'11" E, 70.00 feet;

Thence N 22°17'49" E, 130.33 feet, to the Point of Beginning.



TRANSFER STATION EXPANSION SITE:

**EXHIBIT 'A'**

All that portion of Section 34, Township 14 North, Range 02 West, of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, more particularly described as follows:

Commencing from Southeast corner of Lot 10, Block 11, of the MOLLER ADDITION TO THE CITY OF PRESCOTT, according to the plat of record in Book 2 of Maps and Plats Page 15, on file in the Office of the Yavapai County Recorders, Yavapai County, Arizona;

Thence N 41°18'57" W, 73.17 feet, to the Point of Beginning;

Thence N 47°43'59" E, 51.27 feet;

Thence N 42°16'01" W, 5.88 feet;

Thence N 47°43'59" E, 123.73 feet;

Thence N 42°16'01" W, 120.00 feet;

Thence S 47°43'59" W, 200.00 feet;

Thence S 42°16'01" E, 90.00 feet;

Thence N 47°43'59" E, 25.00 feet;

Thence S 42°16'01" E, 35.88 feet, to The Point of Beginning.



DRAFT  
07/27/09  
12/10/09

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SECOND SUPPLEMENT,  
Dated as of \_\_\_\_\_ 1, 2010,

TO

TRUST INDENTURE,  
Dated as of December 1, 2004,

FROM

CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION

TO

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

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\$\_\_\_\_\_,000  
CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION  
REVENUE BONDS, SERIES 2010

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SECOND SUPPLEMENT  
TO  
TRUST INDENTURE

THIS SECOND SUPPLEMENT, dated as of \_\_\_\_\_ 1, 2010 (this "Supplement"), TO TRUST INDENTURE, dated as of December 1, 2004 (the "Original Indenture" and as supplemented from time to time including by this Supplement, the "Indenture" or "Trust Indenture"), from CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION (the "Corporation"), a nonprofit corporation organized and existing under the laws of the State of Arizona, to U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America and authorized to exercise corporate trust powers in the State of Arizona, as trustee (the "Trustee") or any successor thereto pursuant to the applicable provisions of the Indenture;

W I T N E S S E T H:

WHEREAS, the Corporation has been formed to assist the City of Prescott, Yavapai County, Arizona (the "City"), in financing certain of its projects at no profit to the Corporation; and

WHEREAS, in order to assist the City in financing certain property, the Corporation leased, among other things, from the City the sites (collectively, the "1990 Project Site") upon which the municipal golf course of the City (the "1990 Project Facilities") existed pursuant to a ground lease (the "Series 1990 Ground Lease") dated as of June 1, 1990, the 1990 Project Site being situated in Yavapai County, Arizona, and described on Exhibit A attached to the Series 1990 Ground Lease; and

WHEREAS, the City leased back from the Corporation the 1990 Project Site and the 1990 Project Facilities, as described on Exhibit A and B, respectively, to a city lease (the "Series 1990 City Lease") dated as of June 1, 1990; and

WHEREAS, to correct formal defects and omissions regarding the 1990 Project Site, the Series 1990 City Lease was amended by a first amendment to the Series 1990 City Lease dated as of February 28, 1991 between the City and the Corporation; and

WHEREAS, the Corporation borrowed money for the purposes of the Series 1990 City Lease by authorizing the issuance of its bonds known as Municipal Facilities Bonds, Series 1990-C in the aggregate principal amount of \$7,765,000, under the Trust Indenture dated June 1, 1989 between the Corporation and the predecessor in interest to U.S. Bank National Association (formerly U.S. Bank Trust National Association), as trustee, previously supplemented by a Series 1990 Supplemental Indenture dated as of June 1, 1990, a Series 1993 Supplemental Indenture dated as of February 1, 1993, a Series 1993-E Supplemental Indenture (the "Second 1993 Supplemental Indenture") dated as

of July 1, 1993, and a Series 1998 Supplemental Indenture dated as of December 1, 1998 (the "1998 Supplemental Indenture"); and

WHEREAS, the Corporation thereafter borrowed money for the purpose of carrying out, and refinancing a portion of, its obligations under the terms of the Series 1990 City Lease, and to that end authorized and directed the issuance of its bonds, known as City of Prescott Municipal Property Corporation Municipal Facilities Refunding Bonds, Series 1993-E in the aggregate principal amount of \$7,995,000 and to secure the payment of the principal thereof and of the interest thereon and the performance and observance of the certain covenants and conditions, the Corporation authorized the execution and delivery of the Second 1993 Supplemental Indenture; and

WHEREAS, for such purpose, the Series 1990 City Lease was amended by a second amendment to the Series 1990 City Lease dated as of July 1, 1993 between the City and the Corporation (the "1990 Second Amendment"); and

WHEREAS, further in order to assist the City in financing certain other property, the Corporation leased or subleased from the City the sites upon which the Project Facilities (as defined in the hereinafter mentioned Series 1998 City Lease) were constructed or improved (collectively, the "1998 Project Site") pursuant to a ground lease (the "Series 1998 Ground Lease") dated as of December 1, 1998, the 1998 Project Site being situated in Yavapai County, Arizona, and described on Exhibit A attached to the Series 1998 Ground Lease; and

WHEREAS, the City leased back from the Corporation the 1998 Project Site and the Project Facilities, as described on Exhibits A and B to a city lease (the "Series 1998 City Lease") dated as of December 1, 1998; and

WHEREAS, the Corporation financed the foregoing by the issuance of its \$6,160,000 aggregate principal amount of Excise Tax Revenue Bonds, Series 1998-F (the "Series 1998-F Bonds"), issued pursuant to the 1998 Supplemental Indenture; and

WHEREAS, in order to assist the City in refinancing a portion of its obligations under the terms of the 1990 Second Amendment and the Series 1998 City Lease, the City entered into a ground lease dated as of December 1, 2004, and a city lease (the "Series 2004 City Lease") dated as of December 1, 2004; and

WHEREAS, further in order to assist the City in financing the acquisition of another site with respect to which sources of water will be developed for the City (the "Series 2004 Project"), the Corporation leased or subleased another site as provided in the Series 2004 City Lease pursuant to a water site master ground lease, such project site described on Exhibit A attached thereto; and

WHEREAS, in order to provide for such refinancing and financing, the Corporation issued its Revenue Bonds, Series 2004 (the "Series 2004 Bonds"); and

WHEREAS, in connection with the issuance of the Series 2004 Bonds, the Corporation and the City entered into the Series 2004 City Lease pursuant to which the Corporation leased the site of the Series 2004 Project; and

WHEREAS, further in order to assist the City in financing the acquisition of certain sites upon which expansions of a central garage and a transfer station will be developed for the City, the City entered into a ground lease (the "Series 2007 Ground Lease") dated as of May 1, 2007 and a city lease (the "Series 2007 City Lease") dated as of May 1, 2007; and

WHEREAS, the Corporation has leased such sites as provided in the Series 2007 Ground Lease; and

WHEREAS, in order to provide for such financing, the Corporation issued its Revenue Bonds, Series 2007 (the "Series 2007 Bonds"); and

WHEREAS, in connection with the issuance of the Series 2007 Bonds, the Corporation and the City entered into the Series 2007 City Lease; and

WHEREAS, further in order to assist the City in refunding a portion of its obligations under the terms of the Series 1998 City Lease and financing construction of certain roadway improvements (the "Projects"), the City has entered into an extension of ground lease with regard to the Series 2007 Ground Lease (the "Series 2010 Ground Lease") dated as of even date herewith and a city lease (the "Series 2010 City Lease") dated even date herewith; and

WHEREAS, the Corporation has extended the lease of the sites leased pursuant to the Series 2007 Ground Lease as provided in the Series 2010 Ground Lease; and

WHEREAS, in order to provide for such refinancing and financing, the Corporation issued its Revenue Bonds, Series 2010 (the "Series 2010 Bonds"); and

WHEREAS, in connection with the issuance of the Series 2010 Bonds, the Corporation and the City entered into the Series 2010 City Lease; and

WHEREAS, the Indenture provides for the issuance of Additional Bonds (as such term and all other capitalized terms hereinafter used are hereinafter defined); and

WHEREAS, the Series 2004 Bonds, the Series 2007 Bonds, the Series 2010 Bonds and any Additional Bonds are secured by the Inden-

ture, and the Corporation is authorized to execute and deliver this Supplement and to do, or cause to be done, all acts provided or required herein to be performed on its part; and

WHEREAS, the Series 2010 Bonds will be secured by rent payments due for that purpose pursuant to the Series 2010 City Lease, as security for which the City will pledge (a) revenues from the unrestricted transaction privilege (sales) tax, licenses, franchise fees, permits, fines, forfeitures and charges for services which the City imposes; except that such revenues shall not include revenues from the one percent (1%) tax approved at elections held in 1985, 1995 and 2000 which are to be expended for street improvements and open space acquisition and provided that the Council of the City may impose other transaction privilege taxes in the future, the uses of revenues from which will be restricted, at the discretion of such Council and (b) tax revenues collected by the State and distributed to the City pursuant to Sections 42-5029 and 43-306, Arizona Revised Statutes, as amended, or any successor statutes thereto (except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes), subject to the pledge of the amount of both which are all excise, transaction, privilege, franchise and income taxes which it now collects, which it may collect in the future, or which are allocated or apportioned to the City by the State of Arizona or any political subdivision thereof, or by any other governmental unit or agency, EXCEPT the City's share of any excise and franchise taxes which by state law, rule or regulation must be expended for other purposes, such as the motor vehicle fuel tax to "Lease Payments" remaining due pursuant to the Series 1998 City Lease for the remaining outstanding Series 1998-F Bonds; and

WHEREAS, all acts and conditions required to happen, exist and be performed precedent to and in the issuance of the Series 2010 Bonds and the execution and delivery of this Supplement have happened, exist and have been performed, or at the delivery of the Series 2010 Bonds will exist, will have happened and will have been performed (i) to make the Series 2010 Bonds, when issued, delivered and authenticated, valid obligations of the Corporation in accordance with the terms thereof and hereof and (ii) to make the Indenture a valid, binding and legal trust agreement for the security of the Series 2010 Bonds in accordance with its terms;

NOW, THEREFORE, THIS SUPPLEMENT WITNESSETH:

That to further secure the payment of Debt Service Charges on all of the Bonds issued and outstanding under the Indenture including the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds according to their true intent and meaning, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained in the Indenture and therein, and to supplement the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured and enforced, and in consideration of the premises and the acceptance by the Trustee of the trusts created in the Indenture and of the purchase and

acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is acknowledged, the Corporation absolutely assigns hereby to the Trustee, and to its successors in trust, and its and their assigns, all right, title and interest of the Corporation in and to

(i) the right, title and interest of the Corporation in and to the Series 2010 Ground Lease, the Corporation, however, to remain liable to observe and perform all of the conditions and covenants in the Series 2010 Ground Lease provided to be observed and performed by it;

(ii) the right, title and interest of the Corporation in and to the Series 2010 City Lease, the Corporation, however, to remain liable to observe and perform all of the conditions and covenants in the Series 2010 City Lease provided to be observed and performed by it;

(iii) all of the rents, issues and profits payable to or received by the Corporation from the property described in paragraph (ii) above, including without limitation, all of the rents and the amounts to be paid to the Corporation or the Trustee under the terms of the Series 2010 City Lease, except the Unassigned Corporation's Rights; and

(iv) all property which is by the express provisions of the Indenture required to be subjected to the lien of the Indenture and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of the Indenture, by the Corporation or by anyone in its behalf, and the Trustee is hereby authorized to receive the same at any time as additional security under the Indenture,

SUBJECT, HOWEVER, to the rights of access and control in the City as reserved and granted in Section 9.2 of the Series 2010 City Lease,

TO HAVE AND TO HOLD unto the Trustee and its successors in that trust and its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, and subject to the provisions of the Indenture,

(a) except as otherwise provided in the Indenture for the benefit, security and protection of all present and future Owners of the Bonds issued or to be issued under and secured by the Indenture,

(b) for the enforcement of the payment of the principal of and interest and any premium on the Bonds, when

payable, according to the true intent and meaning thereof and of the Indenture, and

(c) to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of the Indenture, and

in each case, except as otherwise provided in the Indenture, without preference, priority or distinction, as to lien or otherwise, of any one Bond of a series over any other Bond of the same or another series by reason of designation, number, date of the Bonds or of authorization, issuance, sale, execution, authentication, delivery or maturity thereof, or otherwise, so that each Bond of a series and all Bonds of any series shall have the same right, lien and privilege under the Indenture, and shall be secured equally and ratably by the Indenture, it being intended that the lien and security of the Indenture shall take effect from the date thereof, without regard to the date of actual issue, sale or disposition of the Bonds, as though upon that date all of the Bonds were actually issued, sold and delivered to purchasers for value; provided, however, that if

(i) the principal of the Bonds and the interest due or to become due thereon together with any premium required by redemption of any of the Bonds prior to maturity, shall be well and truly paid, at all times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with Article X of the Indenture, and

(ii) all of the covenants, agreements, obligations, terms and conditions of the Corporation under the Indenture shall have been kept, performed and observed, and there shall have been paid to the Trustee, the Registrar, and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Indenture,

then, the Indenture and the rights assigned thereby shall cease, determine and be void, except as provided in Section 10.03 of the Original Indenture with respect to the survival of certain provisions thereof; otherwise, the Indenture shall be and remain in full force and effect.

The Corporation has agreed and covenanted, and agrees and covenants with the Trustee and with each and all Owners, further as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. All words and terms used herein shall have the same meanings as set forth in Section 1.01 of the Indenture, Section 1.1 of the First Supplement to Trust Indenture dated as of May 1, 2007, and the Recitals hereto, except as provided hereinafter:

"Bond Insurer"[???] means, as to the Series 2010 Bonds, the Series 2010 Insurer.

"Bond Resolution" means (a) when used with reference to the Series 2004 Bonds, the resolution providing for their issuance and the approving of the Series 2004 Ground Leases, the Series 2004 City Lease, the Indenture and related matters, to the Series 2007 Bonds, the resolution providing for their issuance and the approving of the Series 2007 Ground Lease, the Series 2007 City Lease, the First Supplement to Trust Indenture and related matters and to the Series 2010 Bonds, the resolution providing for their issuance and the approving of the Series 2010 Ground Lease, the Series 2010 City Lease, this Supplement and related matters; (b) when used with reference to an issue of Additional Bonds, the resolution providing for the issuance of the Additional Bonds, to the extent applicable, and the resolution providing for the issuance of the Additional Bonds and the approving of any amendment or supplement to the Series 2004 Ground Lease, the Series 2007 Ground Lease or the Series 2010 Ground Lease or the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease, any new agreements in lieu thereof, any Supplemental Indenture and related matters; and (c) when used with reference to Bonds when Additional Bonds are outstanding, the resolution providing for the issuance of the refunding bonds and the resolution providing for the issuance of the then outstanding and the then to be issued Additional Bonds, in each case as amended or supplemented from time to time.

"Defeasance Obligations" means,

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
  - U.S. treasury obligations
  - All direct or fully guaranteed obligations
  - Farmers Home Administration
  - General Services Administration
  - Guaranteed Title XI financing
  - Government National Mortgage Association (GNMA)

- State and Local Government Series

"Eligible Investments" means with respect to the Series 2010 Bonds,

- (1) Defeasance Obligations
- (2) Obligations of any of the following federal agencies which obligations represent the full faith credit of the United States of America, including:
  - Export-Import Bank
  - Rural Economic Community Development Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - U.S. Department of Housing & Urban Development (PHAs)
  - Federal Housing Administration
  - Federal Financing Bank
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
  - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
  - Obligations of the Resolution Funding Corporation (RECORP)
  - Senior debt obligations of the Federal Home Loan Bank System
  - Senior debt obligations of other Government Sponsored Agencies approved by Ambac
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's Investors Services ("Moody's") and "A-1" or "A-1+" by Standard & Poor's Ratings Group ("S&P") and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;
- (7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United

States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
  - (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (8) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.
  - (9) Investment Agreements approved in writing by the Series 2010 Insurer (supported by appropriate opinions of counsel); and
  - (10) Other forms of investments (including repurchase agreements) approved in writing by the Series 2010 Insurer.

The value of the above investments shall be determined as follows:

- a) For the purpose of determining the amount in any fund, all Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry Insurers. Accepted industry Insurers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.
- b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

- c) As to any investment not specified above: the value thereof established by prior agreement among the Corporation, the Trustee, and the Series 2010 Insurer.

"Interest Payment Date" or "Interest Payment Dates" means, as to the Series 2010 Bonds, the date or dates set forth as such in the form of bond attached hereto as Exhibit A.

"Principal Payment Date" means, as to the Series 2010 Bonds, July 1 in the years specified in Section 2.2 hereof for the stated amount of principal to be retired at maturity, or any other date on which the principal of the Series 2010 Bonds is payable as a result of redemption, optional or mandatory.

"Registrar" means, as to the Series 2010 Bonds, the Trustee.

"Revenues" means (a) the rent payments due under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, (b) all other moneys received or to be received by the Corporation or the Trustee in respect of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, including without limitation, moneys and investments in the Bond Retirement Fund, and (c) all income and profit from the investment of the foregoing moneys.

"Series 2010 Acquisition and Construction Fund" means the Series 2010 Acquisition and Construction Fund created in Section 5.1 hereof.

"Series 2010 Bond Retirement Account" means the Series 2010 Bond Retirement Account of the Bond Retirement Fund created in Section 5.1 hereof.

"Series 2010 Costs of Acquisition and Construction" means all items of expense directly or indirectly relating to the cost of designing, acquiring, constructing and equipping or providing the Projects, including, but not limited to, the following:

(a) Costs incurred by the City in connection with the designing, acquiring, constructing and equipping of the Projects;

(b) Expenses incurred by the City for labor, services, materials and supplies used or furnished in the designing, acquisition, constructing and equipping of the Projects;

(c) Fees paid by the City for legal, design, architectural, engineering, construction management, consulting and supervisory services with respect to the Projects, including, without limitation, the cost of preparing or

obtaining plans and specifications, working drawings, bids, appraisals, approvals, permits and inspections;

(d) Expenses incurred by the City in seeking to enforce any remedy against any contractor, subcontractor, materialman, vendor, supplier or surety in respect of any default under a contract relating to constructing and equipping the Projects; and

(e) Any sums required to reimburse the City for advances made by it for any of the above items.

"Series 2010 Delivery Costs" means all items of expense directly or indirectly payable by or reimbursable to the Corporation or the City relating to the execution, sale and delivery of this Supplement, the Series 2010 Ground Lease, the Series 2010 City Lease or the Series 2010 Bonds, including but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, the Registrar, the Paying Agents, financing discounts, legal fees and charges, insurance fees and charges, including insurance fees and charges for bond and reserve fund insurance, and financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

"Series 2010 Insurer" [???] or "\_\_\_\_\_" means \_\_\_\_\_, a \_\_\_\_\_, or any successor thereto.

"Series 2010 Interest Account" means the Series 2010 Interest Account of the Interest Fund created in Section 5.1 hereof.

"Series 2010 Municipal Bond Insurance Policy" [???] means the \_\_\_\_\_ policy issued by the Series 2010 Insurer insuring payment when due of principal of and interest on the Series 2010 Bonds as provided therein.

"Series 2010 Revenue Account" means the Series 2010 Revenue Account of the Revenue Fund created in Section 5.1 hereof.

"Unassigned Corporation's Rights" means all of the rights of the Corporation to receive or be the beneficiary of additional payments under Section 1.4(b), (c), (e), (f) and (g) of the Series 2004 City Lease and the Series 2010 City Lease, to be held harmless and indemnified under Article VIII thereof, to be reimbursed for attorneys' fees and expenses under Article VII thereof, to receive notice thereunder and to give or withhold consent to amendments, changes, modifications and alterations of the Series 2004 City Lease and the Series 2010 City Lease and its right to enforce such rights.



or on the order of, the Original Purchaser thereof, as directed by the Corporation in accordance with this Section.

(b) Prior to delivery by the Trustee of any Series 2010 Bonds, there shall have been received by the Trustee a request and authorization to the Trustee on behalf of the Corporation, signed by the President, Vice President or Secretary-Treasurer, to authenticate and deliver the Series 2010 Bonds to, or on the order of, the Original Purchaser upon payment to the Trustee of the amounts specified therein (including without limitation, any accrued interest), which amounts shall be deposited as provided in Article V hereof.

### ARTICLE III

#### TERMS OF BONDS GENERALLY

##### SECTION 3.1 Terms of Redemption of Series 2010 Bonds.

(a) Optional Redemption. The Series 2010 Bonds maturing on or after July 1, 2020, are subject to redemption, at the option of the Corporation, in whole at any time, or in part on any interest payment date, in any order of maturity and by lot within a maturity, on or after July 1, 2019, at a redemption price equal to the principal amount of the Series 2010 Bonds being redeemed, plus accrued interest to the date fixed for redemption, without premium.

(b) Mandatory Redemption. (i) The Series 2010 Bonds maturing on July 1, 20\_\_, are subject to mandatory redemption on the dates and in the amounts set forth below, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, as follows:

<u>Date</u> <u>(July 1)</u>	<u>Principal Amount</u>
20__	\$____,000
20__	____,000
20__	____,000

Not more than sixty (60) days nor less than forty-five (45) days prior to the mandatory redemption payment date for the Series 2010 Bonds maturing on July 1, 20\_\_, the Trustee shall proceed to select for redemption (by lot in such manner as the Trustee may determine) from all of the Series 2010 Bonds maturing on July 1, 20\_\_, a principal amount of the Series 2010 Bonds equal to the aggregate principal amount of the Series 2010 Bonds redeemable with the required mandatory redemption payment, and shall call such Series 2010 Bonds for redemption on the next July 1 and give notice of such redemption.

(ii) The Series 2010 Bonds maturing on July 1, 20\_\_, are subject to mandatory redemption on July 1, on the dates and in the amounts set forth below, at a redemption price equal to the

principal amount thereof plus interest accrued to the date of redemption, as follows:

<u>Date</u> <u>(July 1)</u>	<u>Principal Amount</u>
20__	\$____,000
20__	____,000
20__	____,000
20__	____,000

Not more than sixty (60) days nor less than forty-five (45) days prior to the mandatory redemption payment date for the Series 2010 Bonds maturing on July 1, 20\_\_, the Trustee shall proceed to select for redemption (by lot in such manner as the Trustee may determine) from all of the Series 2010 Bonds maturing on July 1, 20\_\_, a principal amount of the Series 2010 Bonds equal to the aggregate principal amount of the Series 2010 Bonds redeemable with the required mandatory redemption payment, and shall call such Series 2010 Bonds for redemption on the next July 1 and give notice of such redemption.

SECTION 3.2 Redemption Notices. Notice of any redemption of Series 2010 Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Series 2010 Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Series 2010 Bonds to be redeemed is on deposit in the applicable fund or account.

SECTION 3.3 Purchase of Series 2010 Bonds. Notwithstanding the foregoing, if at any time there is money in the Series 2010 Bond Retirement Account of the Bond Retirement Fund and any of the outstanding Series 2010 Bonds payable from such account may be purchased in the open market at a net cost to the Corporation which would be less than the cost of redeeming such Series 2010 Bonds under the provisions of this Article (or, prior to the time such Series 2010 Bonds may be redeemed, at a price equal to or below par), the Corporation, from time to time, at the request of the City, may cause the Trustee to purchase so many of such Series 2010 Bonds as the Corporation shall designate and to pay therefor from the Series 2010 Bond Retirement Account of the Bond Retirement Fund, to the extent of the funds in such account.

#### ARTICLE IV

##### PROVISIONS AS TO FUNDS AND PAYMENTS

SECTION 4.1 Establishment of Funds. There are hereby ordered created by the Corporation and maintained as separate deposit accounts (except when invested as set forth in the Indenture) in the

custody of the Trustee, the following trust accounts in addition to those created by the Indenture as well as a "Series 2010 Acquisition and Construction Fund": (i) as part of the Revenue Fund, a Series 2010 Revenue Account; (ii) as part of the Interest Fund, a Series 2010 Interest Account and (iii) as part of the Bond Retirement Fund, a Series 2010 Bond Retirement Account.

SECTION 4.2 Application of Series 2010 Bond Proceeds.

The Corporation shall deposit with the Trustee all of the proceeds of the sale of the Series 2010 Bonds and upon receipt of such proceeds the Trustee shall:

(a) deposit to the credit of the Series 2010 Interest Account of the Interest Fund, the sum of \$\_\_\_\_\_ representing a portion of the interest payable on the Series 2010 Bonds after such delivery on \_\_\_\_\_ 1, 2010;

(b) deposit with the Trustee, in the capacity as depository trustee for the refunded portion of the Series 1998-F Bonds pursuant to that certain Depository Trustee Agreement, dated as of \_\_\_\_\_ 1, 2010, between the Corporation and the Trustee, as depository trustee, \$\_\_\_\_\_ and

(c) deposit to the credit of the Series 2010 Acquisition and Construction Fund, the balance of the proceeds of the sale of the Series 2010 Bonds.

SECTION 4.3 Disbursements From Series 2010 Acquisition and Construction Fund.

(a) The Trustee shall hold the amounts in the Series 2010 Acquisition and Construction Fund for the benefit of the Corporation to be used to pay the Series 2010 Delivery Costs and to pay the Series 2010 Costs of Acquisition and Construction, upon written order executed and delivered to the Trustee directing such disbursements as follows:

(1) In the case of payment of Series 2010 Delivery Costs, the Trustee shall disburse moneys in the Series 2010 Acquisition and Construction Fund only upon a requisition signed by a City Representative setting forth the amounts to be disbursed for payment or reimbursement of Series 2010 Delivery Costs and the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Series 2010 Delivery Costs properly chargeable to the Series 2010 Acquisition and Construction Fund.

(2) In the case of payment of Series 2010 Costs of Acquisition and Construction, the Trustee shall disburse moneys in the Series 2010 Acquisition and Construction Fund only upon a requisition signed by a City Representative supported by appropriate descriptions and cost breakdowns

for each requested disbursement and stating that (i) not more than five percent (5%) of the amount of the requested disbursement are or were used for any private business use within the meaning of Section 141(b)(2) of the Code, and (ii) the amounts to be disbursed are Series 2010 Costs of Acquisition and Construction properly chargeable to the Acquisition and Construction Fund.

(b) The Trustee shall be responsible for the safe keeping of the amounts held in the Series 2010 Acquisition and Construction Fund, the payment thereof in accordance with this Section and the application of amounts paid pursuant to such requisitions. Upon the filing with the Trustee of a certificate of a City Representative stating that all of the Series 2010 Delivery Costs and the Series 2010 Costs of Acquisition and Construction have been paid, the Trustee shall transfer to Series 2010 Bond Retirement Account of the Bond Retirement Fund, in such manner as the City may direct, the balance of moneys remaining in the Series 2010 Acquisition and Construction Fund.

SECTION 4.4 Receipt of Revenues. The installments of rents to be paid by the City pursuant to the terms of the Series 2010 City Lease have been assigned by the Corporation to the Trustee so that such moneys shall be paid by the City directly to the Trustee, and the Trustee shall credit such moneys to the Revenue Fund. The installments of rents to be paid by the City pursuant to the terms of Section 1.3(a) of the Series 2010 City Lease shall be deposited in the Series 2010 Revenue Account of the Revenue Fund. If at any time the money in the Series 2010 Revenue Account of the Revenue Fund exceeds, in the sole opinion of the Trustee, the amount necessary for the current debt service on all of the Series 2010 Bonds then outstanding, including administration costs and expenses, and the City is not then in default under the Series 2010 City Lease, such excess shall constitute a credit to the City on the next succeeding installments of rent due or to become due under the Series 2010 City Lease, in such manner as the City may direct; provided, however, that the City may exercise its rights under Section 7.3 of the Series 2010 City Lease, in which event such excess funds shall be transferred to and paid over into the Series 2010 Bond Retirement Account, in such manner as the City may direct in writing.

SECTION 4.5 Flow of Funds - Interest Fund/Bond Retirement Fund. The Trustee shall transfer from the Series 2010 Revenue Account of the Revenue Fund the following amounts at the time and in the manner hereinafter provided for, to-wit:

(a) Series 2010 Interest Account of the Interest Fund: One (1) business day prior to each Interest Payment Date, the Trustee shall deposit in the Series 2010 Interest Account of the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Series 2010 Bonds on the next Interest Payment Date, and each such deposit shall be made so that adequate moneys for the payment of interest will be available in such



SECTION 5.2 Exclusive Pledge. As further provided in Section 3.6 of the Series 2010 City Lease, the pledge of Revenues referred to in this Article shall be for the benefit of the Owners of the Series 2004 Bonds, the Series 2007 Bonds, the Series 2010 Bonds and the Owners of any Additional Bonds, and no other creditor of the Corporation shall have any claim thereto.

## ARTICLE VI

### PAYMENTS UNDER THE SERIES 2010 MUNICIPAL BOND INSURANCE POLICY; MISCELLANEOUS PROVISIONS RELATING TO THE SERIES 2010 INSURER [???

#### SECTION 6.1 Consent of Series 2010 Insurer.

(a) Any provision of the Indenture expressly recognizing or granting rights in or to the Series 2010 Insurer may not be amended in any manner which affects the rights of the Series 2010 Insurer without the prior written consent of the Series 2010 Insurer.

(b) The consent of the Series 2010 Insurer shall be required in addition to the consent of the Owners of the Series 2010 Bonds, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture or any amendment, supplement or change to or modification of the Series 2010 City Lease; (ii) removal of the Trustee or Paying Agent or selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires the consent of the Owners.

(c) Any reorganization or liquidation plan with respect to the Corporation must be acceptable to the Series 2010 Insurer. In the event of any reorganization or liquidation, the Series 2010 Insurer shall have the right to vote on behalf of the Owners of the Series 2010 Bonds.

(d) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the Indenture, the Series 2010 Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series 2010 Bonds or the Trustee for the benefit of the Owners of the Series 2010 Bonds under the Indenture.

#### SECTION 6.2 Notices and Other Information.

(a) The Corporation shall furnish to the Series 2010 Insurer (to the attention of the Surveillance Department, unless otherwise indicated) as soon as practicable after the filing thereof, a copy of any financial statement of the Corporation and a copy of any audit and annual report of the Corporation, a copy of any notice to be given to the Owners of the Series 2010 Bonds, including, without

limitation, notice of any redemption of or defeasance of the Series 2010 Bonds, any certificate rendered pursuant to the Indenture relating to the security for the Series 2010 Bonds and such additional information as the Series 2010 Insurer may reasonably request

(b) The Corporation shall notify the Series 2010 Insurer (to the attention of the General Counsel Office) of any failure of the Corporation to provide relevant notices, certificates, etc. Notwithstanding any other provision of the Indenture, the Corporation shall immediately notify the Series 2010 Insurer (to the attention of the General Counsel Office) if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default under the Indenture.

(c) The Corporation shall permit the Series 2010 Insurer to discuss the affairs, finances and accounts of the Corporation or any information the Series 2010 Insurer may reasonably request regarding the security for the Series 2010 Bonds with appropriate officers of the Corporation. The Corporation shall permit the Series 2010 Insurer to have access to and to make copies of all books and records relating to the Series 2010 Bonds at any reasonable time.

(d) To the extent not prohibited by applicable law, the Series 2010 Insurer shall have the right to direct an accounting at the expense of the Corporation, and the failure by the Corporation to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Series 2010 Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner of the Series 2010 Bonds.

SECTION 6.3 Matters Relating to Defeasance. Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 2010 Bonds shall be paid by the Series 2010 Insurer pursuant to the Series 2010 Municipal Bond Insurance Policy, the Series 2010 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the trust estate of the Indenture and all covenants, agreements and other obligations of the Corporation to the Owners of the Series 2010 Bonds shall continue to exist and shall run to the benefit of the Series 2010 Insurer, and the Series 2010 Insurer shall be subrogated to the rights of such Owners.

SECTION 6.4 Payment Procedure Pursuant to Series 2010 Bond Insurance Policy. The Trustee and any Paying Agent shall comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates the Trustee or Paying Agent, if any, shall determine

whether there will be sufficient funds in the funds and accounts under the Indenture to pay the principal of or interest on the Series 2010 Bonds on such Interest Payment Date. If the Trustee or Paying Agent, if any, determines that there will be insufficient funds in such funds or accounts, the Trustee or Paying Agent, if any, shall so notify the Series 2010 Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 2010 Bonds to which such deficiency is applicable and whether such Series 2010 Bonds will be deficient as to principal or interest, or both. The Series 2010 Insurer shall make payments of principal or interest due on the Series 2010 Bonds on or before the first (1st) day next following the date on which the Series 2010 Insurer shall have received notice of nonpayment from the Trustee or Paying Agent, if any.

(b) The Trustee or Paying Agent, if any, shall, after giving notice to the Series 2010 Insurer as provided in (a) above, make available to the Series 2010 Insurer and, at the direction of the Series 2010 Insurer, to the United States Trust Company of New York, as insurance trustee for the Series 2010 Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Corporation maintained by the Trustee or Paying Agent, if any, and all records relating to such funds and accounts maintained under the Indenture.

(c) The Trustee or Paying Agent, if any, shall provide the Series 2010 Insurer and the Insurance Trustee with a list of the Owners of Series 2010 Bonds entitled to receive principal or interest payments from the Series 2010 Insurer under the terms of the Series 2010 Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of the Series 2010 Bonds entitled to receive full or partial interest payments from the Series 2010 Insurer and (ii) to pay principal upon Series 2010 Bonds surrendered to the Insurance Trustee by the Owners of the Series 2010 Bonds entitled to receive full or partial principal payments from the Series 2010 Insurer.

(d) The Trustee or Paying Agent, if any, shall, at the time it provides notice to the Series 2010 Insurer pursuant to (a) above, notify Owners of Series 2010 Bonds entitled to receive the payment of principal or interest thereon from the Series 2010 Insurer (i) as to the fact of such entitlement, (ii) that the Series 2010 Insurer shall remit to them all or a part of the interest payments next coming due upon proof of Bondowner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Series 2010 Insurer, they must surrender their Series 2010 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2010 Bonds to be registered in the name of the Series 2010 Insurer) for payment to the Insurance Trustee, and not the Trustee or Paying Agent, if any, and (iv) that should they be entitled to receive partial payment of principal from the Series

2010 Insurer, they must surrender their Series 2010 Bonds for payment thereon first to the Trustee or Paying Agent, if any, who shall note on such Series 2010 Bonds the portion of the principal paid by the Trustee or Paying Agent, if any, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which shall then pay the unpaid portion of principal.

(e) In the event that the Trustee or Paying Agent, if any, has notice that any payment of principal of or interest on a Series 2010 Bond which has become "Due for Payment" (as such term is defined in the Series 2010 Municipal Bond Insurance Policy) and which is made to a Bondowner by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonapplicable order of a court having competent jurisdiction, the Trustee or Paying Agent, if any, shall, at the time the Series 2010 Insurer is notified pursuant to (a) above, notify all Owners that in the event that any Owner's payment is so recovered, such registered owner will be entitled to payment from the Series 2010 Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee or Paying Agent, if any, shall furnish to the Series 2010 Insurer its records evidencing the payments of principal of and interest on the Series 2010 Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted the Series 2010 Insurer under this Supplemental Indenture, the Series 2010 Insurer shall, to the extent it makes payment of principal of or interest on the Series 2010 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2010 Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee or Paying Agent, if any, shall note the rights of the Series 2010 Insurer as subrogee on the registration books of the Issuer maintained by the Trustee or Paying Agent, if any, upon receipt from the Series 2010 Insurer of proof of the payment of interest thereon to the registered owners of the Series 2010 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee or Paying Agent, if any, shall note the rights of the Series 2010 Insurer as subrogee on the registration books of the Corporation maintained by the Trustee or Paying Agent, if any, upon surrender of the Series 2010 Bonds by the Owners thereof together with proof of the payment of principal thereof.

SECTION 6.5 Provisions Relating to Trustee. The following shall be applicable and, to the extent that any such provision conflicts with any provision of the Indenture applicable to the Series 2010 Insurer, the following provisions shall supersede such other provisions herein:

(a) The Trustee (or any Paying Agent) may be removed at any time, at the request of the Series 2010 Insurer, for any breach of the trust set forth herein.

(b) The Series 2010 Insurer shall receive prior written notice of any Trustee (or any Paying Agent) resignation.

(c) Every successor Trustee appointed pursuant to the Indenture shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Series 2010 Insurer. Any successor Paying Agent, if applicable, shall not be appointed unless the Series 2010 Insurer approves such successor in writing.

(d) In determining whether the rights of the Bond-owners will be adversely affected by any action taken pursuant to the terms and provisions of this Supplemental Indenture, the Trustee (or any Paying Agent) shall consider the effect on the Owners of the Series 2010 Bonds as if there were no Series 2010 Municipal Bond Insurance Policy.

(e) Notwithstanding any other provision of this Supplemental Indenture, no removal, resignation or termination of the Trustee (or any Paying Agent) shall take effect until a successor, acceptable to the Series 2010 Insurer, shall be appointed, unless such successor has been so appointed by a court of competent jurisdiction.

SECTION 6.6 Series 2010 Insurer as Third Party Beneficiary. To the extent that this Supplemental Indenture confers upon or gives or grants to the Series 2010 Insurer any right, remedy or claim under or by reason of this Supplemental Indenture, the Series 2010 Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder. Notwithstanding the foregoing or anything in the Indenture to the contrary, the rights and benefits of, and the duties and obligations owed by the Corporation to, the Series 2010 Insurer shall be effective only so long as the Series 2010 Municipal Bond Insurance Policy is in effect and the Series 2010 Insurer is not in default under either.

SECTION 6.7 Benefitted Parties. Nothing in this Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Corporation, the Trustee, the Series 2010 Insurer, any Paying Agent and the Owners of the Series 2010 Bonds, any right, remedy or claim under or by reason of this Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Supplemental Indenture contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Series

2010 Insurer, any Paying Agent, and the Owners of the Series 2010 Bonds.

SECTION 6.8 Effectiveness of Certain Provisions. The provisions of Section 7.01 through and including 7.08 are only effective while the Series 2010 Municipal Bond Insurance Policy, is in effect and the Series 2010 Insurer is not in default thereunder.

## ARTICLE VII

### MISCELLANEOUS

#### SECTION 7.1 Certain References.

(a) References in Sections 2.04, 5.06, 5.08, 7.02, 7.06, 8.01, 8.03, 8.05, 9.02, 10.01, 11.04, 11.06, 11.08, 11.09, 11.11, 11.13 and 13.08 of the Indenture to "Series 2004 City Lease" shall be deemed to also be to "Series 2010 City Lease."

(b) References in Sections 5.06, 8.06, 11.06, 11.08 and 11.12 of the Indenture to "Series 2004 Bonds" shall be deemed to also be to "Series 2010 Bonds."

(c) References in Sections 7.02, 8.03, 8.05, 9.02, 11.08, 11.09, 11.11 and 11.13 of the Indenture to "Series 2004 Ground Leases" shall be deemed to also be to "Series 2010 Ground Lease."

(d) References in Sections 8.06, 11.08 and 13.03 of the Indenture to "Series 2004 Insurer" shall be deemed to also be to "Series 2010 Insurer."

(e) The Reference in Section 8.06 of the Indenture to "Series 2004 Municipal Bond Insurance Policy" shall be deemed to also be to "Series 2010 Municipal Bond Insurance Policy."

#### SECTION 7.2 Severability.

(a) In case any section or provision of this Supplement, or any covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Supplement, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Supplement or any other covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Supplement, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein.

(b) Any illegality, invalidity or inoperability shall not affect any legal, valid and operable section, action, covenant, agreement, stipulation, obligation, act, provision, part or applica-

tion, all of which shall be deemed to be effective, operative, made, assumed, entered into or taken in the manner and to the full extent permitted by law from time to time.

SECTION 7.3 Notices. Except as provided in Section 8.02 of the Indenture, it shall be sufficient service or giving of any notice, request, complaint, demand or other instrument or document, if it is duly mailed by first class mail notices to the Corporation, the City and, the Trustee and the Series 2010 Insurer shall be addressed as follows:

(i) If to the Corporation:

City of Prescott Municipal Property  
Corporation  
c/o City of Prescott, Arizona  
201 South Cortez  
Prescott, Arizona 86303  
Attention: President

(ii) If to the City:

City of Prescott, Arizona  
201 South Cortez  
Prescott, Arizona 86303  
Attention: Finance/Budget Director

(iii) If to the Trustee:

U.S. Bank National Association  
101 North First Avenue  
Suite 1600  
Phoenix, Arizona 85003  
Attention: Corporate Trust Services  
(LM-AZ-X16P)

(iv) If to the Series 2010 Insurer:

As provided in Section 7.02.

Duplicate copies of each notice, request, complaint, demand or other instrument or document given hereunder by the Corporation, the City, the Trustee or the Series 2010 Insurer to one or either of the others also shall be given to the others. The foregoing parties may designate, by notice given hereunder, any further or different addresses to which any subsequent notice, request, complaint, demand or other instrument or document shall be sent. The Trustee shall designate, by notice to the Corporation, the City and the Series 2010 Insurer, the addresses to which notices or copies thereof shall be sent to the Registrar and the Paying Agents.

SECTION 7.4 Counterparts. This Supplement may be executed in any number of counterparts, each of which shall be regarded

as an original and all of which shall constitute but one and the same instrument.

SECTION 7.5 Cancellation. To the extent applicable by provision of law, the parties hereto acknowledge that this Supplement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein.

## ARTICLE VIII

### INTEGRATION OF DOCUMENTS

SECTION 8.1 The Original Indenture and This Supplemental Indenture. The Original Indenture and this Supplement shall be deemed and considered as a single document, and the covenants, agreements, terms, conditions, rights, privileges, duties and liabilities contained in the Indenture and this Supplement and arising thereunder and hereunder shall apply concurrently, except as specifically set forth herein, and except when the context or circumstances otherwise require.

SECTION 8.2 Indenture to Remain in Effect, Except as Modified. Except as otherwise modified, amended or supplemented by this Supplement, the Original Indenture shall remain in full force and effect for and until the defeasance clause of the preamble of this Supplement is satisfied.

### SECTION 8.3 Incorporation of State Statutes.

(a) To the extent applicable under Section 41-440, Arizona Revised Statutes, as amended, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes, as amended. The breach by the Trustee of the foregoing shall be deemed a material breach of the Indenture and may result in the termination of the services of the Trustee. The Corporation retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the Corporation including granting the Corporation entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(b) Pursuant to Sections 35-391.06 and 35-393.06, Arizona Revised Statutes, as amended, the Trustee does and shall not have a scrutinized business operation in Sudan or Iran. For the purpose of this Section the term "scrutinized business operations" shall have the meanings set forth in Section 35-391 and 35-393,

Arizona Revised Statutes, as amended, as applicable. If the Corporation determines that the Trustee submitted a false certification, the Corporation may impose remedies as provided by law including terminating the services of the Trustee.

IN WITNESS WHEREOF, the Corporation has caused this Supplement to be executed and delivered for it and in its name and on its behalf by its duly authorized officers; in token of its acceptance of the trusts created hereunder and under the Indenture, the Trustee has caused this Supplement to be executed and delivered for it and in its name and on its behalf by its duly authorized officer; and in token of its acceptance of the duties and obligations of the Registrar hereunder and under the Indenture, the Registrar has caused this Supplement to be executed and delivered for it and in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION

By.....  
President

ATTEST:

.....  
Secretary-Treasurer

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee and Registrar

By.....  
Authorized Representative

EXHIBIT A

[Form of Series 2010 Bond]

REGISTERED  
NO. R -...

REGISTERED  
\$.....

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE CORPORATION OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA  
STATE OF ARIZONA  
CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION  
REVENUE BOND, SERIES 2010

Interest Rate:            Maturity Date:            Dated Date:            CUSIP:  
.....% per annum    July 1, .....            \_\_\_\_\_, 2010            74073R \_\_\_\_

REGISTERED OWNER: .....

PRINCIPAL AMOUNT: ..... DOLLARS

CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION, a nonprofit corporation organized and existing under and by virtue of the laws of the State of Arizona (hereinafter referred to as the "Corporation"), for value received, hereby promises to pay to the Registered Owner (named above), or registered assigns, the Principal Amount (stated above) on the Maturity Date (stated above), unless this bond is redeemed prior to the Maturity Date and payment provided therefor, and to pay interest on the principal amount at the Interest Rate (stated above) on January 1 and July 1 of each year, commencing on \_\_\_\_\_ 1, 2010 (each an "interest payment date"), from the Dated Date (stated above) to the Maturity Date, or until redeemed prior to the Maturity Date. The principal of and premium, if any, on this bond are payable upon presentation and surrender hereof at the designated corporate trust office of ....., as trustee (the "Trustee"). Interest on this bond is payable by check mailed to the registered owner hereof, as shown on the registration books for this series maintained by the Trustee, at the address appearing therein at the close of business on the 15th day of the calendar month next preceding that interest payment date (the

"regular record date"). Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor bonds) as of the regular record date, but shall be payable to the registered owner hereof (or of one or more predecessor bonds) at the close of business on a special record date to be fixed by the Trustee for the payment of that overdue interest. The special record date shall be fixed by the Trustee whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to registered owners of this bond not less than 10 days prior thereto. The principal of and premium, if any, and interest on this bond are payable in lawful money of the United States of America, without deduction for the services of the Trustee.

This bond is one of a duly authorized issue of bonds of the Corporation known as its Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), issued for the purpose of assisting the City of Prescott, Arizona (the "City"), in refinancing certain obligations of the Corporation for which the City is obligated pursuant to certain existing agreements and financing certain projects for the City. The Series 2010 Bonds are special obligations of the Corporation issued under and secured, both as to principal and interest, by a Trust Indenture, dated as of December 1, 2004, as supplemented by a First Supplement to Trust Indenture, dated as of May 1, 2007, and a Second Supplement to Trust Indenture, dated as of \_\_\_\_\_ 1, 2010 (as so supplemented, hereinafter referred to as the "Indenture"), from the Corporation to the Trustee. Reference is hereby made to the Indenture for the nature and extent of the security, a statement of the terms and conditions upon which the Series 2010 Bonds are issued and secured, the rights of the registered owners hereof and the terms under which bonds with a superior lien over the Series 2010 Bonds have been, and on a parity of lien with the Series 2010 Bonds have been and may be, issued.

The Corporation is the lessee of real property owned by the City. Pursuant to a Series 2010 City Lease, dated as of \_\_\_\_\_ 1, 2010 (the "City Lease"), by and between the Corporation and the City, the Corporation has leased such real property, together improvements now or hereafter to be located thereon (the "Leased Property") back to the City. The rent payments to be paid by the City to the Corporation pursuant to the Series 2010 City Lease have been assigned to the Trustee as security for the payment of the Series 2010 Bonds.

Under the terms of the Series 2010 City Lease, the City has agreed to pay as rent payments sums sufficient to pay, among other things, the principal of and interest on the Series 2010 Bonds, as the same come due, and all charges and expenses of the Trustee. In order to secure the payment of the rent payments, the City has pledged (i) revenues from the unrestricted transaction privilege (sales) tax of the City, licenses, franchise fees, permits, fines, forfeitures and charges for services which the City imposes; except that such revenues shall not include revenues from the one percent (1%) tax approved at elections held in 1985, 1995 and 2000 which are to be expended for street improvement and open space acquisition and provided that the

Council of the City may impose other transaction privilege taxes in the future, the uses of revenues from which will be restricted, at the discretion of such Council and (ii) any excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State of Arizona or any agency thereof and returned, allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes, subject to certain limitations provided in the Series 2010 City Lease.

*The Series 2010 City Lease does not constitute a general obligation of the City nor any indebtedness of the City within the meaning of the Constitution or laws of the State of Arizona. This Bond and all the Series 2010 Bonds are payable solely from amounts received by the Corporation under the Series 2010 City Lease and all supplements thereto. This bond is not a general obligation of the Corporation, and no incorporator, member, director, officer or agent, as such, past, present or future, of the Corporation shall be personally liable for the payment hereof.*

As provided in, and to the extent permitted by the Indenture, or any indenture supplemental thereto, the rights and obligations of the Corporation and the registered owners of the Series 2010 Bonds may be modified by the Corporation with the written consent of the registered owners of a majority of the principal amount of the Series 2010 Bonds outstanding and/or under certain circumstances the insurer of the Series 2010 Bonds as hereinafter identified, provided, however, that no such modification shall effect the reduction of, or the extension of the stated time of payment of the principal hereof, or of the interest hereon, or permit the creation of any lien on the trust estate established by the Indenture prior to or on a parity with the lien of the Indenture (except parity bonds or other obligations under the conditions set forth in the Indenture) or deprive the registered owner hereof of the lien created by the Indenture.

The City has covenanted and agreed with the registered owners of the Series 2010 Bonds that, so long as any of the Series 2010 Bonds remain outstanding and any of the principal and interest thereon shall be unpaid or unprovided for, the City will not further encumber the amounts pledged under the Series 2010 City Lease on a basis equal to its pledge thereunder unless the amounts collected in the next preceding fiscal year of the City, after deducting amounts necessary to pay certain prior lien bonds of the City currently outstanding, shall have amounted to at least three (3.0) times the highest combined interest and principal requirements for any succeeding 12 months' period for all Series 2010 Bonds then outstanding and all other parity obligations secured and so proposed to be secured by a pledge of those amounts.

The Series 2010 Bonds maturing on or after July 1, 2020, are subject to redemption, at the option of the Corporation, in whole at any time, or in part on any interest payment date, in any order of maturity and by lot within a maturity, on or after July 1, 2019, at a

redemption price equal to the principal amount of the Series 2010 Bonds being redeemed, plus accrued interest to the date fixed for redemption, without premium.

The Series 2010 Bonds maturing on July 1, 20\_\_, are subject to mandatory redemption on the dates and in the amounts set forth below, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, as follows:

<u>Date</u> <u>(July 1)</u>	<u>Principal Amount</u>
20__	\$__,000
20__	__,000
20__	__,000

A remaining principal amount of \$\_\_,000 of Series 2010 Bonds will mature on July 1, 20\_\_.

The Series 2010 Bonds maturing on July 1, 20\_\_, are subject to mandatory redemption on the dates and in the amounts set forth below, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, as follows:

<u>Date</u> <u>(July 1)</u>	<u>Principal Amount</u>
20__	\$__,000
20__	__,000
20__	__,000
20__	__,000

A remaining principal amount of \$\_\_,000 of Series 2010 Bonds will mature on July 1, 20\_\_.

Notice of redemption of the Series 2010 Bonds shall be mailed by first class mail, postage prepaid, not more than 60 nor less than 30 days prior to the date fixed for redemption, to the registered owner of each Series 2010 Bond to be redeemed in whole or in part at the registered owner's address shown on the registration books for the Series 2010 Bonds on the day preceding that mailing. Failure to mail notice to any registered owner of Series 2010 Bonds shall not affect the validity of the proceeding for the redemption of Series 2010 Bonds with respect to registered owners of other Series 2010 Bonds.

The Registrar, initially the Trustee, will maintain the books of the Corporation for the registration of ownership of each Series 2010 Bond as provided in the Indenture.

This Series 2010 Bond may be transferred on the registration books upon delivery hereof to the Registrar, accompanied by a written instrument of transfer in form and with guaranty of signature satisfactory to the Registrar, duly executed by the registered owner

of this Series 2010 Bond, or his or her attorney-in-fact or legal representative, containing written instructions as to the details of the transfer. No transfer of this Series 2010 Bond shall be effective until entered on the registration books.

In all cases upon the transfer of a Series 2010 Bond, the Registrar will enter the transfer of ownership in the registration books and will authenticate and deliver, in the name of the transferee or transferees, a new fully registered Series 2010 Bond or Bonds, of the denominations of \$5,000 or any whole multiple thereof (except that no Series 2010 Bond shall be issued which relates to more than a single principal maturity) for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Indenture.

The registered owner of one or more Series 2010 Bonds may, upon request, and upon the surrender to the Registrar of such Series 2010 Bonds, exchange such Series 2010 Bonds for Series 2010 Bonds of other authorized denomination of the same maturity and interest rate together aggregating the same principal amount as the Series 2010 Bonds so surrendered.

The Corporation or the Registrar will charge the registered owner of such Series 2010 Bond, for every such transfer or exchange of a Series 2010 Bond, an amount sufficient to reimburse it for any tax, fee or other charge required to be paid with respect to such transfer and may require that such charge be paid before any such new Series 2010 Bond shall be delivered. The registered owner of any Series 2010 Bond will be required to pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen or destroyed Series 2010 Bond.

The Corporation and the Registrar will not be required (a) to issue or transfer any Series 2010 Bonds during a period beginning with the opening of business on the 15th business day next preceding the date of mailing of notice of Series 2010 Bonds to be redeemed and ending with the close of business on the day on which the applicable notice of redemption is mailed or (b) to transfer any Series 2010 Bonds which have been selected or called for redemption in whole or in part.

This bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Registrar.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and laws of the State of Arizona to exist, to occur and to be performed precedent to and in the issuance of this bond exist, have occurred and have been performed. Neither this bond nor the series of bonds of which this is one, is a general obligation of the Corporation or the City but is payable solely from the sources and in the manner set forth herein.

IN WITNESS WHEREOF, the President and Secretary-Treasurer of the Corporation have caused this bond to be executed in the name of the Corporation by the facsimile signature of said President and by the facsimile signature of said Secretary-Treasurer, all as of the date written above.

CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION

..... (Facsimile) .....  
President

ATTEST:

..... (Facsimile) .....  
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010.

Date of Authentication: .....

.....,  
as Registrar

By.....  
Authorized Representative

STATEMENT OF INSURANCE  
[???

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto ..... the within bond and irrevocably constitutes and appoints ..... attorney to transfer that bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:.....

Signature Guaranteed:

.....  
Signature guarantee should be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other program acceptable to the Bond Registrar.

.....  
Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or any change whatsoever.

[Insert appropriate abbreviations]

§ \_\_\_\_\_  
**CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION  
REVENUE BONDS, SERIES 2010**

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**BOND PURCHASE CONTRACT**

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\_\_\_\_\_, 2010

City of Prescott Municipal Property Corporation  
c/o City of Prescott, Arizona  
201 South Cortez  
Prescott, Arizona 86303  
Attention: President

City of Prescott, Arizona  
201 South Cortez  
Prescott, Arizona 86303  
Attention: Finance Director

Ladies and Gentlemen:

On the basis of the representations, warranties and covenants contained in this Bond Purchase Contract (the "*Purchase Contract*") and upon the terms and conditions contained herein, the undersigned, RBC Capital Markets Corporation (the "*Underwriter*"), hereby offers to enter into the following contract with the City of Prescott Municipal Property Corporation (the "*Corporation*") and the City of Prescott, Arizona (the "*City*"). Upon written acceptance of this offer by the Corporation and the City, this Purchase Contract will be binding upon the Corporation, upon the City and upon the Underwriter. This offer is made subject to acceptance by the Corporation and the City by execution and delivery of this Purchase Contract to the Underwriter on or before 5:00 p.m., Phoenix, Arizona time, on this date, and if this Purchase Contract is not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Corporation and the City at any time prior to the execution and delivery hereof by the Corporation and the City.

The City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010 (the "*Bonds*") are being issued by the Corporation pursuant to, and as described in the Trust Indenture, dated as of December 1, 2004, as amended and supplemented by the First Supplement to Trust Indenture, dated as of May 1, 2007 (the "*First Supplement*") and by the Second Supplement to Trust Indenture, dated as of February 1, 2010 (the "*Second Supplement*") and such Trust Indenture as so supplemented, the "*Indenture*"), between the Corporation and U.S. Bank National Association (the "*Trustee*"), as trustee.

The proceeds of the Bonds will be used by the Corporation to (i) pay all costs and expenses of the issuance of the Bonds, (ii) construct certain roadway improvements (the “*2010 Project*”), and (iii) refinance the Corporation’s Excise Tax Revenue Bonds, Series 1998-F. The City and the Corporation will enter into an extension of the Series 2007 Ground Lease (the “*Series 2010 Ground Lease*”), between the City as lessor, and the Corporation, as lessee, pursuant to which the City will extend the lease to the Corporation of certain real property owned by the City. The Corporation will lease such real property to the City pursuant to the Series 2010 City Lease, dated as of February 1, 2010 (the “*Series 2010 City Lease*”), between the Corporation, as lessor, and the City, as lessee. The rent payments made by the City pursuant to the Series 2010 City Lease will be pledged by the Corporation to the Trustee pursuant to the Indenture and used to pay the principal of and interest on the Bonds. The City’s obligations to make rent payments are secured by a pledge of and lien upon the revenues from the Excise Taxes (as defined in the Series 2010 City Lease) and upon the State Shared Revenues (as defined in the Series 2010 City Lease) (collectively, the “*Revenues*”), subject to the prior and paramount use of the portion thereof for payment of the lease payment remaining due pursuant to the Series 1998 City Lease, dated as of December 1, 1998, for the outstanding City of Prescott Municipal Property Corporation Excise Tax Revenue Bonds, Series 1998-F, dated as of December 1, 1998 and the parity use of all Revenues for payment of rent payments remaining due pursuant to the Series 2004 City Lease, dated as of December 29, 2004, for the remaining outstanding Series 2004 Bonds, dated December 29, 2004, and pursuant to the Series 2007 City Lease, dated as of May 1, 2007 for the remaining outstanding Series 2007 Bonds, dated May 9, 2007.

The Bonds will be offered by means of the Preliminary Official Statement, dated January \_\_, 2010, relating to the Bonds (including the cover page and all appendices, the “*Preliminary Official Statement*”) and the final Official Statement, dated the date of this Purchase Contract, relating to the Bonds (including the cover page and all appendices, the “*Official Statement*”). The City will enter into and deliver a Series 2010 Continuing Disclosure Agreement (the “*Disclosure Undertaking*”) to provide, or cause to be provided, ongoing disclosure for the benefit of the owners of the Obligations as described in the Disclosure Undertaking for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “*Disclosure Rule*”).

This Purchase Contract, the Indenture, the Series 2010 Ground Lease and the Series 2010 City Lease are referred to as the “*Corporation Documents*.” This Purchase Contract, the Series 2010 Ground Lease, the Series 2010 City Lease and the Disclosure Undertaking are referred to as the “*City Documents*.” The issuance of the Bonds and the execution and delivery of the Corporation Documents were authorized by a resolution (the “*Corporation Resolution*”), adopted by the Board of Directors of the Corporation at a meeting duly called and held on December 17, 2009. The Corporation’s issuance of the Bonds and the execution and delivery of the City Documents were authorized by Ordinance No. \_\_\_\_\_ adopted by the Mayor and Council of the City at a meeting duly called and held on January 12, 2010 (the “*City Ordinance*”).

Capitalized terms not otherwise defined herein shall have the meanings given them in the Preliminary Official Statement.

## SECTION 1. PURCHASE AND SALE

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Corporation, and the Corporation hereby agrees to sell to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ original principal amount of the Bonds, dated the date of initial delivery thereof, being subject to redemption and maturing in the years and in the amounts and representing interest from the initial date of delivery thereof, at the rates all as set forth in Schedule I hereto. Interest on the Bonds shall be payable on January 1 and July 1 of each year, commencing on July 1, 2010, and the Bonds shall have the other terms as provided in the Indenture. Inasmuch as this purchase and sale represents a negotiated transaction, the Corporation understands, and hereby confirms, that the Underwriter is not acting as a fiduciary or agent of the Corporation or the City, but rather is acting solely in its capacity as Underwriter for its own account. The Underwriter has been duly authorized to execute this Purchase Contract and to act hereunder.

The aggregate purchase price of the Bonds shall be \$\_\_\_\_\_ (such Purchase Price is equal to the aggregate principal amount of the Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, minus Underwriter's discount of \$\_\_\_\_\_).

(b) The Underwriter intends to make a bona fide public offering of the Bonds at the offering prices or yields set forth in Schedule I, and based upon those initial offering prices or yields, however, the Underwriter may offer a portion of the Bonds for sale to selected dealers who are members of the National Association of Securities Dealers, Inc. and who agree to resell the Bonds to the public on terms consistent with this Purchase Contract and the Underwriter reserves the right to change such offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds and to offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or at yields higher than the initial yields set forth in Schedule I and in the Official Statement. The Underwriter also reserves the right to over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. None of such activities shall affect the principal amounts, maturity dates, interest rates, redemption or other provision of the Bonds or the amount to be paid by the Underwriter to the Corporation for the Bonds.

## SECTION 2. THE OFFICIAL STATEMENT.

(a) The Corporation and the City have caused the Preliminary Official Statement to be prepared for use in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Corporation hereby represents and warrants that, as of its date, the Preliminary Official Statement, to the extent it relates to the Corporation, was "deemed final" (except for permitted omissions) by the Corporation for purposes of the Disclosure Rule. The City hereby represents and warrants that, as of its date, the Preliminary Official Statement, excluding information therein relating to the Corporation, was "deemed final" (except for permitted omissions) by the City for purposes of the Disclosure Rule.

(b) The Corporation and the City hereby authorize 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 Bonds. The Corporation and the City consent to the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Corporation and the City shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of their acceptance of this Purchase Contract (but, in any event, not later than within seven business days after the their acceptance of this Purchase Contract 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 Disclosure Rule and the rules of the Municipal Securities Rulemaking Board.

(c) If, after the date of this Purchase Contract 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 Disclosure Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Disclosure Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities repository, but in no case less than 25 days after the “end of the underwriting period” for the Bonds), the Corporation or 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 Corporation or the City, as applicable, 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 Corporation, the City or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Corporation and the City will forthwith prepare and furnish, at the Corporation’s and 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 (as hereinafter defined), the Corporation and 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.

(d) The Underwriter hereby agrees to file the Official Statement with a nationally recognized municipal securities information repository. Unless otherwise notified in writing by the Underwriter, the Corporation and the City can assume that the “end of the underwriting period” for purposes of the Rule is the date of the Closing.

### SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION.

The undersigned on behalf of the Corporation, but not individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) Existence and Powers. The Corporation is a nonprofit corporation duly organized and validly existing under the laws of the State of Arizona (the “State”) and has full legal right, power and authority to (i) enter into, execute, deliver and perform its duties under the Corporation Documents; (ii) approve, execute and authorize the use and distribution of the Official Statement; (iii) execute, issue and sell the Bonds as provided in the Corporation Resolution and this Purchase Contract; (iv) adopt and approve the Corporation Resolution; and (v) carry out and consummate all other transactions contemplated by the Corporation Resolution, the Official Statement and the Corporation Documents. The Corporation has complied with all material, applicable provisions of law and has taken all material actions required to be taken by it in connection with the transactions contemplated by the aforesaid documents; provided that the Corporation does not make any representations with respect to any requirements under the Blue Sky laws of any jurisdiction.

(b) Due Authorization. The Corporation has duly authorized (i) the execution and delivery of, and the due performance of its obligations under the Bonds and the Corporation Documents and (ii) the taking of any and all actions as may be required on the part of the Corporation to carry out, give effect to and consummate the transactions contemplated by the Bonds, the Official Statement and the Corporation Documents. The Corporation will take any and all actions necessary or appropriate to consummate the transactions described in the Bonds, the Corporation Documents and the Official Statement.

(c) Due Execution and Delivery. This Purchase Contract has been duly executed and delivered by the Corporation and, when executed and delivered by the other parties hereto, will be the legal, valid and binding obligation of the Corporation enforceable in accordance with its terms, subject to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws in effect from time to time affecting the rights of creditors generally and the exercise of judicial discretion.

(d) Corporation Resolution Valid. The Corporation Resolution authorizing the issuance of the Bonds, the execution and delivery of the Corporation Documents and the sale of the Bonds to the Underwriter has been duly and validly adopted by the Corporation and is in full force and effect.

(e) Officers and Officials. The officers and officials of the Corporation executing the Corporation Documents, the Bonds and the Official Statement, and the officers and officials of the Corporation listed on the certificate of the Corporation to be delivered at the Closing, have been or will have been duly appointed and are or will be qualified to serve as such officers and officials of the Corporation.

(f) The Bonds. The form, terms, execution and issuance of the Bonds have been duly and validly authorized and, when authenticated by the Trustee and delivered and paid for by the Underwriter on the date of the Closing in accordance with the terms of this Purchase Contract, will (i) have been duly authorized, executed and issued and (ii) constitute legal, valid and binding special obligations of the Corporation enforceable in accordance with their terms and entitled to the benefits and security of the Indenture, subject to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws in effect from time to time affecting the rights of creditors generally and to the availability of equitable relief. The Bonds are special obligations of the Corporation, and the principal of and interest and any premium on the Bonds are payable by the Corporation from the Revenues, except to the extent payable from Bond proceeds

and the investment thereof. The Corporation shall not be obligated to pay the principal of or interest or any premium on the Bonds except from the Revenues and other funds pledged by the Indenture, and neither the faith and credit nor the taxing power of the State, the City or any other political subdivision thereof is pledged as security for such payment.

(g) Governmental Approvals. No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained (other than any approvals that may be required under the Blue Sky laws of any jurisdiction) is required with respect to the Corporation in connection with the issuance and sale of the Bonds or the execution and delivery by the Corporation of, or the performance by the Corporation of its obligations under, the Bonds or the Corporation Documents and the consummation of the transactions contemplated by the Official Statement.

(h) No Conflicts. The adoption by the Corporation of the Corporation Resolution and the execution and delivery by the Corporation of the Bonds, the Corporation Documents and all other documents executed and delivered by the Corporation in connection with the issuance of the Bonds, and the compliance by the Corporation with the provisions thereof, do not and will not materially conflict with, result in a material breach or violation of any of the terms or provisions of, or constitute a material default under, any resolution, indenture, deed of trust, mortgage commitment, agreement or other instrument to which the Corporation is a party or by which the Corporation is bound, or any constitutional provision, existing law, administrative regulation, court order or consent decree to which the Corporation or its property is subject.

(i) Priority of the Bonds. The Corporation has not granted a lien on or made a pledge of or agreed to appropriate the Revenues and other moneys receivable under the Indenture, except as provided or permitted in the Indenture.

(j) No Defaults. The Corporation is not now and has never been in default in the payment of, or otherwise in default with respect to, any obligations which it has issued, assumed or guaranteed as to payment. The Corporation has no knowledge that any event has occurred or is continuing that, with the lapse of time or the giving of notice, or both, would constitute an event of default under any such obligations. No event has occurred or is continuing that, upon the issuance of the Bonds, would constitute an event of default under the Indenture, the Series 2010 Ground Lease or the Series 2010 City Lease or which with the lapse of time or the giving of notice, or both, would constitute an event of default under such documents.

(k) Litigation. Except as specifically set forth in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or overtly threatened against or affecting the Corporation and there is no basis therefor, (i) which in any way questions the powers of the Corporation referred to in subparagraphs (a), (b) and (c) above, or the validity of the proceedings taken by the Corporation in connection with the issuance and sale of the Bonds, or (ii) wherein an unfavorable decision, ruling or finding would materially and adversely affect the transactions contemplated by the Corporation Documents or the Official Statement, or would in any way adversely materially affect the validity or enforceability of the Bonds or the Corporation Documents (or of any other instrument required or contemplated for use in consummating the transactions contemplated thereby or hereby or by the Official Statement) or the exclusion of interest on the

Bonds from gross income for federal income tax purposes as set forth in the Official Statement, or (iii) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement. Further, there are no lawsuits pending or overtly threatened against the Corporation which question its right to receive and apply the Revenues as provided in the Indenture, nor lawsuits pending or overtly threatened against the Corporation which, if decided adversely to the Corporation, would, individually or in the aggregate, have a material adverse effect on the Revenues to be applied for the payment of the principal of and interest on the Bonds or the financial condition of the Corporation, or impair the Corporation's ability to comply with all the requirements set forth in the Indenture.

(l) Preliminary Official Statement. To the best of its knowledge, as of the date thereof, the Preliminary Official Statement as it relates to the Corporation 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.

(m) Official Statement. At the time of the Corporation's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to Section 2(c) of this Purchase Contract) at all times subsequent thereto during the period up to and including the date of the Closing, the Official Statement as it relates to the Corporation does not, to the best of its knowledge, 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.

(n) Supplemented Official Statement. If the Official Statement is supplemented or amended pursuant to Section 2(c) of this Purchase Contract, 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 it relates to the Corporation 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.

(o) Certificates and Representations. Any certificate signed by an authorized officer of the Corporation and delivered to the Underwriter shall be deemed a representation and warranty by the Corporation to the Underwriter as to the statements made therein. The Corporation covenants that between the date hereof and the date of the Closing it will not take any action that will cause the representations and warranties made herein to be untrue as of the date of the Closing.

(p) Blue Sky. The Corporation will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request, to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that the Corporation will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction. The Corporation will advise the Underwriter promptly of receipt by the Corporation of any notification with respect to

the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

The Corporation agrees that all representations, warranties and covenants made by it herein, and in certificates or other instruments delivered pursuant hereto or in connection herewith, will be deemed to have been relied upon by the Underwriter notwithstanding any investigation heretofore or hereafter made by the Underwriter or on its behalf, and that all representations, warranties and covenants made by the Corporation herein and therein and all of the rights of the Underwriter hereunder and thereunder will survive the issuance and delivery of the Bonds.

#### SECTION 4. REPRESENTATIONS AND WARRANTIES 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) Existence and Powers. The City is a municipal corporation duly organized and validly existing under the laws of the State and has full legal right, power and authority to (i) enter into, execute, deliver and perform its duties under the City Documents; (ii) approve and authorize the use and distribution of the Official Statement; (iii) make a pledge of the revenues from the Excise Taxes and the State Shared Revenues as required under the Series 2010 City Lease; and (iv) carry out and consummate all other transactions contemplated by the Official Statement and the City Documents. The City has complied with all material, applicable provisions of law and has taken all material actions required to be taken by it in connection with the transactions contemplated by the aforesaid documents; provided that the City does not make any representations with respect to any requirements under the Blue Sky laws of any jurisdiction.

(b) Due Authorization. The City has duly authorized (i) the execution and delivery of, and the due performance of, its obligations under the City Documents and (ii) the taking of any and all actions as may be required on the part of the City to carry out, give effect to and consummate the transactions contemplated by the Official Statement and the City Documents. The City will take any and all actions necessary or appropriate to consummate the transactions described in the City Documents and the Official Statement.

(c) Due Execution and Delivery. This Purchase Contract has been duly executed and delivered by the City and, when executed and delivered by the other parties thereto, will be the legal, valid and binding obligation of the City enforceable in accordance with its terms, subject to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws in effect from time to time affecting the rights of creditors generally and the exercise of judicial discretion.

(d) City Ordinance Valid. The City Ordinance approving the issuance of the Bonds by the Corporation, and authorizing the execution and delivery of the City Documents and the sale of the Bonds to the Underwriter has been duly and validly adopted by the City and is in full force and effect.

(e) Officers and Officials. The officers and officials of the City executing the City Documents and the Official Statement, and the officers and officials of the City listed on the

certificate of the City to be delivered on the date of the Closing, have been or will have been duly appointed and are or will be qualified to serve as such officers and officials of the City.

(f) Governmental Approvals. No approval, permit, consent, authorization or order of any court or any governmental or public agency, authority or person not already obtained (other than any approvals that may be required under the Blue Sky laws of any jurisdiction) is required with respect to the City in connection with the issuance and sale of the Bonds or the execution and delivery by the City of, or the performance by the City of its obligations under, the City Documents and the consummation of the transactions contemplated by the Official Statement.

(g) No Defaults. As of the time of acceptance hereof and as of the date of the Closing, except as otherwise disclosed in the Official Statement, the City is not and will not be in material breach of or in material default under any applicable law or administrative regulation of the State or the United States, or any applicable judgment or decree, or the City Ordinance, or any other trust agreement, loan agreement, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject, the consequence of any of the foregoing of which or the correction of any of the foregoing of which materially and adversely affects the operations of the City as of such times; and as of such times, except as disclosed in the Official Statement, the execution and delivery of the City Documents and compliance with the provisions of each of such agreements or instruments do not and will not (with the lapse of time or the giving of notice or both) conflict with or constitute a material breach of or material default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any trust agreement, loan agreement, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject.

(h) Financial Statements. The audited financial statements of the City incorporated in Appendix F to the Official Statement and the Preliminary Official Statement fairly present the financial position and results of operations of the City at the respective dates and for the respective periods indicated therein in accordance with generally accepted accounting principles (“GAAP”), and have been prepared in accordance with GAAP consistently applied throughout the periods concerned (except as otherwise disclosed in the financial statements).

(i) Litigation. Except as specifically set forth in the Official Statement, there is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or overtly threatened against or affecting the City and there is no basis therefor, (i) which in any way questions the powers of the City referred to in subsections (a), (b) and (c) above, or the validity of the proceedings taken by the City in connection with the authorization and delivery of the City Documents or the Official Statement, or (ii) wherein an unfavorable decision, ruling or finding would materially and adversely affect the transactions contemplated by the City Documents or the Official Statement, or would in any way materially and adversely affect the validity or enforceability of the City Documents (or of any other instrument required or contemplated for use in consummating the transactions contemplated thereby or hereby or by the Official Statement) or the exclusion from gross income for federal income tax purposes of the interest on the Bonds as set forth in the Official Statement, (iii) seeking to prohibit, restrain or enjoin the pledges of the revenues from the Excise Taxes, or (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement. Further, there are no lawsuits pending or overtly threatened against the City which, if decided

adversely to the City, would, individually or in the aggregate, have a material adverse effect on the financial condition of the City, or impair the City's ability to comply with all the requirements set forth in the City Documents and the Official Statement.

(j) Preliminary Official Statement. As of the date thereof, the Preliminary Official Statement (other than the information therein under the heading "UNDERWRITING" and in "APPENDIX E – BOOK-ENTRY-ONLY SYSTEM" as to which no view is expressed) 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.

(k) Official Statement. At the time of the Underwriter's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to Section 2(c) of this Purchase Contract) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement (other than the information therein under the heading "UNDERWRITING" and in "APPENDIX E – BOOK-ENTRY-ONLY SYSTEM" as to which no view is expressed) 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.

(l) Supplemented Official Statement. If the Official Statement is supplemented or amended pursuant to Section 2(c) of this Purchase Contract, 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.

(m) Certificates and Representations. Any certificate signed by an authorized officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein. The City covenants that the representations of the City set forth herein and in the City Documents are, and as of the date of the Closing will be, true and correct unless modified as provided herein, and further covenants that between the date hereof and the date of the Closing it will not take any action that will cause the representations and warranties made herein to be untrue as of the date of the Closing.

(n) Blue Sky. The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request, to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that the City will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction. The City will advise the Underwriter promptly of receipt by the City of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(o) No Adverse Changes. Both at the time of acceptance hereof and at the date of the Closing, and except as otherwise disclosed in the Official Statement, there shall not have been any material adverse changes since June 30, 2009 (that being the date of the most recently available audited financial statements of the City), in the results of operations or financial condition of the City or in the level of development activities in the City, other than changes in the ordinary course of business or in the normal operation of the City or as otherwise disclosed in the Official Statement.

(p) Disclosure of Agreements, Contracts and Restrictions. Except as disclosed in the Official Statement, the City is not a party to any contract or agreement or subject to any restriction, the performance of or compliance with which may have a material adverse effect on the financial condition, operations or prospects of the City or the ability of the City to comply with all the requirements set forth in the City Ordinance and the City Documents.

(q) Reports to the Secretary of the Treasury. The City will prepare and submit the information reports concerning the Bonds required by Section 149(e) of the Code and any then existing or proposed regulations thereunder, by registered mail, return receipt requested, to the Secretary of the Treasury.

(r) Continuing Disclosure. The City is the only “obligated person” (as defined in the Disclosure Rule) with respect to the Bonds. Except as specifically set forth in the Official Statement, there have not been and, as of the date of the Closing, there will not have been, any instances in which the City failed to comply, in all material respects, with any previous continuing disclosure agreement made by the City for purposes of the Disclosure Rule.

The City agrees that all representations, warranties and covenants made by it herein, and in certificates or other instruments delivered pursuant hereto or in connection herewith, will be deemed to have been relied upon by the Underwriter notwithstanding any investigation heretofore or hereafter made by the Underwriter or on its behalf, and that all representations, warranties and covenants made by the City herein and therein and all of the rights of the Underwriter hereunder and thereunder will survive the issuance and delivery of the Bonds.

## SECTION 5. CLOSING

(a) At 8:00 a.m. MST time, on February \_\_, 2010, or at such other time and date as shall have been mutually agreed upon by the Corporation, the City and the Underwriter (the “*Closing*”), the Corporation will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter in the aggregate principal amount of each such maturity 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 Bonds as set forth in Section 1 of this Purchase Contract by wire transfer payable in immediately available funds to the order of the Trustee. The items identified in Section 6 below are to be delivered to the offices of Bond Counsel, or such other place as shall have been mutually agreed upon by the Corporation, the City and the Underwriter.

(b) The Bonds shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“*DTC*”), and delivery of the Bonds shall be

made through the facilities of DTC or, if pursuant to a “F.A.S.T.” delivery, to the Trustee. The Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one bond for each maturity of the Bonds, all as provided in the Indenture.

## SECTION 6. CLOSING CONDITIONS.

The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the Corporation and the City contained herein, 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 Corporation and the City of their respective obligations hereunder, both as of this date and as of the date of the Closing. Accordingly, the Underwriter’s obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Corporation and the City of their respective 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 Corporation and 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 Corporation and 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 Corporation and the City each shall have performed and complied with all agreements and conditions required by this Purchase Contract to be performed or complied with by each of them prior to or at the Closing;

(c) At the time of the Closing, (i) the Corporation Documents, the City Documents and the Bonds 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 Corporation and of the City required to be taken by the Corporation and by the City shall be performed in order for Bond Counsel and Underwriter’s Counsel to deliver their respective opinions referred to hereafter;

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

(e) 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 Bonds on the terms and in the manner contemplated in the Official Statement;

(f) Neither the Corporation nor the City shall have failed to pay principal or interest when due on any of their outstanding obligations for borrowed money;

(g) 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 Purchase Contract shall be reasonably satisfactory in legal form and effect to the Underwriter; and

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

(i) The Official Statement, and each supplement or amendment thereto, if any, executed on behalf of the City by its Mayor, or such other officials as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(ii) fully executed Corporation Documents and City Documents with such supplements or amendments as may have been agreed to by the Underwriter;

(iii) the approving opinion of Greenberg Traurig, LLP, Bond Counsel, with respect to the Bonds, in substantially the form attached to the Official Statement as Appendix B;

(iv) a supplemental opinion of Bond Counsel addressed to the Underwriter, in substantially the form attached hereto as Exhibit A;

(v) An opinion, dated the date of the Closing and addressed to the Underwriter, of Lewis and Roca LLP, counsel for the Underwriter, in substantially the form attached hereto as Exhibit B;

(vi) An opinion of Counsel to the Corporation, addressed to the Underwriter, in substantially the form attached hereto as Exhibit C;

(vii) An opinion of the City Attorney of the City, addressed to the Underwriter, in substantially the form attached hereto as Exhibit D;

(viii) A certificate, dated the date of Closing, of the Corporation to the effect that, to the knowledge of the signer, (A) the representations and warranties of the Corporation contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (B) no litigation or proceeding is pending or threatened in any court or administrative body nor is there a basis for litigation which would (1) contest the right of the members or officials of the Corporation to hold and exercise their respective positions, (2) contest the due organization and valid existence of the Corporation, (3) contest the validity, due authorization and execution of the Bonds or the Corporation Documents or (4) attempt to limit, enjoin or otherwise restrict or prevent the Corporation from functioning and collecting rent payments under the Series 2010 City Lease; (C) the Corporation Resolution authorizing the issuance, execution, delivery and/or performance, as applicable, of the Official Statement, the Bonds and Corporation Documents has been duly adopted by the Corporation, is in full

force and effect and has not been modified, amended or repealed, and (D) to the best of its knowledge, no event affecting the Corporation has occurred since the date of the Official Statement which 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 in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Official Statement as it relates to the Corporation is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing 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 made therein, in the light of the circumstances under which they were made, not misleading;

(ix) A certificate, dated the date of Closing, of the City to the effect that (A) no litigation or proceeding against it is pending or, to its knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (1) contest the right of the officials of the City to hold and exercise their respective positions, (2) contest the due organization and valid existence of the City, (3) contest the validity, due authorization and execution of the City Documents, or (4) attempt to limit, enjoin or otherwise restrict or prevent the City from functioning and collecting revenues, including the collection of the Excise Taxes and State Shared Revenues securing the payment of the principal of and interest on the Bonds; (B) the City Ordinance authorizing the execution, delivery and/or performance of the City Documents has been duly adopted by the City, is in full force and effect and has not been modified, amended or repealed, and (C) to the best of its knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Official Statement (other than the information therein under the heading “UNDERWRITING” and in “APPENDIX E – BOOK-ENTRY-ONLY SYSTEM” as to which no view is expressed) is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing 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 made therein, in the light of the circumstances under which they were made, not misleading;

(x) A certificate of the Corporation, with a supporting certificate 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 Bonds will be used in a manner that would cause the Bonds 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 Corporation and the City there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(xi) A certificate of the Trustee to the effect that (A) the Bonds have been duly executed and delivered by an authorized officer of the Trustee; (B) the Indenture has been duly executed and delivered by an authorized officer of the Trustee; and (C) the resolutions of the Trustee authorizing the execution and delivery and/or performance of the Indenture by the Trustee have been duly adopted by the Trustee, are in full force and effect and have not been modified, amended or repealed;

(xii) Any other certificates and opinions required by the Corporation Resolution, the City Ordinance and the Indenture for the issuance thereunder of the Bonds;

(xiii) Evidence satisfactory to the Underwriter that the Bonds have been rated “\_\_\_\_” by Standard & Poor’s Ratings Services (“*S&P*”), “\_\_\_\_” by Moody’s Investors Service (“*Moody’s*”) and “\_\_\_” by Fitch Ratings (“*Fitch*”) and that all such ratings are in effect as of the date of the Closing;

(xiv) A copy of the filing copy of the Information Return Form 8038-G for the Bonds required by Section 149(e) of the Code; and

(xv) 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 Corporation’s and 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 Corporation and 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 Corporation and the City, respectively.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract 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 Corporation and 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 Bonds contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract (except the warranties and representations of the Corporation and the City herein) shall terminate and neither the Underwriter, the Corporation nor the City shall be under any further obligation hereunder, except as further set forth in Section 8 hereof.

## SECTION 7. TERMINATION.

The Underwriter shall have the right to cancel its obligation to purchase the Bonds if, between the date of this Purchase Contract and the Closing, the market price or marketability of the Bonds 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 Bonds or, with respect to State taxation, of the interest with respect to the Bonds 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 Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Indenture 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 Bonds, 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 Bonds 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 Bonds or as to obligations of the general character of the Bonds, 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, underwriters;

(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 Corporation, its property, income securities (or interest thereon), or the validity or enforceability of the assessments or the levy of taxes to pay principal and interest with respect to the Bonds;

(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 Purchase Contract any materially adverse change in the affairs or financial condition of the Corporation or the City;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war 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 (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate a possible upgrade, in the rating accorded any of the Corporation's or the City's obligations; or

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

## SECTION 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 Corporation's or the City's obligations hereunder, including, but not limited to (i) the costs for initial issuance of the Bonds through the facilities of DTC, (ii) the fees and disbursements of Bond Counsel and counsel to the Underwriter, the Corporation and the City; (iii) the fees and disbursements of the Trustee and any engineers, accountants, and other experts, consultants or advisers retained by the Corporation or the City; (iv) reimbursement of certain out-of-pocket expenses of the Underwriter customarily paid by the Corporation, including advertisement in local media, and (v) the fees for bond ratings and credit enhancement fees or premiums, including the premium for the Insurance Policy.

(b) The Underwriter shall pay (i) all advertising expenses placed in non-local media by the Underwriter in connection with the public offering of the Bonds; and (ii) all other expenses incurred by them in connection with the public offering of the Bonds, except the fees and disbursements of counsel to the Underwriter.

(c) If this Purchase Contract shall be terminated by the Underwriter because of any failure or refusal on the part of the Corporation or the City to comply with the term or to fulfill any of the conditions of this Purchase Contract, the City will reimburse the Underwriter for all out-of-pocket reasonably incurred by the Underwriter in connection with this Purchase Contract or the offering contemplated hereunder.

#### SECTION 9. NOTICES.

Any notice or other communication to be given to the Corporation under this Purchase Contract may be given by delivering the same in writing to City of Prescott Municipal Property Corporation, c/o City of Prescott, Arizona, 201 South Cortez, Prescott, Arizona 86303, Attention: President; any notice or other communication to be given to the City under this Purchase Contract may be given by delivery the same in writing to City of Prescott, Arizona, 201 South Cortez, Prescott, Arizona 86303, Attention: Finance Director; and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to RBC Capital Markets, 2398 East Camelback Road, Suite 700, Phoenix, Arizona 85016 Attention: Shawn Dralle.

#### SECTION 10. PARTIES IN INTEREST.

This Purchase Contract as heretofore specified shall constitute the entire agreement among the Underwriter, the Corporation and the City and is made solely for the benefit of the Corporation, 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 Purchase Contract may not be assigned. All of the representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

#### SECTION 11. EFFECTIVENESS

This Purchase Contract shall become effective upon the acceptance hereof by the Corporation and the City and shall be valid and enforceable at the time of such acceptance.

#### SECTION 12. CHOICE OF LAW

This Purchase Contract shall be governed by and construed in accordance with the law of the State.

#### SECTION 13. SEVERABILITY

If any provision of this Purchase Contract 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 Purchase Contract invalid, inoperative or unenforceable to any extent whatever.

SECTION 14. BUSINESS DAY.

For purposes of this Purchase Contract, “business day” means any day on which the New York Stock Exchange is open for trading.

SECTION 15. SECTION HEADINGS.

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

SECTION 16. COUNTERPARTS.

This Purchase Contract 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.

SECTION 17. NOTICE CONCERNING CANCELLATION OF CONTRACTS.

To the extent applicable by provision of law, the parties acknowledge that this Agreement is subject to cancellation pursuant to A.R.S. Section 38-511, the provisions of which are incorporated herein by this reference.

[Remainder of page intentionally left blank.]

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

RBC CAPITAL MARKETS CORPORATION,  
as Underwriter

By: \_\_\_\_\_  
Its: Managing Director

Accepted on \_\_\_\_\_, 2010 at \_\_\_\_\_ o'clock \_\_.M.

CITY OF PRESCOTT MUNICIPAL  
PROPERTY CORPORATION

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Accepted on \_\_\_\_\_, 2010 at \_\_\_\_\_ o'clock \_\_.M.

CITY OF PRESCOTT, ARIZONA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Its: City Clerk

[SIGNATURE PAGE TO BOND PURCHASE CONTRACT]

\$ \_\_\_\_\_  
**CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION  
REVENUE BONDS, SERIES 2010**

SCHEDULE I

<u>MATURITY</u> <u>(July 1)</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>
2010	\$	%	%
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			

\* Priced to July 1, \_\_\_\_\_, the first optional redemption date.

**REDEMPTION PROVISIONS**

Optional Redemption. The Bonds maturing before July 1, \_\_\_\_\_, will not be subject to optional redemption prior to their stated maturity dates. The Bonds maturing on or after July 1, \_\_\_\_\_, will be subject to redemption, at the option of the Corporation, in whole at any time, or in part on any Interest Payment Date, in any order of maturity on or after July 1, \_\_\_\_\_, at a redemption price equal to the principal amount of the Bonds being redeemed plus interest accrued to the date fixed for redemption, without premium.



Mandatory Redemption. The Bonds maturing on July 1, \_\_\_\_\_ and July 1, \_\_\_\_\_ will be redeemed on the following Redemption Dates and in the following amounts upon payment of the principal amount of the Bonds being redeemed plus interest accrued to the Redemption Date, without premium:

Bonds due July 1, \_\_\_\_\_

Redemption Date <u>(July 1)</u>	Principal <u>Amount Redeemed</u>
------------------------------------	-------------------------------------

Bonds due July 1, \_\_\_\_\_

Redemption Date <u>(July 1)</u>	Principal <u>Amount Redeemed</u>
------------------------------------	-------------------------------------

**EXHIBIT A**

**FORM OF SUPPLEMENTAL BOND COUNSEL OPINION**

[Letterhead of Greenberg Traurig, LLP]

[Closing Date]

RBC Capital Markets  
Suite 700  
2398 East Camelback Road  
Phoenix, Arizona 85016

Re: City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010

We have on this date rendered to City of Prescott Municipal Property Corporation (the “*Corporation*”) our approving opinion regarding the captioned bonds (the “*Bonds*”). Based upon the examination and assuming and relying upon those matters and exceptions described in such opinion, we are of the opinion that, pursuant to the laws existing on the date hereof, the statements contained in the Official Statement, dated \_\_\_\_\_, 2010, with respect to the Bonds, under the headings entitled “THE BONDS” and “TAX MATTERS” and in Appendix C thereto, insofar as such statements purport to summarize certain provisions of federal or State law or of the Bonds, fairly summarize the information which they purport to summarize, in light of the circumstances under which they were provided. Otherwise, we have not undertaken to review or determine independently, and assume no responsibility for, the fairness, accuracy and completeness of the statements made or included in such Official Statement, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the fairness, accuracy or completeness of such information.

Respectfully submitted,

**EXHIBIT B**

**FORM OF UNDERWRITER'S COUNSEL OPINION**

[Letterhead of Lewis and Roca LLP]

[Closing Date]

RBC Capital Markets  
Suite 700  
2398 East Camelback Road  
Phoenix, Arizona 85016

Ladies and Gentlemen:

This opinion is rendered pursuant to Section 5(i)(v) of the Bond Purchase Contract, dated \_\_\_\_\_, 2010 (the "*Purchase Contract*"), among you, the City of Prescott Municipal Property Corporation (the "*Corporation*") and the City of Prescott, Arizona (the "*City*"), relating to your purchase from the Corporation of its \$\_\_\_\_\_ Revenue Bonds, Series 2010 (the "*Bonds*"), and as counsel to you solely for your use in connection with the issuance and sale of the Bonds to you by the Corporation. Terms defined in the Purchase Contract, which are not defined in this letter, are utilized as defined in the Purchase Contract.

We have examined (a) executed counterparts of the Purchase Contract and the Trust Indenture, dated as of December 1, 2004, as supplemented and amended by the First Supplement to Trust Indenture, dated as of May 1, 2007 and by the Second Supplement to Trust Indenture, dated as of February 1, 2010 (together, the "*Indenture*"), between the Corporation and the U.S. Bank National Association, as trustee; (b) the Official Statement, dated \_\_\_\_\_, 2010, relating to the Bonds (the "*Official Statement*"); and (c) the Securities Act of 1933, as amended (the "*1933 Act*"), the Trust Indenture Act of 1939, as amended (the "*1939 Act*"), and the applicable rules, regulations and interpretations under those Acts. We have also examined certain other documents, including certificates, opinions and records (but did not review any minutes of the meetings of the Corporation or the City other than those included in the transcript of proceedings for the Bonds), and we have made such investigations concerning applicable laws as we considered to be appropriate for the purpose of delivering this letter. For such purpose, we assume the authenticity of all original documents and the conformity to original documents of all copies of documents, the accuracy and completeness of all certificates and records as to factual matters, the authenticity of all signatures on documents and the legal capacity of signers to execute the documents.

Based on that examination and subject to the foregoing limitations, we are of the opinion that, under existing law, it is not necessary in connection with the primary offering and sale of the Bonds to the public to register the Bonds under the 1933 Act or to qualify the Indenture under the 1939 Act. For purposes of rendering the foregoing opinions, we have relied on the legal conclusions expressed by Greenberg Traurig, LLP, as Bond Counsel, as to the validity of

the Bonds and the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

In accordance with the terms of our engagement as your counsel, we have rendered legal advice and provided assistance to you in the course of your investigations pertaining to, and your participation in the preparation of, the Official Statement. In addition to reviewing the documents referred to above, certain of our lawyers responsible for this matter participated in telephone conferences and meetings with representatives of the City, the Corporation, Greenberg Traurig, LLP, as Bond Counsel, and your representatives, concerning the contents of the Official Statement and related matters. While we have not undertaken to verify independently, and are not expressing any view upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the contents of the Official Statement, our lawyers responsible for this matter are not aware at present of any information that came to their attention in the course of the performance of the services referred to herein that leads us to believe that the Official Statement, as of its date or as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements made in the Official Statement, in light of the circumstances under which they were made, not misleading. We express no view as to (a) the audited general purpose financial statements relating to the City included in Appendix F to the Official Statement, (b) the statements relating to the book-entry-only system and The Depository Trust Company included in Appendix E to the Official Statement, and (c) any other financial, technical or statistical data included or incorporated by reference in the Official Statement or any Appendix thereto.

We have not investigated independently the accuracy of any legal conclusions upon which we have relied that are expressed by other counsel.

References in this letter to “our lawyers responsible for this matter” refer only those lawyers now with this Firm who rendered legal services in connection with our representation of you in this matter.

Our engagement with respect to the matters addressed in this letter is concluded upon the delivery of this letter. The views expressed in this letter are as of, and are based upon the law in effect on, the date of this letter. Those views may be affected by actions taken or omitted or events occurring after the date of this letter, and we assume no obligation to revise or supplement this letter or to determine or to inform any person if such law changes or if any such actions are taken or omitted or any such events occur.

This letter is furnished solely for your benefit in connection with your purchase of the Bonds, and this letter may not, without our prior express consent, be used, circulated, quoted or otherwise referred to (except in lists or sets of closing documents), or be relied upon by any other person or for any other purpose.

Respectfully submitted,

**EXHIBIT C**

**FORM OF OPINION OF COUNSEL TO CORPORATION**

[Letterhead of City Attorney]

[Closing Date]

RBC Capital Markets  
Phoenix, Arizona

Greenberg Traurig, LLP  
Phoenix, Arizona

Re: City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010

As City Attorney to the City of Prescott, I am also counsel to the City of Prescott Municipal Property Corporation (the "Corporation") including with respect to the issuance and delivery of the captioned Bonds (the "Bonds") being sold by the Corporation pursuant to the Bond Purchase Contract, dated \_\_\_\_\_, 2010 (the "Agreement"), with respect to the Bonds. (The capitalized terms used in this opinion have the meaning ascribed to them in the Agreement.)

In that regard, I have examined the transcript of proceedings (the "Transcript") relating to the issuance of the Bonds, including originals or copies, certified or otherwise identified to my satisfaction, of the included documents, resolutions, instruments, records, certificates and opinions, and have reviewed laws and information and have made investigations, as I have considered necessary or appropriate for the purpose of rendering this opinion. In such examination of the Transcript, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals and the conformity to the original documents of all documents submitted to me as copies. As to any facts material to my opinion, I have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

Based upon such examination, I am of the opinion that, under the law existing on the date of this opinion:

1. The Corporation is a nonprofit corporation, duly incorporated and existing under the laws of the State, and has full legal right, power and authority (A) to enter into, execute and deliver the Corporation Documents, (B) to sell, issue and deliver the Bonds to the Underwriter as provided in the Agreement and (C) to carry out and consummate the transactions contemplated by the Corporation Documents and the Official Statement.

2. By all necessary official action of the Corporation prior to or concurrently with the acceptance of the Agreement, the Corporation has duly authorized all necessary action to be taken by it for (A) the issuance and sale of the Bonds, (B) the approval, execution and delivery of, and the performance by the Corporation of the obligations on its part contained in, the Bonds and the Corporation Documents and (C) the consummation by it of all other transactions contemplated by the Official Statement and the Corporation Documents.

3. The Agreement has been duly authorized, executed and delivered by the Corporation and, assuming the due authorization, execution and delivery thereof by, and the enforceability thereof against, the other party thereto, constitutes a legal, valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights.

4. 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 Corporation of its obligations under the Corporation Documents and the Bonds have been obtained.

5. 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 overtly threatened affecting the corporate existence of the Corporation or the titles of its officers or their respective offices or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of revenues securing the payment of principal of and interest on the Bonds pursuant to the Indenture or in any way contesting or affecting the validity or enforceability of the Bonds or the Corporation Documents or contesting the exclusion from gross income of interest on the Bonds 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 Corporation or any authority for the issuance of the Bonds or the execution and delivery of the Corporation Documents, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Corporation Documents.

6. The execution and delivery of the Corporation Documents and compliance by the Corporation with the provisions thereof, under the circumstances contemplated therein, will not conflict with or constitute on the part of the Corporation a material breach of or a default under any agreement or instrument to which the Corporation is a party or violate any existing law, administrative regulation, court order, or consent decree to which the Corporation is subject.

Except as otherwise provided in opinions delivered with respect to the Bonds of even date herewith, I express no opinion with respect to the status of the Bonds for any purpose including particularly, but not by way of limitation, for federal or State income tax purposes.

This opinion is furnished by me as counsel to the Corporation in connection with the issuance and delivery of the Bonds and is intended solely for the benefit of the addressees of this opinion.

Respectfully submitted,

**EXHIBIT D**

**FORM OF OPINION OF CITY ATTORNEY**

[Letterhead of City Attorney]

[Closing Date]

RBC Capital Markets  
Phoenix, Arizona

Greenberg Traurig, LLP  
Phoenix, Arizona

Re: City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010

I hold the office of City Attorney for the City of Prescott, Arizona (the “City”), and am rendering this opinion pursuant to the Bond Purchase Contract, dated \_\_\_\_\_, 2010 (the “Agreement”), with respect to the captioned Bonds. (The capitalized terms used in this opinion and not otherwise defined herein have the meaning ascribed to them in the Agreement.)

I have examined the transcript of proceedings (the “Transcript”) relating to the issuance of the Bonds, including originals or copies, certified or otherwise identified to my satisfaction, of the included documents, resolutions, instruments, records, certificates and opinions, and have reviewed laws and information as well as the Charter of the City and have made investigations, as I have considered necessary or appropriate for the purpose of rendering this opinion. In such examination of the Transcript, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals and the conformity to the original documents of all documents submitted to me as copies. As to any facts material to my opinion, I have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

Based upon such examination, I am of the opinion that, under the law existing on the date of this opinion:

1. The City is a municipal corporation, duly created, organized and existing under the laws of the State, and has full legal right, power and authority (A) to enter into, execute and deliver the City Documents and (B) to carry out and consummate the transactions contemplated by the City Ordinance, 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.

2. 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 (A) the

approval execution and delivery of, and performance by the City of the obligations on its part, contained in the City Documents and (B) the consummation by it of all of the transactions contemplated by the City Documents and the Official Statement 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 in the Agreement and in the Official Statement.

3. The City Documents have been duly authorized, executed and delivered by the City and constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights.

4. The distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the City.

5. 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 obtained.

6. 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 overtly threatened against the City or affecting the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of taxes securing the payment of principal of and interest on the Bonds pursuant to the Indenture or in any way contesting or affecting the validity or enforceability of the Bonds or the City Documents or contesting the exclusion from gross income of interest on the Bonds for federal 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 power of the City to execute and deliver the City Documents, nor, to the best of my knowledge, is there any basis therefore, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the City Documents.

7. The execution and delivery of the City Documents and compliance by the City with the provisions thereof, under the circumstances contemplated therein, will not conflict with or constitute on the part of the City a material breach or a default under any agreement or instrument to which the City is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the City is subject or the Charter of the City.

Respectfully submitted,

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY \_\_, 2010**

**NEW ISSUE – BOOK-ENTRY ONLY**

**RATINGS: See “Ratings” Herein**

*In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, see “TAX MATTERS - General” herein for a description of certain other federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that, assuming interest will be so excludable for federal income tax purposes, interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona. See also “TAX MATTERS - Original Issue Discount” and “- Bond Premium.”*

**\$18,245,000\***  
**CITY OF PRESCOTT**  
**MUNICIPAL PROPERTY CORPORATION**  
**REVENUE BONDS,**  
**SERIES 2010**

**Dated:** Date of Delivery

**Due:** July 1 as shown on the inside front cover

**Interest Payment Dates:** January 1 and July 1 of each year, commencing July 1, 2010\*

The City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010 (the “Bonds”), will be special, limited obligations of the City of Prescott Municipal Property Corporation (the “Corporation”), the principal of and premium, if any, and interest on which will be payable by the Corporation solely from certain rent payments to be paid by the City of Prescott, Arizona (the “City”), pursuant to the Series 2010 City Lease between the City and the Corporation. The obligation by the City to pay rent payments under the Series 2010 City Lease, together with the obligation of the City to pay rent payments under the Series 2004 City Lease and the Series 2007 City Lease (defined herein) will be secured by a pledge, with the limitations described herein, of (a) revenues from the unrestricted transaction privilege (sales) tax, licenses, franchise fees, permits, fines, forfeitures and charges for services which the City imposes and (b) revenues from certain tax revenues collected by the State of Arizona and distributed to the City, each as described herein. Obligations may be issued by the City on a parity basis with the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease in the future under certain circumstances. See “SECURITY AND SOURCE OF PAYMENT” herein. Individual purchases of the Bonds will be made only in book-entry form through The Depository Trust Company, New York, New York (“DTC”) as described herein in amounts of \$5,000 of principal due on a specific maturity date or any integral multiple thereof. Purchasers of such book-entry interests in the Bonds will not receive physical delivery of bond certificates and must maintain an account with a broker, dealer or bank that participates in DTC’s book-entry system. See Appendix E – “BOOK-ENTRY ONLY SYSTEM” hereto.

The Bonds will be subject to optional [and mandatory] redemption prior to maturity as described herein.

The Bonds will be issued for the purpose of providing funds for (i) constructing certain roadway improvements within the City and (ii) paying issuance costs associated with the Bonds.

THE BONDS WILL BE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM THE SOURCES HEREIN DESCRIBED. NEITHER THE BONDS NOR THE HEREINABOVE DESCRIBED RENT PAYMENTS WILL BE GENERAL OBLIGATIONS OF THE CITY, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF AND DO NOT AND SHALL NOT REPRESENT OR CONSTITUTE A DEBT OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CORPORATION, THE CITY, THE STATE OF ARIZONA, OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF. THE CORPORATION HAS NO TAXING POWER.

The Bonds are offered when, as and if issued by the Corporation and received by the Underwriter and subject to the approving opinion of Greenberg Traurig, LLP, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon solely for the benefit of the Underwriter by [\_\_\_\_\_]. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about February \_\_, 2010.

*This cover page contains certain information for convenience of reference only. It is not a summary of the issue of which the Bonds are a part. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.*

**RBC CAPITAL MARKETS**

January \_\_, 2010

\*Preliminary, subject to change.

**\$18,245,000\***  
**CITY OF PRESCOTT**  
**MUNICIPAL PROPERTY CORPORATION**  
**REVENUE BONDS,**  
**SERIES 2010**

**MATURITY SCHEDULE\***

<u>July 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2010	\$480,000	%	%
2011	660,000		
2012	675,000		
2013	690,000		
2014	705,000		
2015	730,000		
2016	755,000		
2017	785,000		
2018	815,000		
2019	850,000		
2020	885,000		
2021	925,000		
2022	975,000		
2023	1,020,000		
2024	1,075,000		
2025	1,125,000		
2026	1,180,000		
2027	1,240,000		
2028	1,305,000		
2029	1,370,000		

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\*Preliminary, subject to change.

**CITY OF PRESCOTT, ARIZONA**

*Incorporated 1883*

***CITY COUNCIL***

Marlin Kuykendall, *Mayor*

Steve Blair, *Member*

John Hanna, *Member*

Jim Lamerson, *Member*

Tammy Linn, *Member*

Lora Lopas, *Member*

Mary Ann Suttles, *Member*

***ADMINISTRATIVE STAFF OF THE CITY***

Steve Norwood  
*City Manager*

Laurie Hadley  
*Deputy City Manager*

Gary Kidd  
*City Attorney*

Mark Woodfill  
*Finance Director*

Elizabeth Burke  
*City Clerk*

**CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION**

***BOARD OF DIRECTORS***

Patti Venuti  
*President*

Robert Roecker  
*Member*

Victor R. Pereboom  
*Vice-President*

Jesse F. Thomas  
*Member*

[\_\_\_\_\_]   
*Member*

**BOND COUNSEL**

Greenberg Traurig, LLP  
Phoenix, Arizona

**TRUSTEE**

U.S. Bank National Association  
Phoenix, Arizona

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not 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 information set forth herein has been obtained from the City, DTC and other sources that are believed to be reliable, but the Underwriter does not guarantee the accuracy or completeness of the information and such information is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or DTC since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement 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 City, as the obligated person with respect to the Bonds, will undertake to provide continuing disclosure with respect to the Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" and Appendix D – "FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

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**\$18,245,000\***  
**CITY OF PRESCOTT**  
**MUNICIPAL PROPERTY CORPORATION**  
**REVENUE BONDS,**  
**SERIES 2010**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to set forth certain information concerning the City of Prescott Municipal Property Corporation (the "Corporation"), a nonprofit corporation incorporated under the laws of the State of Arizona (the "State"), and its Revenue Bonds, Series 2010 (the "Bonds"). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Accordingly, purchasers of the Bonds should read this entire Official Statement before making their investment decision.

All financial and other information in this Official Statement has been provided to the Corporation by the City of Prescott, Arizona (the "City") from its records, except for information expressly attributed to other sources. See Appendix A – "CITY OF PRESCOTT, ARIZONA GENERAL AND FINANCIAL INFORMATION" herein for certain information about the City. The City, under the terms of the Series 2010 City Lease, hereinafter described, will warrant to the Corporation that all material in this Official Statement which relates to the City contains no material misrepresentation of fact and does not omit any statement of fact which, in light of the circumstances under which such statements are made in this Official Statement, could be misleading. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

References to provisions of Arizona law, whether codified in the Arizona Revised Statutes (the "Revised Statutes") or uncodified, or to the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented. See Appendix C – "SUMMARIES OF DEFINITIONS AND CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS" hereto for summaries of certain matters provided by the hereinafter defined Indenture, Series 2010 Ground Lease and Series 2010 City Lease.

**THE BONDS**

**Authorization and Purpose**

The Bonds will be issued and secured by the Corporation under the terms of the Trust Indenture, dated as of December 1, 2004, as supplemented by a First Supplement, dated as of May 1, 2007 (the "First Supplement"), and as to be supplemented by a Second Supplement to Trust Indenture, to be dated as of February 1, 2010\* (the "Second Supplement" and such Trust Indenture as so supplemented, the "Indenture"), from the Corporation to U.S. Bank National Association, as trustee (the "Trustee"). The Bonds will be issued for the purpose of providing funds for (i) constructing certain roadway improvements and (ii) paying issuance costs associated with the Bonds. See "THE PROJECT".

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\*Preliminary, subject to change.

**General Description**

The Bonds will be issued in book-entry only form in amounts of \$5,000 principal due on a specific maturity date or any integral multiple thereof. The Bonds will be dated the date of their initial delivery and will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside front cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable semiannually on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing July 1, 2010\*, with interest accruing from the date of initial delivery of the Bonds.

Individual purchases of the Bonds will be made in book-entry form only, and purchasers of beneficial interests in the Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates. Payments of principal of and interest and redemption premium, if any, on the Bonds will be made directly to The Depository Trust Company, New York, New York ("DTC"), or its nominee, Cede & Co., by the Trustee. Upon receipt of such payments, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Bonds, all as more fully described in Appendix E hereto. *When reading this Official Statement, it should be understood that while the Bonds are in book-entry only form, references in other sections of this Official Statement to Registered Owner or Owners (i) means Cede & Co., the nominee of DTC, as the Registered Owner, and (ii) payments and notices that are to be given to Registered Owners by the City, the Trustee, the Registrar or the Paying Agent will be given only to DTC.* See Appendix E – "BOOK-ENTRY ONLY SYSTEM" herein.

**Redemption Provisions\***

*Optional Redemption.* The Bonds maturing before July 1, 20\_\_, will not be subject to optional redemption prior to their stated maturity dates. The Bonds maturing on or after July 1, 20\_\_, will be subject to redemption, at the option of the Corporation, in whole at any time, or in part on any Interest Payment Date, in any order of maturity on or after July 1, 20\_\_, at a redemption price equal to the principal amount of the Bonds being redeemed plus interest accrued to the date fixed for redemption, without premium.

*Mandatory Redemption.* The Bonds maturing on July 1, 20\_\_ will be subject to mandatory redemption on following dates in the following amounts, at a redemption price equal to the principal amount of the Bonds being redeemed plus interest accrued to the date of redemption, without premium:

Redemption Date	Principal
<u>(July 1)</u>	<u>Amount Redeemed</u>
20__	\$ _____
20__	_____
20__	_____

*Notice of Redemption.* The notice of redemption of the Bonds will be given by the Trustee on behalf of the Corporation to DTC not more than 60 nor less the 30 days prior to any redemption date. See Appendix E – "BOOK-ENTRY ONLY SYSTEM" hereto.

*Payment of Redeemed Bonds.* Notice having been given, the portions of the Bonds called for redemption will become due and payable on the redemption date and will be paid at the redemption price, plus interest accrued to the redemption date. If moneys for the redemption of all of the portions of the Bonds to be redeemed, together with interest accrued thereon to the redemption date, are held by the Trustee or any Paying Agent on the redemption date, so as to be available therefore on that date and, if notice of redemption shall have been given as aforesaid, then from and after the redemption date those portions of the Bonds called for redemption will cease to bear interest and no longer be considered to be outstanding under the Indenture.

*Purchase of the Bonds.* Notwithstanding the foregoing, if at any time there is money in the Series 2010 Bond Retirement Account of the Bond Retirement Fund and any of the outstanding Bonds payable from such account may be purchased in the open market at a net cost to the Corporation which would be less than the cost of redeeming such Bonds under the provisions of the Indenture (or, prior to the time such Bonds may be redeemed, at a

\*Preliminary, subject to change.

price at or below par), the Corporation, from time to time, at the request of the City, may cause the Trustee to purchase so many such as the Corporation shall designate and to pay therefor from the Series 2010 Bond Retirement Account of the Bond Retirement Fund, to the extent of the moneys in such fund.

## SECURITY AND SOURCE OF PAYMENT

### Security for and Source of Payment Pursuant to the Series 2010 City Lease

Prior to the delivery of the Bonds, the City and the Corporation will enter into the Extension of Series 2007 Ground Lease, to be dated as of February 1, 2010\* (the "Series 2010 Ground Lease"), pursuant to which the City will extend the lease to the Corporation of certain real property owned by the City (the "Leased Property"). The Leased Property, the lease of which to the Corporation is extended pursuant to the Series 2010 Ground Lease, will then be leased to the City by the Corporation pursuant to the Series 2010 City Lease, to be dated as of February 1, 2010\* (the "Series 2010 City Lease"), which will also be entered into prior to the delivery of the Bonds. Under the terms of the Series 2010 City Lease, the rent payments required to be paid by the City in renting the Leased Property will be paid semiannually to the Trustee, as assignee of the Corporation, during the term of the Bonds.

All payments to be made in accordance with the provisions of the Series 2010 City Lease relating to the Bonds will be made from (a) revenues from the Excise Taxes and (b) the State Shared Revenues (as such terms are hereinafter defined), subject to the prior and paramount use of the portion of both of which that is the Initially Pledged Revenues (as such term is hereinafter defined) for payment of lease payments remaining due pursuant to the Series 1998 City Lease, dated as of December 1, 1998 (the "Series 1998 City Lease), for the remaining outstanding Series 1998-F Bonds, dated as of December 1, 1998 (the "Prior Lien Debt Service") and the parity use of all of both for payment of rent payments remaining due pursuant to the Series 2004 City Lease, dated as of December 1, 2004 (the "Series 2004 City Lease"), for the remaining outstanding Series 2004 Bonds, dated December 29, 2004 (the "Series 2004 Bonds") and the Series 2007 City Lease, dated as of May 1, 2007 (the "Series 2007 City Lease"), for the remaining outstanding Series 2007 Bonds, dated May 9, 2007 (the "Series 2007 Bonds"). On each June 25 and December 26, commencing on June 25, 2010\*, in the case of the Series 2010 City Lease, after payment of the Prior Lien Debt Service, the City first will make all rent payments pursuant to the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease out of revenues from the Excise Taxes and the State Shared Revenues. Thereafter, the City may use the remaining revenues from the Excise Taxes and the State Shared Revenues for any lawful purpose, but only to the extent that, taking into account the reasonably anticipated receipts of revenues from the Excise Taxes and the State Shared Revenues during the coming six months, revenues from the Excise Taxes and the State Shared Revenues will not be reduced to such a level that the City will be unable to make the next rent payment under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease.

For purposes of the Series 2004 City Lease and the 2007 City Lease "*Excise Taxes*" means the unrestricted transaction privilege (sales) tax, licenses, franchise fees, permits, fines, forfeitures and charges for services which the City imposes; except that such revenue shall not include revenues from the one percent (1%) tax approved at elections held in 1985, 1995 and 2000 which are to be expended for street improvements and open space acquisition and provided that the Council of the City may impose other transaction privilege taxes in the future, the uses of revenues from which will be restricted, at the discretion of such Council. "*State Shared Revenues*" means any excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State or any agency thereof and returned, allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

The City may, at the City's sole option, make rent payments from its other funds as permitted by law and as the City shall determine from time to time, but the Corporation acknowledges that it has no claim under the provisions of the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease to such other funds. No part of such payments payable pursuant to the Series 2004 City Lease, the Series 2007 City Lease, and the Series 2010 City Lease will be payable out of any *ad valorem* property taxes imposed by the City, from bonds or other obligations, the payment of which the City's general taxing authority is liable or pledged, or from general funds of the City unless (i) the same shall have been duly budgeted by the City according to law, (ii) such rent

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\*Preliminary, subject to change.

payment or payments shall be within the budget or expenditure limitations of the Constitution and laws of the State, and (iii) such rent payment is not in conflict with the Constitution and laws of the State.

Pursuant to the Series 2004 City Lease and the Series 2007 City Lease and the Series 2010 City Lease, the City has pledged and will pledge, respectively, revenues from the Excise Taxes and the State Shared Revenues, subject to the prior and paramount pledge of the portion of both that is required for the payment of the Prior Lien Debt Service (the "Initially Pledged Revenues"), for the payment of the rent payments under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease which includes amounts for principal of and interest on the Series 2004 Bonds, the Series 2007 Bonds and the Bonds. The City will not provide for payment of any other obligation from, or pledge to any other obligations of, the Initially Pledged Revenues on the same basis as to the Prior Lien Debt Service. After final payment or provision for payment of the Prior Lien Debt Service, the pledge of the revenues from the Excise Taxes and the State Shared Revenues for payment of the rent payments under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease will not be subject to such prior and paramount lien.

To the extent permitted by applicable law, revenues from the Excise Taxes and the State Shared Revenues will be retained and maintained so that the amount received in the next preceding fiscal year of the City from revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding fiscal year), shall have been equal to at least one and one-half (1.5) times the total of such rent payments payable pursuant to the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease for debt service for the Series 2004 Bonds, the Series 2007 Bonds and the Bonds in the then current fiscal year of the City. If in the next preceding fiscal year of the City revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding fiscal year) shall not have been equal to at least one and one-half (1.5) times such rent requirements in the then current fiscal year of the City or if at any time it appears that revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding fiscal year), will not be sufficient to meet such rent requirements, the City shall, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which shall be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed in order that (i) revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding fiscal year), will be sufficient to pay all such current payments and pursuant to the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease and (ii) revenues from the Excise Taxes and the State Shared Revenues (after deducting therefrom the Prior Lien Debt Service due in the next preceding fiscal year) will be reasonably calculated to attain the level required as described hereinabove.

***The Arizona Legislature may from time to time eliminate the State Shared Revenues or may change the amount and timing of the State Shared Revenues and is under no legal obligation to maintain the amount of the State Shared Revenues distributed to the City at any amount or level. Accordingly, the City is unable to covenant to maintain the State Shared Revenues at any particular level of coverage.***

***The Bonds and the rent payments pursuant to the Series 2010 City Lease will not constitute an indebtedness or general obligation of the City nor shall the City be liable for the payment from ad valorem property taxes of principal of and interest on the Bonds or such rent payments. Pursuant to the Indenture, the Bonds will be special, limited obligations of the Corporation, and debt service charges thereon will be payable solely from the rent payments made pursuant to the Series 2010 City Lease and not from any other revenues of the City. The Bonds will not represent or constitute a debt or a direct or indirect pledge of the full faith and credit of the City or of the State or of any political subdivision, municipality or other agency thereof. The Corporation has no taxing power.***

#### **Issuance and Delivery of Additional Bonds by the Corporation; City's Right to Further Encumber the Revenues from the Excise Taxes and the State Shared Revenues**

Additional Obligations (as such term is in the Series 2010 City Lease) secured by a pledge of revenues from the Excise Taxes and the State Shared Revenues on a parity of lien with the Series 2004 Bonds, the Series 2007 Bonds and the Bonds including Additional Bonds (as such term is defined in the Indenture) may be incurred or issued. Additional Bonds will be on a parity with the Series 2004 Bonds, the Series 2007 Bonds and the Bonds and

any Additional Bonds hereafter issued and outstanding as to the assignment to the Trustee of the Corporation's right, title and interest in the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease and moneys in the accounts and the funds created by the Indenture; provided that, nothing in the Indenture will prevent payment of debt service on any series of Additional Bonds from being otherwise secured and protected from sources or by property or instruments not applicable to the Bonds and any one or more series of Additional Bonds or not being secured or protected from sources or by property or instruments applicable to the Bonds or one or more series of Additional Bonds.

So long as any of the Bonds remain outstanding and the principal thereof and interest thereon shall be unpaid or unprovided for, the City will not further encumber revenues from the Excise Taxes and the State Shared Revenues on a basis equal to the pledge described hereinabove unless revenues from the Excise Taxes plus the State Shared Revenues (after deducting from such total the greatest amount of the Prior Lien Debt Service due in any succeeding fiscal year) in the next preceding fiscal year of the City shall have amounted to at least three (3) times the highest combined interest and principal requirements for any succeeding fiscal year of the City for all of the Series 2004 Bonds, the Series 2007 Bonds and the Bonds then outstanding and any obligations proposed to be secured by such pledge of revenues from the Excise Taxes and the State Shared Revenues on a parity of lien therewith, including Additional Bonds.

The incurrence of Additional Obligations and the issuance of Additional Bonds will be subject to certain other specific conditions. For further information relating to the incurrence of Additional Obligations including Additional Bonds, see Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Series 2010 City Lease – Additional Bonds and Other Obligations” hereto and Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF LEGAL DOCUMENTS – Summary of Certain Provisions of the Indenture – Issuance and Delivery of Additional Bonds” hereto.

## **CURRENT FINANCIAL SITUATION OF THE CITY**

[DISCUSS... The City's revenues for fiscal year 2008-09 are less than budgeted, largely due to lower revenues from City sales tax revenues, state-shared revenues and other revenues as related to construction activity. In addition, the State realized a budget deficit for fiscal year 2008-09 of approximately \$\_\_\_ billion and an expected deficit for 2009-10 of approximately [\$\_\_\_] billion because of lower than expected revenues. The State legislature adopted and the Governor signed the State budget for fiscal year 2009-10 in August 2009. Due to the continuing increase in the projected budget deficit, the State may still consider shifting some of its costs to local jurisdictions either by charging cities, towns and counties additional mandatory payments or by reducing the share of State-shared revenues distributed to the cities, towns and counties. The City cannot determine whether any such provisions will be enacted or how they may affect the City or its financial position.

The City is required by statute to adopt a balanced budget each year and has implemented cost-cutting measures for the current fiscal year and has incorporated similar measures in its budget for the 2009-10 fiscal year that address the anticipated reduction in revenues and allows for further cost shifting or revenue reduction from the State to cities, towns and counties. The General Fund operating budget was reduced from \$35.2 million in fiscal year 2008-09 to \$30.6 million in fiscal year 2009-10. This constitutes a 12.9% decrease. All General Fund departments contributed to the cost savings by reducing operating costs to include only the items that were absolutely necessary, removal of city programs that were duplicates to others offered by the community, and finally by the elimination of 25 General Fund positions (50 positions citywide). As a result of these reductions, it is anticipated that the fiscal year 2009-10 General Fund will end with a balance of \$9.0 million, which is above the City's reserve requirement of 20.0% of operating revenues.]

# CITY OF PRESCOTT MUNICIPAL PROPERTY CORPORATION

## General Information

The Corporation is a nonprofit corporation incorporated under the laws of the State on October 26, 1972. The principal objective of the Corporation is to assist the City in acquiring land and constructing improvements thereon, in constructing and acquiring improvements upon land owned by the City, and in any other way incurring expenses to improve the use of presently existing facilities or as they may be expanded in the future. The Corporation's present directors are [Patti Venuti, President; Victor R. Pereboom, Vice-President; Robert Roecker, Member; Gordon Smith, Member; and Jesse F. Thomas, Member.

*Patti Venuti* has been serving the financial needs of residents of Northern Arizona for 31 years. Her current position is Regional Vice President (Yavapai and Coconino County) with the Arizona State Savings & Credit Union. Ms. Venuti has served as President for the Prescott and Prescott Valley Chamber of Commerce. She was one of the original Steering Committee Members for Prescott Area Leadership, now known as Partners for Active Leadership. Her community involvement has included serving as an advisor for various non-profit organizations: American Cancer Society Leadership Council, Youth Division of the Prescott Chamber of Commerce and Past Director of the American Heart Association.

*Victor R. Pereboom* is a Certified Public Accountant and has owned an accounting firm in Prescott since 1986. He is currently on the Board of Directors of Prescott Little League, is past President of Sunup Rotary Club and a past Board Member of Yavapai Big Brothers and Big Sisters. Mr. Pereboom is a graduate of Northern Arizona University.

*Robert Roecker* is employed by Printpack Inc. as their Safety/Environmental Coordinator. He also currently serves as a member of the Prescott City Council and remains active in the community. He graduated from the University of Arizona in 1970 and is a past President of the Prescott Chamber of Commerce and Prescott Town Hall. Mr. Roecker is also a member of the Frontier Rotary Club.

[TO COME]

*Jesse F. Thomas* was President of Thomas Associates, Inc., a consulting firm specializing in electrical engineering. Prior to forming Thomas Associates in 1982, he was Division Manager in Prescott for Arizona Public Service Company. Mr. Thomas received a Bachelor of Science Degree in electrical engineering from the University of Arizona in 1949 and completed the program for Public Utilities Executives at the University of Michigan. He has served as Director and President of Prescott Chamber of Commerce, was founder of Prescott Town Hall, was chairman and board member of the Salvation Army Advisory Board and is a member of the Arizona Academy. He is active in other civil and community affairs, such as Prescott Kiwanis and the Prescott Industrial Development Authority.

**Financial Information**

The following table sets forth the projected pledged revenues, estimated debt service requirements and projected debt service coverage for fiscal years ended 2009 through 2014.

**SCHEDULE OF PROJECTED PLEDGED REVENUES, ESTIMATED DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE**

Fiscal Year	Actual and Projected Pledged Excise Taxes & State Shared	Less Prior Lien Debt Service	Net Projected Pledged Excise Taxes and State Shared Revenues	Existing Annual Debt Service	Series 2010 Bonds Debt Service		Total Debt Service*	Projected Debt Service Coverage*
	Revenues (a)	Service (b)	Revenues	Service (c)	Principal	Interest (d)	Service*	Coverage*
2008-09	\$27,365,336	\$497,365	\$26,867,971	\$1,717,025			\$2,214,390	12.4x
2009-10	25,875,073	498,820	25,376,253	1,523,275	\$250,000	\$301,150	2,573,245	10.1(e)
2010-11	24,628,492	499,300	24,129,192	801,913	670,000	792,163	2,763,376	8.9(e)
2011-12	25,332,246	503,775	24,828,471	801,600	685,000	778,763	2,769,138	9.1(e)
2012-13	26,056,761	502,350	25,554,411	800,913	700,000	763,350	2,766,613	9.4(e)
2013-14	26,802,657	504,775	26,297,882	804,850	715,000	745,850	2,770,475	
2014-15		505,975		802,450	740,000	724,400	2,772,825	
2015-16		506,025		804,650	765,000	698,500	2,774,175	
2016-17		510,125		801,250	795,000	667,900	2,774,275	
2017-18		508,038		802,450	825,000	636,100	2,771,588	
2018-19				803,050	860,000	603,100	2,266,150	
2019-20				804,300	895,000	567,625	2,266,925	
2020-21				804,550	940,000	522,875	2,267,425	
2021-22				800,875	985,000	475,875	2,261,750	
2022-23				801,525	1,035,000	426,625	2,263,150	
2023-24				801,275	1,085,000	374,875	2,261,150	
2024-25				802,775	1,140,000	320,625	2,263,400	
2025-26				800,500	1,200,000	263,625	2,264,125	
2026-27				804,750	1,260,000	203,625	2,268,375	
2027-28				802,500	1,320,000	140,625	2,263,125	
2028-29				804,000	1,390,000	72,975	2,266,975	
2029-30				804,000			804,000	
2030-31				802,500			802,500	
2031-32				804,500			804,500	
2032-33				804,750			804,750	
2033-34				803,250			803,250	

- (a) Actual and projected pledged revenues from Excise Taxes and State Shared Revenues based on historical receipts. Excludes amounts collected from the Restricted 1% Tax (as such term is hereinafter defined). Historically, the Restricted 1% Tax has generated revenues of \$14,731,785, \$15,333,864, \$14,365,539 and \$12,157,858 for the fiscal years ending 2006, 2007, 2008 and 2009, respectively. See “REVENUES FROM EXCISE TAXES AND STATE SHARED REVENUES – Actual and Projected Collections.”
- (b) Represents debt service with respect to the outstanding City of Prescott, Arizona Municipal Property Corporation Revenue Bonds, Series 1998-F, defined hereinabove as the “Prior Lien Debt Service”. Such bonds have a prior lien on the City’s Excise Taxes, including State Shared Revenues.
- (c) Represents debt service with respect to the outstanding City of Prescott, Arizona Municipal Property Corporation Revenue Bonds, Series 2004 and Series 2007, defined hereinabove as the “Series 2004 Bonds” and the “Series 2007 Bonds”.
- (d) The first interest payment is July 1, 2010\*. Interest on the Bonds is estimated at an average rate of [\_\_\_\_\_%].
- (e) Based on “forward looking” statements which may not be realized. These amounts should be considered with an abundance of caution.

\*Preliminary, subject to change.

## REVENUES FROM EXCISE TAXES AND STATE SHARED REVENUES

The revenues from the Excise Taxes and the State Shared Revenues pledged to the payment of the rent payments under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, and assigned to the Trustee for the payment of debt service on the Bonds, include the revenues of the City from excise, transaction privilege and income taxes including State-shared sales taxes, fees for licenses and permits, fines and forfeitures, franchise fees and other State revenue-sharing as more fully described below. *No assurances can be given that the amount of State-shared sales taxes or other State revenue sharing will not be reduced or eliminated by the State Legislature.* The major categories of such revenues and their disposition under existing law are discussed more fully below.

### Elections

**The Charter of the City provides as follows: The council shall have the power to levy a transaction privilege tax; provided that no transaction privilege tax if based on gross income, gross receipts or gross proceeds of sale, shall be levied at a rate in excess of the present 1% rate unless such rate is approved by a majority of the qualified electors voting on the question at a special or general election.** On September 24, 1985, the voters of the City approved an additional City privilege tax of 1% (the “Restricted 1% Tax”) to be used exclusively for three major street improvement projects. In 1995, the voters approved extending the Restricted 1% Tax for street improvements. In May 2000, the voters of the City approved expanding the use of the Restricted 1% Tax to include open space acquisitions. The Restricted 1% Tax will expire at the end of 2015. On September 2, 2009, the voters of the City approved an additional City privilege tax of  $\frac{3}{4}$  of 1% (the “Transportation  $\frac{3}{4}$ % Tax”) for street projects and improvements. The Transportation  $\frac{3}{4}$ % Tax is effective as of January 1, 2016, and expires at the end of 2036. *Neither the Restricted 1% Tax nor the Transportation  $\frac{3}{4}$ % Tax is factored into in the SCHEDULE OF PROJECTED PLEDGED REVENUES, ESTIMATED DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE on page 7 or Actual Excise Tax and State Shared Revenues and Projected Excise Tax and State Shared Revenues shown in Table 3A and Table 3B, respectively. However, the City intends to pay debt service on the Bonds from revenues of the Restricted 1% Tax and the Transportation  $\frac{3}{4}$ % Tax.*

### Revenues from City Transaction Privilege (Sales) Taxes

The City collects a transaction privilege (sales) tax on a variety of categories of business activity. The City’s transaction privilege (sales) tax is levied by the City upon persons on account of their business activities within the City. The amount of taxes due is calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the business activities shown in the table below.

**TABLE 1**  
**Transaction Privilege (Sales, License and Use) Tax Rates by Category (a)(b)**

<u>Category</u>	<u>City Privilege Tax Rate (c)</u>
Apparel and Accessory Stores	2.00%
Auto Dealers	2.00%
Business Services	2.00%
Communications	2.00%
Contractors	2.00%
Electric, Gas and Water	2.00%
Food Stores	2.00%
Furniture and Home Furnishings	2.00%
General Merchandise Stores	2.00%
Hotels/Motels	2.00%
Miscellaneous Retail Stores	2.00%
Printing and Publishing	2.00%
Real Estate Rentals	2.00%
Restaurants and Bars	2.00%
All other Businesses	2.00%

- (a) Transaction privilege taxes are collected by the City on a monthly basis.
- (b) The City also levies an additional 3% tax on the gross income from the business activity of charging any person who, for a period of not more than 28 consecutive days, obtains lodging or the use of any lodging space in any hotel/motel for which a lodging charge is made.
- (c) Includes the Restricted 1% Tax, but not the Transportation ¾% Tax which is not effective until 2016.

**State Shared Sales Taxes**

Pursuant to statutory formula, cities and towns in Arizona receive a portion of revenues from the State-levied transaction privilege (sales) tax. As the table on the following page indicates, the rate of taxation on the portion of such tax varies among the different types of business activities taxed, with the most common rate being 5% of the amount or volume of business transacted.

Under current State law, the aggregate amount distributed to all Arizona cities and towns is equal to 25% of the “distribution share” of revenues attributable to each category of taxable activity. The allocation to each city and town of the revenues available to all cities and towns is based on their population relative to the aggregate population of all cities and towns as shown by the latest census. Revenues from State-levied transaction privilege (sales) taxes are collected by the State and are distributed monthly to cities and towns. **In addressing State budgetary deficiencies, the Governor and State legislature have occasionally enacted certain adjustments that would reduce the distribution of State-levied transaction privilege (sales) tax to cities and towns. The City cannot determine whether similar measures will become law or how they might affect the City’s receipt of revenues from State-levied transaction privilege (sales) tax.**

**TABLE 2**  
**State Sales Tax**  
**Taxable Activities, Tax Rates and Distribution Share**

<u>Taxable Activities</u>	<u>Tax Rate (a)</u>	<u>Distribution Share</u>
Mining	3.1250%	32.00%
Transporting	5.0000	20.00
Utilities	5.0000	20.00
Telecommunications	5.0000	20.00
Publication	5.0000	20.00
Job Printing	5.0000	20.00
Private Car Line	5.0000	20.00
Pipeline	5.0000	20.00
Prime Contracting	5.0000	20.00
Owner Builders Sale	5.0000	20.00
Restaurant	5.0000	40.00
Amusement	5.0000	40.00
Personal Property Rental	5.0000	40.00
Retail (excluding food sales)	5.0000	40.00
Transient Lodging	5.5000	50.00

(a) The State levied transaction privilege (sales) rate on certain of the categories of business activity was increased from 5% to 5.6%. The additional 0.6% is being used to fund certain educational programs by the State and will not be subject to distribution; therefore, the additional 0.6% is not reflected in this Table 2.

Source: Arizona Department of Revenue

### **State Shared Income Taxes**

Under current State law, Arizona cities and towns are preempted by the State from imposing a local income tax. Cities and towns are, however, entitled by statutory formula to typically receive 15% of State personal and corporate income tax collections. Distribution of such funds is made monthly based on the proportion of the population of each city and town to the total population of all incorporated cities and towns in the State as determined by the latest census.

**In addressing State budgetary deficiencies, the Governor and State legislature have occasionally enacted certain adjustments that would reduce the distribution of State-shared income taxes to cities and towns.** For example, effective September 21, 2006, the State Legislature approved legislation that gradually reduced the State personal income tax rate by ten percent (10.00%) over a two (2) year period. The corresponding reduction in State income tax revenues decreased the available moneys that otherwise would have been available for State revenue sharing purposes. To mitigate the impact on cities and towns in fiscal year ended June 30, 2009, the State Legislature adopted legislation that appropriated money from the State's general fund in lieu of State income tax revenue in the respective amounts that individual cities and towns would have received from State revenue sharing prior to the tax rate reduction. After fiscal year ended June 30, 2009, cities and towns returned to sharing fifteen percent (15.00%) of personal and corporate income taxes collected by the State in the fiscal year two years preceding the then current fiscal year. **The City cannot determine whether similar measures will become law or how they might affect the City's receipt of revenues from State-shared income taxes.**

### **Possible Initiative Measures**

From time to time, bills are introduced in the Arizona Legislature to change the formula used to allot various revenues, including State shared sales taxes or State shared income taxes. The City cannot determine whether any such measures will become law or how they might affect the City's revenues from the sources which comprise Excise Taxes or State Shared Revenues. In addition, initiative measures are circulated from time to time seeking to place on the ballot changes in Arizona law which repeal or modify various revenue sources, some of

which could include Excise Taxes or Stated Shared Revenues. The City cannot predict if any such initiative measures will ever actually be submitted to the electors, what form the measures might take or the outcome of any such election.

**Revenues from Licenses, Franchise Fees, Permits, Fines, Forfeitures and Charges for Services**

The City has exclusive control over public rights of way dedicated to it and may grant franchise agreements to, and impose franchise taxes on, utilities using those rights of way. The City imposes and collects fees to engage in certain activities within the City and for the right to utilize certain City property and also imposes and collects fines for violations of certain municipal requirements, some of which may result in forfeiture of property involved.

The City also imposes and collects fees for licenses and permits to engage in certain activities within the City and for the right to utilize certain City property and imposes and collects fines and forfeitures for violations of State laws or City ordinances relating to traffic, parking, animal control and other offenses.

**Actual and Projected Revenues from Excise Taxes and State Shared Revenues**

*Actual Collections.* Set forth below are audited pledged revenues from Excise Taxes and State Shared Revenues for fiscal years ended June 30, 2005 through 2009.

**TABLE 3A  
Actual Excise Tax and State Shared Revenues  
for the Fiscal Years Ended June 30**

<b>Revenue Source</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
City Privilege and Use Taxes (a)	\$13,215,116	\$15,129,080	\$15,180,057	\$14,975,742	\$12,794,026
State-Shared Revenues	6,263,864	7,191,935	8,503,929	9,484,488	9,336,920
Franchise Taxes	1,235,890	1,369,307	1,488,072	1,563,883	1,567,388
Licenses and Permits	1,496,637	1,343,844	272,809	382,667	263,858
Charges for Services	1,013,632	1,038,904	2,199,691	1,929,959	1,435,556
Fines and Forfeitures	479,847	592,608	1,534,587	1,719,170	1,967,588
<b>Total</b>	<b>\$23,704,986</b>	<b>\$26,665,678</b>	<b>\$29,089,145</b>	<b>\$30,055,909</b>	<b>\$27,365,336</b>

Source: City of Prescott Comprehensive Annual Financial Reports, Fiscal Years 2004-05 through 2008-09.  
City of Prescott Finance Department.

(a) Excludes amounts collected from the Restricted 1% Tax. See “REVENUES FROM EXCISE TAXES AND STATE SHARED REVENUES - Revenues from City Transaction Privilege (Sales) Taxes.”

*Projected Collections.* Set forth below are City-projected pledged revenues from Excise Taxes and State Shared Revenues for fiscal years ended June 30, 2010 through 2014.

**TABLE 3B**  
**Projected Excise Tax and State Shared Revenues**  
**for the Fiscal Years Ended June 30(a)**

<u>Revenue Source</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City Privilege and Use Taxes (b)	\$12,552,500	\$12,552,500	\$12,929,075	\$13,316,947	\$13,716,456
State-Shared Revenues	8,398,094	7,103,246	7,316,343	7,535,834	7,761,909
Franchise Taxes	1,608,902	1,657,169	1,706,884	1,758,091	1,810,833
Licenses and Permits	197,950	197,950	203,889	210,005	216,305
Charges for Services	1,362,576	1,362,576	1,403,453	1,445,557	1,488,924
Fines and Forfeitures	1,755,051	1,755,051	1,772,602	1,790,328	1,808,231
Total	<u>\$25,875,073</u>	<u>\$24,628,492</u>	<u>\$25,332,246</u>	<u>\$26,056,761</u>	<u>\$26,802,657</u>

Source: City of Prescott, Finance Department.

- (a) "Forward looking" statements which may not be realized. These amounts should be looked at with an abundance of caution.
- (b) Excludes amounts collected from the Restricted 1% Tax. See "REVENUES FROM EXCISE TAXES AND STATE SHARED REVENUES - Revenues from City Transaction Privilege (Sales) Taxes."

## THE PROJECT

Proceeds of the Bonds will be used to pay for improvements within and serving the area known as the State Route 89A/Granite Dells Parkway Traffic Interchange, including the construction and installation of certain street improvements, storm drain facilities, water and sanitary sewer facilities, landscape, lighting, irrigation, and related improvements and related appurtenances (collectively, the "Project").

## SOURCES AND APPLICATIONS OF FUNDS

**Sources:**

Par Amount of the Bonds	\$ _____
Net Original Issue Premium	_____
Total Sources	<u>\$ _____</u>

**Applications:**

Project Costs	\$ _____
Costs of Issuance (including Underwriter's Discount)	_____
Total Applications	<u>\$ _____</u>

## **LITIGATION**

The City is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney, such matters will not have a material adverse effect on the City's financial position or on the City's ability to comply with the requirements of the Series 2010 City Lease.

To the knowledge of the City Attorney no litigation or administrative action or proceeding is pending or threatened restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds or against the City's entering into the Series 2010 City Lease or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, secured, sold, executed or delivered, or the validity of the Bonds. Certificates of the City and the Corporation to that effect will be delivered at the time of the delivery of the Bonds.

## **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 approving legal opinion of Greenberg Traurig, LLP, whose legal services as Bond Counsel have been retained by the Corporation. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Corporation at the time of original delivery of the Bonds. (Bond Counsel's fees will be paid from proceeds of the sale of the Bonds.)

The proposed text of the legal opinion of Bond Counsel is set forth as Appendix B of this Official Statement. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has received or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

While Bond Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Corporation or the Bonds that may be prepared or made available by the City or the Corporation or others to the Underwriter or holders of the Bonds or others.

Certain matters will be passed upon for the Corporation and for the City by Gary Kidd, City Attorney and for the Underwriter by \_\_\_\_\_.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorney rendering the opinions as to the legal issue 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.

## **TAX MATTERS**

### **General**

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Corporation and the City must continue to meet with respect to the Bonds after the issuance thereof in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure by the Corporation or the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Corporation and the City have covenanted

to take action required by the Code in order to maintain the exclusion from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel, rendered with respect to the Bonds on the date of issuance of the Bonds, assuming continuing compliance by the Corporation and the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income of the owner thereof for federal tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. Bond Counsel is further of the opinion upon the date of issuance of the Bonds that, assuming interest will be excludable from gross income for federal income tax purposes, the interest thereon will be exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of interest of the Bonds by recipients of certain Social Security and Railroad Retirement benefits.

### **Original Issue Discount**

The initial offering price of the Bonds maturing in years 20\_\_ through and including 20\_\_ (referred to in this section as the "Discount Bonds"), will be less than the principal amount payable at maturity. Under the Code, the difference between the principal amount of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Discount Bonds of the same maturity will be sold constitutes to an initial purchaser, is "original issue discount." Original issue discount represents interest which will be excluded from gross income for federal income tax purposes; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences described above under "General" above. Original issue discount will accrue actuarially over the term of a Discount Bond at a constant interest rate. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof as set forth on the inside front cover of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining a taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Prospective purchasers of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the other tax consequences of owning and disposing of the Discount Bonds.

### **Bond Premium**

The difference between the principal amount of the Bonds maturing in 20\_\_ through and including 20\_\_ (referred to in this section as the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Premium Bonds of the same maturity will be sold constitutes to an initial purchaser "amortizable bond premium" which will not be deductible from gross income for federal income tax purposes. The

amount of amortizable bond premium for a taxable year will be determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such premium bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Prospective purchasers of the Premium Bonds should consult their own advisors with respect to the tax consequences of owning and disposing of the Premium Bonds.

## **FINANCIAL STATEMENTS**

The financial statements of the City as of June 30, 2009 and for its fiscal year then ended, which are included as Appendix F of this Official Statement, have been audited by Eide Bailly, LLP, as stated in her opinion which appears in Appendix F. The City neither requested nor obtained the consent of Eide Bailly, LLP to include such financial statements in this Official Statement and Eide Bailly, LLP has performed no procedures subsequent to rendering her opinion on such financial statements.

## **RATINGS**

The Bonds will be rated “\_\_\_,” “\_\_\_” and “\_\_\_” by Moody's Investors Service (“Moody's”), Standard & Poor's Ratings Services (“S&P”) and Fitch Ratings (“Fitch”), respectively, with the understanding that upon delivery of the Bonds a municipal bond insurance policy will be issued by \_\_\_\_\_. Moody's, S&P and Fitch have assigned the Bonds underlying ratings of “\_\_\_,” “\_\_\_” and “\_\_\_,” respectively. Such ratings reflect only the views of Moody's, S&P and Fitch, respectively, at the time such ratings were issued and an explanation of the significance of such ratings may be obtained from Moody's and S&P. The ratings are not a recommendation to buy, hold or sell the Bonds. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of either rating can be expected to have an adverse effect on the market price of the Bonds. The City has undertaken to file notice of any formal change in any rating that relates to the Bonds that could affect the value of the Bonds. See “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

## **CONTINUING DISCLOSURE**

The City, as the “obligated person” with respect to the Bonds, will covenant for the benefit of certain owners of the Bonds to provide certain financial information and operating data relating to the City by no later than the first business day in February of each year commencing the first business day in February, 2011 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events, if material (the “Notices of Material Events”).

The Annual Reports and the Notices of Material Events will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access System (“EMMA”). The specific nature of the information to be contained in the Annual Reports and the Notices of Material Events and the method of dissemination through EMMA are set forth in Appendix D – “FORM OF CONTINUING DISCLOSURE AGREEMENT,” hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). A failure by the City 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 2010 Bonds in the secondary market. Also, pursuant to Arizona law the ability of the City to provide information pursuant to such covenants will be subject to annual appropriation of funds to cover the costs of, among other things, preparing and transmitting the Annual Reports and the Notices of Material Events. Should the City not comply with such covenants due to a failure to appropriate, the City has covenanted to provide notice of such fact through EMMA. Absence of continuing disclosure due to a failure to comply with any such covenants or such non-appropriation could adversely affect the 2010 Bonds and specifically

their market price and liquidity. The City has complied materially with each continuing secondary market disclosure undertaking previously entered into by the City.

### **ADDITIONAL INFORMATION**

Additional information and copies of the Official Statement, the Indenture and the Series 2010 City Lease may be obtained from RBC Capital Markets, Suite 700, 2398 East Camelback Road, Phoenix, Arizona 85016.

### **UNDERWRITING**

The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ which represents the principal amount of \$\_\_\_\_\_ plus a net premium of \$\_\_\_\_\_. Based upon the initial offering yields set forth on the inside front cover hereof, the Underwriter will receive compensation equal to \$\_\_\_\_\_. The Underwriter will be obligated to accept delivery and pay for all of the Bonds if any are delivered. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering prices on the inside front cover hereof. The initial public offering prices may be changed from time to time by the Underwriter.

### **RELATIONSHIPS AMONG PARTIES**

Greenberg Traurig, LLP, Bond Counsel, represents the Underwriter from time to time with respect to certain financings undertaken by entities other than the City and acts as bond counsel with respect to certain other financings underwritten by the Underwriter.

### **CONCLUDING STATEMENT**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation or the City and the purchasers or holders of any of the Bonds.

This Official Statement has been approved for distribution by the Corporation and the City.

CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION

By \_\_\_\_\_  
President

**CITY OF PRESCOTT, ARIZONA  
GENERAL AND FINANCIAL INFORMATION**

**General**

The City of Prescott, Arizona (the “City”), is located in Yavapai County, Arizona (the “County”) in west-central Arizona, approximately 96 miles northwest of the City of Phoenix, Arizona. The City was proclaimed Arizona’s first territorial capital in 1864 and was incorporated as a city in 1883. It serves as the county seat for the County as well as headquarters of the Prescott National Forest. The City’s boundaries encompass an area of approximately 39 square miles.

The City is situated at an elevation of 5,410 feet, lying in a transitional topographical zone between Arizona’s desert valleys and mountain highlands. The terrain surrounding the City ranges from rolling grass-covered hills and flatlands to rugged, pine-covered mountain slopes. Average minimum and maximum temperatures range from 37 degrees to 64 degrees, respectively.

**Population**

**Population Statistics for the City of Prescott,  
Yavapai County and the State of Arizona**

<u>Year</u>	<u>City Prescott</u>	<u>Yavapai County</u>	<u>State of Arizona</u>
2008 Estimate	43,280	227,348	6,629,455
2000 Census	33,938	167,517	5,130,632
1990 Census	26,455	107,714	3,665,339
1980 Census	20,055	68,145	2,716,546
1970 Census	13,134	37,005	1,775,399

Source: U.S. Department of Commerce, Bureau of Census; and Arizona Department of Economic Security, Population Statistics Unit, Research Administration.

**Transportation**

Interstate 17, Arizona’s primary north-south route, lies 35 miles east of the City and is linked to the City by State Route 69. U.S. Highway 89 traverses the City and provides access to Interstate 40, approximately 50 miles to the north. Alternate Route 89 provides travel from the City to the City of Sedona and Oak Creek Canyon, and continues north to the City of Flagstaff and south to Interstate 17.

The Prescott Municipal Airport, located seven miles northeast of the City, provides commuter airline service in and out of the City on a daily basis as well as facilities for private air traffic.

**Education**

The educational needs of the area are served by the Prescott Unified School District No. 1, which operates five elementary schools, two middle schools, one high school, and one alternative high school. Yavapai College, located in the City, is a public two-year institution that currently offers 44 Associate Degree certificates and transfer programs and is part of the State’s Community College System. Prescott College, also located in the City, is a four-year, private, liberal arts college which emphasizes field experience in all liberal arts programs. Embry-Riddle Aeronautical University, located within the City’s boundaries, offers degrees in various aviation and aerospace related fields.

**Municipal Government and Organization**

The City operates under and is governed by its charter (the “Charter”), which was first adopted by the voters in 1958 and which may be and has been amended by the voters from time to time. The City is subject to general laws of the State, but under the Arizona Constitution and the Charter may exercise all powers of local self-government to the extent not in conflict with applicable general laws. The Charter provides for a council-manager form of government.

Legislative authority is vested in a seven-member council (six members elected at-large for four-year terms and the mayor who serves a two-year term) (the “Council”). The Council fixes the duties and compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The presiding officer of the Council and chief executive officer of the City is the Mayor; however, the Mayor has no regular administrative duties. The Charter establishes certain administrative departments, and the Council may establish divisions of those departments and additional departments. The Council also may create and appoint members to various boards and commissions.

The elected officials of the City as of the date of this Official Statement are:

<b><u>Elected Officials</u></b>	<b><u>Name</u></b>	<b><u>Profession</u></b>	<b><u>Term Expires</u></b>
<i>Mayor:</i>	Marlin Kuykendall	Retired-Businessman	November 2011
<i>Council:</i>	Steve Blair	Businessman	November 2013
	John Hanna	Retired-Police Officer	November 2013
	Jim Lamerson	Businessman	November 2011
	Tammy Linn	Educator	November 2013
	Lora Lopas	Businesswoman	November 2011
	Mary Ann Suttles	Businesswoman	November 2011

The City’s chief administrative officer is the City Manager, who is appointed by the Council and serves at its pleasure. The City Manager has full responsibility for carrying out Council policies and appoints and removes, in accordance with a Charter-mandated merit system, all appointed officers and employees, except Council officers and employees. Other officials appointed by the Council include the City Clerk, City Attorney and City Magistrate.

The City’s administration as of the date of this Official Statement is under the following management team:

<b><u>Appointed Officials</u></b>	<b><u>Name</u></b>
City Manager	Steve Norwood
Deputy City Manager	Laurie Hadley
Administrative Services Director	Mic Fenech
Finance Director	Mark Woodfill
Public Works Director	Mark Nietupski
City Attorney	Gary Kidd
City Clerk	Elizabeth Burke
City Magistrate	Arthur Markham

Mr. Steve Norwood was appointed City Manager on July 1, 2003, and prior to joining the City, Mr. Norwood was the Assistant City Manager to the City of North Richland Hills, Texas. Prior to joining the city management team in North Richland Hills, Mr. Norwood served a combined six years as city manager of the cities of Lancaster and Wylie, Texas. Mr. Norwood’s municipal government career also includes a six-year period as the assistant to the city manager and director of economic development in Euless, Texas. Mr. Norwood studied criminal justice as an undergraduate at Sam Houston State University. He earned a master’s degree in urban affairs from the University of Texas at Arlington.

## Economy and Employment

The City of Prescott is located in the mountains of north central Arizona. It is bordered by the Prescott National Forest to the south and west. The City and the nearby towns of Chino Valley and Prescott Valley form what is known locally as the Tri-City area. The economy of Prescott is based primarily on government, the service industry, trade and tourism. Prescott is the center for trade in the region, with abundant retail establishments, professional services, and manufacturing plants. The City's close proximity to the metropolitan Phoenix area, makes tourism a major source of employment and a strong contributor to the economy. Additionally, the Prescott Municipal Airport, classified as a general aviation airport, is modernizing towards becoming a regional airport designed to meet the future needs of Yavapai County. Reports from the Arizona Department of Economic Security listed below show a comparison of the changes in annual average employment levels in the various non-agricultural sectors of the County for calendar years 2003 through 2009.

### Yavapai County Wage and Salary Employment Number of Persons Employed 2003-2009

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009(a)</u>
<b>Goods Producing</b>						
Mining and Construction	7,200	8,200	9,200	8,900	7,500	5,400
Manufacturing	3,400	3,700	3,900	3,800	2,900	2,800
<b>Service-Providing</b>						
Trade, Transportation and Utilities	10,900	11,500	12,300	12,400	12,300	11,500
Information	700	600	600	600	500	600
Financial Activities	1,900	2,200	2,400	2,400	2,300	2,300
Professional and Business Services	4,200	4,600	5,100	5,000	4,000	2,900
Educational and Health Services	8,000	8,600	9,200	9,200	10,100	10,400
Leisure and Hospitality	7,300	7,600	8,100	8,000	7,900	7,500
Other Services	1,900	2,000	2,100	2,000	1,800	1,300
Government	<u>10,600</u>	<u>10,800</u>	<u>11,300</u>	<u>11,200</u>	<u>12,800</u>	<u>12,200</u>
	56,000	59,800	64,200	63,500	62,100	56,900

Source: Arizona Department of Economic Security.

(a) Average through September 2009.

The percentages of unemployment for the City, the County, the State and the United States for calendar years 2003 through 2009 are as follows:

### Area Unemployment

<u>Calendar Year</u>	<u>City of Prescott</u>	<u>Yavapai County</u>	<u>State of Arizona</u>	<u>United States</u>
2009 (a)	7.9%	8.9%	8.3%	9.0%
2008	5.0	5.6	5.5	5.8
2007	3.2	3.7	3.8	4.6
2006	3.5	3.9	4.1	4.7
2005	3.9	4.4	4.6	5.1
2004	3.8	4.3	5.0	5.5

(a) Average September 2009.

Source: Department of Economic Security, Research Administration and U.S. Department of Labor, Bureau of Labor Statistics.

The City's major employers include the following:

**Major Area Employers  
City of Prescott**

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Employment</u>
Yavapai Regional Medical Center	Healthcare	1,900
Yavapai County	Government	1,800
Yavapai College	Higher Education	1,300
Wal-Mart Stores	Discount Department Store	1,000
Prescott Unified School District	Government	700
Veteran's Admin Medical Center	Healthcare	630
State of Arizona	Government	546
City of Prescott	Government	498
Embry Riddle Aero. University	Higher Education	425
Yavapai Gaming Agency	Government	425
Fry's Food & Drug	Grocery Store	425
MI Better Built	Manufacturing	400

Source: City of Prescott Chamber of Commerce, January 2009.

**Manufacturing**

The City's major manufacturing employers include the following:

**Major Manufacturing Employers  
City of Prescott**

<u>Manufacturer</u>	<u>Approximate Specialty</u>	<u>Approximate Employment</u>
MI Better Built	Window manufacturing	400
Strum Ruger & Co.	Firearms manufacturer	160
Wulfsberg Electronics	Aviation communications equipment	135
Fortner Aerospace	Aerospace machine shop	140
Pure Wafer	Silicon wafer refinisher	70
European Techniques	Cabinet fabricator	63
Yavapai Block	Concrete block manufacturer	58
Ceterforce Clutches	Automotive clutches and flywheels	52
Prescott Precision Die	Aerospace machined parts	50
Ratio Design Labs	Electronic audio and test equipment	45
Quality Plastic of Prescott	Plastic bottle manufacturer	44
Ester C	Mineral ascorbate manufacturer	24
Tesoro Electronics	Metal detector manufacturer	20

Source: City of Prescott.

## Commerce

The central downtown area of the City is situated around a historic park and town square. In this downtown area there are business and retail centers as well as the City's historic district. In addition to this central business area, the City has a regional mall and numerous neighborhood shopping and "power" centers which service the needs of particular residential developments as well as the surrounding "tri-city" area. As is the case in other communities within Arizona, the economic slowdown of the past 18 months has negatively affected current retail sales in the City. Taxable sales of the City have decreased by approximately \$41.2 million or (3.14%) since the 2004-05 fiscal year. Taxable sales figures for the City are shown below:

<b>City of Prescott Taxable Sales</b>		
<b>Fiscal Year</b>	<b>City of Prescott Taxable Sales</b>	<b>% Increase</b>
2008-09	\$1,272,320,861	(14.10%)
2007-08	1,481,236,880	(4.82)
2006-07	1,556,309,497	4.91
2005-06	1,483,429,857	12.94
2004-05	1,313,507,049	15.37

Source: City of Prescott, Finance Department.

## Banking

The following table lists total dollars on deposit with all FDIC-insured institutions within Yavapai County (figures not available for the City) for the past five years.

**Deposits of All FDIC-Insured Institutions  
Yavapai County  
(\$ in thousands)**

<b>Fiscal Year Ending June 30</b>	<b>Amount</b>
2008	\$3,153,109
2007	2,926,795
2006	3,097,000
2005	2,857,000
2004	2,472,000

Source: *Summary of Deposits*, Federal Deposit Insurance Corporation

## Tourism

Tourism plays an important role in the City's economy. As Arizona's former territorial capital, the City is rich in historic and scenic landmarks. The prevalence of the western pioneer and Native American cultures give the City an "Old West" flavor which attracts a variety of tourists every year. In addition, recreational sites such as Thumb Butte and the Senator Highway scenic drive, as well as Lynx, Granite Basin, Willow, Watson and Goldwater Lakes offer the outdoor sportsman and sightseer numerous places to visit. Major events held annually in the City include the Prescott Frontier Days (including the County's oldest rodeo), the Bluegrass Festival, the Arizona Christmas City Celebration and a variety of art shows and fairs.

## Construction

The following table was compiled from *Arizona Construction Reports*, a publication of Arizona Real Estate Center, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University. Data is obtained from County and City divisions that issue such permits. It should be noted that the construction is valued on the basis of estimated cost and not on market price or value of construction at the time the permit is issued. The date at which the permit is issued is not to be construed as the date of construction.

### Value of Building Permits City of Prescott

Calendar Year	Residential	Commercial	Industrial	Other	Total
2009 (a)	\$ 3,255,000	\$ 133,000	\$ 0	\$5,991,000	\$ 9,379,000
2008	27,809,000	7,895,000	470,000	8,646,000	44,820,000
2007 (b)	28,337,000	16,096,000	1,087,000	4,141,000	49,661,000
2006	128,981,000	24,105,000	0	6,511,000	159,597,000
2005	151,205,000	27,023,000	1,460,000	5,433,000	185,121,000
2004	144,681,000	41,464,000	3,256,000	6,749,000	196,150,000

### Value of Building Permits Yavapai County

Calendar Year	Residential	Commercial	Industrial	Other	Total
2009 (a)	\$ 16,653,000	\$17,611,000	\$ 696,000	\$34,227,000	\$ 69,187,000
2008	158,378,000	72,921,000	4,475,000	39,377,000	275,151,000
2007 (b)	308,814,000	92,463,000	12,966,000	44,839,000	459,082,000
2006	540,520,000	91,702,000	4,963,000	56,025,000	693,210,000
2005	814,591,000	80,602,000	3,346,000	51,873,000	950,412,000
2004	588,501,000	97,785,000	5,089,000	42,217,000	733,592,000

(a) As of March 31, 2009.

(b) Incomplete data: one or more months not available.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

**New Housing Starts  
City of Prescott**

<b>Calendar Year</b>	<b>Number of New Housing Starts</b>
2009 (a)	9
2008	162
2007 (b)	98
2006	578
2005	627
2004	784

**New Housing Starts  
Yavapai County**

<b>Calendar Year</b>	<b>Number of New Housing Starts</b>
2009 (a)	103
2008	916
2007 (b)	1,751
2006	3,337
2005	5,069
2004	4,377

(a) As of March 31, 2009.

(b) Incomplete data: one or more months not available.

Source: Arizona Real Estate Center, L. William Seidman Research Institute, College of Business, Arizona State University.

## **FINANCIAL INFORMATION**

*The following data and other information are given as background concerning the City. Under no circumstances are the Bonds payable from ad valorem property taxes of the City.*

### **Introduction**

The fiscal year for the City is July 1 through June 30. The City Manager submits to the Council a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them. Public hearings on the budget are held each year in order to obtain comments from local taxpayers.

State law requires that on or before the third Monday in July of each fiscal year, the Council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption; however, they may be decreased. The tentative budget must also be published once per week for two consecutive weeks prior to final adoption. Final adoption must take place on or before the second Monday in August. The Council, on or prior to the third Monday in August, adopts by ordinance tax levies deemed to be sufficient to raise the revenues to be required for the budget.

### **Expenditure Limitation**

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all local governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation growth, with certain expenditures excluded from the limitation. The Arizona Economics Estimates Commission determines and publishes, prior to April 1 of each year, the expenditure limitation for the following fiscal year for each governmental unit. Fiscal year 1979-80 is the base year for calculations. The effective date for the City was fiscal year 1982-83. On September 26, 1989 the voters of Prescott approved an alternative to the expenditure limitation. The option approved was Home Rule. Home Rule allows the City to spend the revenues it has to meet the needs of the City without a determined limit. At a special public hearing at time of tentative budget adoption, the Council establishes the expenditure limit for the City. Home Rule is required by the Constitution to be renewed every four years by voter approval.

### **Voter Requirement for Capital Projects**

On November 3, 2009, the voters of the City approved Proposition 401, which changes the City's Charter to require a vote of the public for most City projects with a value of \$40,000,000 or more, to be adjusted by inflation.

### **Financial Reports and Examinations of Accounts**

State law requires that the City's financial books and records be audited by independent auditors, on an annual basis.

### **Ad Valorem Taxes**

#### **General**

Arizona (the "State" or "Arizona") has two different valuation bases for levying ad valorem property taxes. They are "limited property value" 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 property or full cash values of the property to obtain the assessed valuations. The Legislature, from time to time, has changed and may change the manner in which taxes are levied, including changing the assessment ratios and property classifications.

## **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. 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 parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, are established at the prior year's limited property value increased by the greater of either 10% of prior year's limited property value or 25% of the difference between prior 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 aggregate of the primary taxes levied by a county, city, town and community college district is 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). 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 property are the same. Primary taxes on residential property only are constitutionally limited to 1% of the full cash value of such property.

Primary taxes on owner-occupied residential property are constitutionally limited to 1% of the full cash value of such property. To offset the primary system limitation of tax levies on residential property to 1% of the primary full cash value, the limitation is applied to the school districts' taxes and the State compensates the school district by providing additional State aid so there is no impact on the revenue available to school districts. See footnote (c) to the table under the subheading "Net Direct and Overlapping General Obligation Bonded Debt."

## **Secondary Taxes**

Taxes levied against the assessed full cash value (after application of the assessment ratio) are referred to as secondary taxes, which are used for debt retirement, 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 bond indebtedness and special district assessments are unlimited. Debt service on the Series 2010 Bonds is payable solely from secondary property taxes.

## **Tax Procedures**

### **Tax Year**

The Arizona tax year has been defined as the calendar year, although tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year, when payment of the second installment of property taxes for the tax year becomes past due. The tax lien attaches to the real property as of January 1 of the tax year in question.

### **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, 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. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data 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.

Certain residential property owners sixty-five years of age and older may obtain a property valuation “freeze” (the “*Property Valuation Protection Option*”) if the owners total income for all sources does not exceed 400% (500% 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 freezes on increases in full cash value will, as a result, freeze the secondary assessed value of the affected property.

**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 over the five-year period 2005-06 through 2009-10 for each class of property are set forth below.

**TABLE 2**  
**Property Tax Assessment Ratios**  
**2005-06 through 2009-10**

<b>Property Classification (a)</b>	<b>Assessment as Percent of Full Cash Value</b>				
	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
Mining, Utility, Commercial and Industrial (b)(c)	25%	24.5%	24 %	23%	22%
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 (d)	21%	21%	21%	20%	18%

- (a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.
- (b) The first \$65,013 of full cash value of commercial, industrial and agricultural personal property is exempt from tax for fiscal year 2009-10. This amount is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 22% or 16% as applicable.
- (c) Effective January 1, 2009, the assessment ratio for Mining, Utility, Commercial and Industrial property was decreased to 22%. Additionally, this rate will be decreased by one percent annually through 2010, resulting in an assessment ratio of 20% from and after December 31, 2010.
- (d) 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 and agricultural personal property to (ii) the total full cash (market) value of such properties.

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

On or before the third Monday in August of each year the Board of Supervisors of the County prepares the tax roll that sets forth the valuation by taxing district of all property in the County subject to taxation. The Board of Supervisors of the County is required to adopt final tax rolls by December 31. 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. 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.

From time to time, bills have been introduced in the Arizona Legislature to reduce the property tax assessment ratios on utility, commercial and/or industrial property and such bills may be introduced in the current or future legislative sessions. The City cannot determine whether any such measures will become law or how they might affect property tax collections for the City.

### **Delinquent Tax Procedures**

The property taxes due to the City are billed, along with State, County, and other property taxes, in September of the calendar tax year and are payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to a penalty of 16% per annum unless the full year tax is paid by December 31. Delinquent interest is waived if a taxpayer, delinquent as of November 1, pays the entire year's tax bill by December 31. At the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien for sale in February of the succeeding year. In the event that there is no purchaser for the property at the tax sale, the title to such property is vested in the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent and current taxes.

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 attach 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 City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

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 2009 Certificates. Neither the City, the Underwriter nor their respective agents or consultants have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

### **Property Valuations**

The following table lists the various property valuations for the City for the most current fiscal year.

#### **Valuations for 2009-10 Fiscal Year (a)**

Estimated Actual Valuation (b)	\$6,694,336,533
Net Secondary Assessed Valuation	\$822,386,900
Net Primary Assessed Valuation	\$729,027,149

Source: Yavapai County Assessor's Office and *Abstract of The Assessment Roll*, Arizona Department of Revenue.

- (a) Estimated valuations for Fiscal Year 2009-10, provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2009-10 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.
- (b) Actual full cash value net of estimated value of property exempt from taxation.

**Net Secondary Assessed Valuation Comparison and Trends**

The information set forth below is shown to indicate changes in the net secondary assessed valuations of the City, the County, and the State on a comparative basis as well as the ratio between assessed values and estimated actual values of the City.

**Net Secondary Assessed Valuation Comparison**

<b>Fiscal Year</b>	<b>City of Prescott</b>	<b>% Change</b>	<b>Yavapai County</b>	<b>% Change</b>	<b>State of Arizona</b>	<b>% Change</b>
2009-10	\$822,386,900(a)	1.53	\$2,954,598,732(a)	3.56	\$86,090,579,647(a)	19.84
2008-09	809,994,833	16.42	2,853,059,731	23.90	71,837,099,233	31.96
2007-08	642,466,094	10.98	2,302,712,940	13.96	54,436,547,301	11.25
2006-07	551,843,276	11.04	2,020,575,209	13.19	48,931,946,145	10.05
2005-06	497,226,209	8.86	1,785,174,684	11.40	44,461,738,026	8.87

Source: Yavapai County Assessor’s Office, *Abstract of the Assessment Roll*, Arizona Department of Revenue.

- (a) Estimated valuations for Fiscal Year 2009-10, provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2009-10 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.

**Net Secondary Assessed Valuation and Estimated Actual Valuation**

<b>Fiscal Year</b>	<b>Net Secondary Assessed Valuation</b>	<b>Estimated Actual Valuation (a)</b>	<b>Net Secondary Assessed Valuation as a % of Estimated Actual Valuation</b>
2009-10	\$822,386,900 (b)	\$6,694,336,533 (b)	12.28%
2008-09	809,994,833	6,598,280,186	12.28
2007-08	642,466,094	5,300,660,392	12.12
2006-07	551,843,276	4,476,798,800	12.33
2005-06	497,226,209	3,974,902,455	12.51

Source: Yavapai County Assessor’s Office.

- (a) Actual full cash value net of estimated value of property exempt from taxation.
- (b) Estimated valuations for Fiscal Year 2009-10, provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2009-10 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.

**Estimated Net Secondary Assessed Valuations of Major Taxpayers**

Shown below are the major property taxpayers located within the City, an estimate of their current net secondary assessed value and their relative proportion of the City’s total net secondary assessed value.

<b>Taxpayer</b>	<b>2009-10 Net Secondary Assessed Valuation</b>	<b>As Percent of City’s 2009-10 Net Secondary Assessed Valuation</b>
Arizona Public Service	\$13,169,789	1.6%
TWC II Prescott Mall LLC	8,883,966	1.1
Qwest Corporation/ US West	4,814,047	0.6
Unisource Energy Corporation	4,649,705	0.6
First American Title	3,279,895	0.4
Bonanza LLC- Ponderosa Plaza	3,176,489	0.4
Wal-Mart	3,123,904	0.4
Lowe’s	2,658,469	0.3
LFRV LLC (Las Fuentes)	2,527,254	0.3
Wal-Mart 5303	<u>2,123,813</u>	<u>0.3</u>
	\$48,407,331	6.0%

Source: Yavapai County Assessor’s Office.

**Record of Real and Secured Property Taxes Levied and Collected [TO COME]**

Property taxes are levied and collected on property within the City and are certified to by the County Treasurer of the County on behalf of the City. The following table sets forth the tax collection record of the City for the past five years.

<b>Fiscal Year</b>	<b>Tax Levy</b>	<b>Collected to June 30 End of Tax Fiscal Year (a)</b>		<b>Total Collections (b)</b>	
		<b>Amount</b>	<b>Percent of Tax Levy</b>	<b>Amount</b>	<b>Percent of Tax Levy</b>
2009-10		(c)	(c)		
2008-09	3,153,600				
2007-08	3,076,772				
2006-07	2,835,796			1,843,437	65.01
2005-06	2,745,431	2,599,101	94.67	2,646,459	96.40
2004-05	2,685,518	2,534,361	99.11	2,597,599	96.73

- (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 the first day of October and becomes delinquent on November 1. The second installment becomes due on the first day of March and is delinquent on May 1. Interest at the rate of 16% per annum attaches on first and second installments following their delinquent dates unless the full year tax is paid by December 31. Penalties for delinquent payments are not included in the above collection figures.
- (b) Reflects collections made through November \_\_\_\_, 2009.
- (c) In the process of collection.

Source: Yavapai County Treasurer’s Office.

## Tax Rate Data

The tax rates provided below reflect the total property tax levied by the City. As such, the rates are the sum of the tax rate for debt service payments, which is based on the secondary assessed value within the City, and the tax rate for all other purposes, which is based on the primary assessed value within the City.

<b>Fiscal Year</b>	<b>City's Primary Tax Rate Per \$100 Assessed</b>	<b>City's Secondary Tax Rate Per \$100 Assessed</b>	<b>City's Total Tax Rate Per \$100 Assessed</b>
2009-10	\$0.1695	\$0.2002	\$0.3697
2008-09	0.1839	0.2396	0.4235
2007-08	0.1981	0.2982	0.4973
2006-07	0.2182	0.3093	0.5275
2005-06	0.2245	0.3413	0.5658

Source: Yavapai County Assessor's Office and *Property Tax Rates and Assessed Values*, Arizona Tax Research Foundation.

## Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks and open space, transportation and public safety purposes may not exceed 20% of a city's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of a city's net secondary assessed valuation. In the following computation of the City's borrowing capacity, general obligation bonds that are to be supported from enterprise funds are included in the appropriate category.

<b>20% Bonds</b>		<b>6% Bonds</b>	
20% Constitutional Limitation	\$164,477,380(a)	6% Constitutional Limitation	\$49,343,214 (a)
Direct General Obligation Bonds Outstanding	<u>6,240,000</u>	Direct General Obligation Bonds Outstanding	<u>0</u>
Unused 20% Limitation		Unused 6% Limitation	
Borrowing Capacity	<u>\$158,237,380</u>	Borrowing Capacity	<u>\$49,343,214</u>

(a) Estimated valuations for Fiscal Year 2009-10, provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2009-10 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.

Source: City of Prescott, Finance Department.

## General Obligation Bonded Debt Outstanding

The following chart lists the City's general obligation bonded debt that is currently outstanding.

<b>Date of Issue</b>	<b>Original Amount</b>	<b>Purpose</b>	<b>Maturity Date</b>	<b>Average Int. Rate</b>	<b>Balance Outstanding</b>
12/01/1998	\$15,895,000	Various Purposes	7-1-00/13	4.34%	\$4,980,000
05/30/2007	1,510,000	Various Purposes	7-1-08/17	4.00%	1,260,000
Total Direct General Obligation Bonded Debt Outstanding					<u>\$6,240,000</u>

**Annual Debt Service Requirements of  
General Obligation Bonded Debt**

The City currently has the following annual general obligation debt service requirements.

<b>Fiscal Year Ending</b>	<b>Outstanding General Obligation Debt Service Requirements</b>		<b>Net General Obligation Debt Service Requirements</b>
	<b>Principal</b>	<b>Interest</b>	
2010	\$1,290,000	\$270,975	\$1,560,975
2011	1,355,000	215,910	1,570,910
2012	1,425,000	156,850	1,581,850
2013	1,490,000	93,475	1,583,475
2014	160,000	27,200	187,200
2015	165,000	20,800	185,800
2016	175,000	14,200	189,200
2017	180,000	7,200	187,200

## Net Direct and Overlapping General Obligation Bonded Debt

Overlapping bonded debt figures were compiled from information obtained from the Treasurer of the County and individual jurisdictions. A breakdown of each overlapping jurisdiction's applicable general obligation bonded debt, net assessed valuation and combined tax rate per \$100 assessed valuation follows. Outstanding bonded debt 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 City's boundaries (see the "Approximate Percent" column below) was derived from information obtained from the Assessor of the County.

<b>Overlapping Municipality</b>	<b>2009-10 Net Secondary Assessed Valuation (a)</b>	<b>Net Bond Debt Outstanding (b)</b>	<b>Portion Applicable to the City of Prescott</b>		<b>2009-10 Combined Tax Rate Per \$100 Assessed (c)</b>
			<b>Approx. Percent</b>	<b>Net Amount</b>	
State of Arizona	\$86,525,272,506	None	0.95%	None	\$0.0000
Yavapai County (d)	3,824,935,514	None	21.50%	None	1.9627
Yavapai County Community College District (e)	3,824,935,514	\$50,470,000	21.50%	\$ 10,851,390	1.2617
Central Yavapai Fire District	901,855,127	15,575,000	91.19%	14,202,587	1.6323
Prescott Unified School District	1,198,259,008	15,085,000	68.63%	10,353,109	2.9698
<b>City of Prescott</b>	<b>822,386,900</b>	<b>6,240,000</b>	<b>100.00%</b>	<b>6,240,000</b>	0.3697
Direct and Overlapping General Obligation Bonded Debt (f)				<u>\$41,647,086</u>	

- (a) Estimated valuations for Fiscal Year 2009-10, provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2009-10 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.
- (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 is based on the primary assessed valuation of the entity.
- (c) The tax rate for the County includes the \$1.2842 tax rate of the County, \$0.1723 tax rate of the County Flood Control District, the \$0.1016 tax rate of the County Library, the \$0.0740 tax rate of the County Fire District and the \$0.3306 tax rate for school equalization as described in the last paragraph under the subheading "Primary Taxes."
- (d) Does not include pledged revenue obligations of the jail district outstanding in the aggregate principal amount of \$5,165,000 payable from special excise taxes levied in the County.
- (e) Does not include revenue bonds currently outstanding in the aggregate principal amount of \$615,000.
- (f) Neither the City nor any other overlapping municipalities have remaining authorization of general obligation bonds available for future issuance

## Authorized But Unissued General Obligation Debt

The City has no authorized and unissued general obligation bonds remaining.

**Direct and Overlapping General Obligation Bonded Debt Ratios**

The City’s direct and overlapping general obligation bonded debt is shown below on a per capita basis and as a percent of the City’s net secondary assessed and estimated actual valuations.

	<b>Per Capita Net Debt (Pop. @ 43,280)</b>	<b>As Percent of City’s 2009-10</b>	
		<b>Net Secondary Assessed Valuation (\$822,386,900) (a)</b>	<b>Estimated Actual Valuation (\$6,694,336,533) (a)</b>
Net Direct General Obligation Bonded Debt (\$6,240,000)	\$144.18	0.76%	0.09%
Net Direct and Overlapping General Obligation Bonded Debt (\$41,647,086)	\$962.27	5.06%	0.62%

(a) Estimated valuations for Fiscal Year 2009-10, provided by the Arizona Department of Revenue. Valuations for Fiscal Year 2009-10 are not official until approved by the Board of Supervisors of the County on the third Monday in August for the following fiscal year. Although the final official valuations are not expected to differ materially from the estimated valuations, they are subject to positive or negative adjustments until approved by the Board of Supervisors.

**Short-Term Indebtedness**

The City has no short-term indebtedness outstanding other than that normally occurring such as accounts payable, accrued payroll and other related expenses which have current revenues for their payment.

**Capital Leases**

The City has entered into several lease/purchase contracts for purchase of equipment and other improvements. A summary of capitalized assets is as follows:

	<u>Machinery and Equipment</u>
Business-type activities	\$10,642,585
Less accumulated amortization	<u>(2,928,524)</u>
	7,714,061
Governmental activities	800,685
Less accumulated amortization	<u>(100,984)</u>
	<u>\$8,413,762</u>

Following is a schedule of the future minimum lease payments under the above capital leases and the present value of net minimum lease payments at June 30, 2009:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 903,274
2011	759,511
2012	739,032
2013	448,512
2014	<u>176,993</u>
Total minimum lease payments	3,027,322
Less: amounts representing interest	<u>(222,141)</u>
Present value of net minimum lease payments at June 30, 2009	<u>\$ 2,805,181</u>

## Retirement and Pension Plans

### Plan Descriptions:

The City contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits.

The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The Arizona Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as the Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

### Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate.

Cost-sharing plan - For the year ended June 30, 2009, active ASRS members were required to contribute at the actuarially determined rate of 9.45% (8.95% retirement and 0.50% long-term disability) and the City was required by statute to contribute at the actuarially determined rate of 9.45% (7.99% for retirement, 0.96% for health insurance premium and 0.50% for long-term disability) of the members' annual covered payroll. The City's contribution to ASRS for the years ended June 30, 2009, 2008 and 2007 were \$1,929,521, \$2,007,649, and \$1,801,754, respectively, which were equal to the required contributions for the years, as follows:

Years ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Total
2009	\$1,631,415	196,015	\$102,091	\$1,929,521
2008	1,683,497	219,587	104,565	2,007,649
2007	1,494,862	207,895	98,997	1,801,754

Agent plan - For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 27.65% for police and 27.72% for fire. The health insurance premium portion of the contribution rates were actuarially set at 0.63% of covered payroll for police and 0.54% of covered payroll for fire.

### Other Post Employment Benefits

Beginning with the fiscal year that commences on July 1, 2009, the City made and reported GASB 45 measurements, *Accounting by Employers for Other Post Employment Benefits (OPEB)*, which requires reporting the actuarially accrued cost of post-employment benefits, other than pensions, such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, GASB requires the reporting of such costs as a financial statement liability.

The City does not currently offer post retirement benefits.

**CITY OF PRESCOTT, ARIZONA**  
**COMBINED STATEMENT OF THE REVENUES AND**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEARS ENDED JUNE 30**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>					
Taxes	\$30,433,859	\$34,401,134	\$35,899,318	\$34,475,231	\$30,205,330
Intergovernmental	15,154,725	15,381,132	17,738,746	18,442,502	17,021,795
Licenses and Permits	3,661,079	3,892,462	1,537,880	1,142,050	810,813
Charges for Services	1,299,622	1,334,862	2,199,691	1,929,959	1,435,556
Fines and Forfeitures	907,993	1,480,324	1,534,587	1,719,170	1,967,588
Gifts and Donations	91,205	102,716	51,284	59,882	170,124
Interest Income	1,944,433	1,690,663	3,431,739	2,644,186	1,723,524
Miscellaneous	<u>1,980,566</u>	<u>2,138,267</u>	<u>1,283,031</u>	<u>1,634,095</u>	<u>1,155,665</u>
Total Revenues	<u>55,473,482</u>	<u>60,421,560</u>	<u>63,676,276</u>	<u>62,047,075</u>	<u>54,490,395</u>
<b>Other Sources</b>					
Transfers From Other Funds	3,856,870	8,392,876	8,362,823	3,362,326	3,294,736
Proceeds From Debt Issue	<u>0</u>	<u>0</u>	<u>1,524,974</u>	<u>0</u>	<u>0</u>
Total Other Sources	<u>3,856,870</u>	<u>8,392,876</u>	<u>9,887,797</u>	<u>3,362,326</u>	<u>3,294,736</u>
Total Sources of Financial Resources	<u>\$59,330,352</u>	<u>\$68,814,436</u>	<u>\$73,564,073</u>	<u>\$65,409,401</u>	<u>\$57,785,131</u>
<b>Expenditures:</b>					
Current Operating:					
General Government	\$4,639,844	\$5,911,150	\$5,677,646	\$6,193,642	\$5,351,470
Community Services	2,314,246	2,190,852	2,641,295	2,926,188	2,685,629
Culture and Recreation	4,735,603	5,607,706	6,038,931	6,257,768	6,065,515
Public Safety	14,333,906	16,749,620	18,763,752	20,465,278	20,452,566
Public Works	3,145,141	3,650,496	3,986,169	3,606,011	3,371,896
Capital Outlay	22,109,095	17,074,369	25,464,042	29,327,591	21,813,447
Debt Service					
Principal	1,720,051	2,159,211	2,000,304	2,670,861	2,460,953
Interest	<u>1,160,334</u>	<u>1,084,915</u>	<u>1,000,152</u>	<u>959,565</u>	<u>840,589</u>
Total Expenditures	54,158,220	54,428,319	65,572,291	72,406,904	63,042,065
Other Uses					
Transfers to Other Funds	<u>4,537,747</u>	<u>6,935,525</u>	<u>8,431,257</u>	<u>3,558,529</u>	<u>3,112,547</u>
Total Uses of Financial Resources	<u>58,695,967</u>	<u>61,363,844</u>	<u>74,003,548</u>	<u>75,965,433</u>	<u>66,154,612</u>
Excess (Deficiency) of Sources of Financial Resources Over Uses of Financial Resources	634,385	7,450,592	(439,475)	(10,556,032)	(8,369,481)
Beginning Fund Balance (July 1)	<u>\$40,631,919</u>	<u>\$41,266,308</u>	<u>\$48,716,900</u>	<u>\$48,277,425</u>	<u>\$37,721,375</u>
Ending Fund Balance (June 30)	<u>\$41,266,308</u>	<u>\$48,716,900</u>	<u>\$48,277,425</u>	<u>\$37,721,393</u>	<u>\$29,351,894</u>

Source: City of Prescott Comprehensive Annual Financial Reports, Fiscal Years 2003-04 through 2008-09.

**FORM OF OPINION OF BOND COUNSEL**

DRAFT

[Closing Date]

City of Prescott Municipal  
Property Corporation  
c/o City of Prescott, Arizona  
201 South Cortez  
Prescott, Arizona 86303

Re: City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010

We have examined the transcript of proceedings (the "Transcript") relating to the issuance of \$18,245,000\* aggregate principal amount of Revenue Bonds, Series 2010 (the "Series 2010 Bonds") of City of Prescott Municipal Property Corporation (the "Corporation"), dated the date hereof. The Bonds are issued for the purpose of financing new projects for the City of Prescott, Arizona (the "City"). The documents examined included an executed counterpart of each of the following: (i) the Series 2004 Ground Lease and the Master Water Site Ground Lease, each dated as of December 1, 2004, by and between the City, as lessor, and the Corporation, as lessee; (ii) the Series 2007 Ground Lease, dated as of May 1, 2007, by and between the City, as lessor, and the Corporation as lessee; (iii) the Extension of Series 2007 Ground Lease, dated as of May 1, 2007 (the "Ground Lease"), by and between the City, as lessor, and the Corporation, as lessee; (iv) the Series 2004 City Lease, dated as of December 1, 2004 (the "Series 2004 City Lease"), by and between the Corporation, as lessor, and the City, as lessee; (v) the Series 2007 City Lease, dated as of May 1, 2007 (the "Series 2007 City Lease"), by and between the Corporation, the lessor, and the City, as Lessee (vi) the Series 2010 City Lease, dated as of February 1, 2010\* (the "Series 2010 City Lease"), by and between the Corporation, as lessor, and the City, as lessee; (vii) the Trust Indenture, dated as of December 1, 2004 (the "Indenture"), from the Corporation to U.S. Bank National Association, as trustee (the "Trustee"); (viii) the First Supplement to Trust Indenture, dated as of May 1, 2007 from the Corporation and the Trustee and (ix) the Second Supplement to Trust Indenture, dated as of February 1, 2010\* (the "Second Supplement"), from the Corporation to the Trustee. In addition, we have examined such other proceedings, proofs, instruments, certificates and other documents as well as such other materials and such matters of law as we have deemed necessary or appropriate for the purposes of the opinions rendered herein below.

In such an examination, we have examined originals (or copies certified or otherwise identified to our satisfaction) of the foregoing and have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the accuracy of the statements contained in such documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid documents contained in the Transcript. We have also relied upon opinions of the City Attorney of the City and of the Counsel to the Corporation delivered even date herewith as to the matters provided therein.

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\* Preliminary, subject to change.

Based on this examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Series 2010 Bonds, the Ground Lease, the Series 2010 City Lease and the Second Supplement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof and the rights thereunder are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally, except to the extent that the enforceability thereof and the rights thereunder may be subject to the exercise of judicial discretion in accordance with general principles of equity and, as to the Series 2010 City Lease, except to the extent that the enforceability of the indemnification provisions thereof may be affected by applicable securities laws.

2. The Series 2010 Bonds constitute special, limited obligations of the Corporation, and the principal of and interest and any premium on the Series 2010 Bonds (collectively, "debt service"), unless paid from other sources, are payable solely from the revenues and other moneys pledged and assigned pursuant to the Indenture as supplemented by the Second Supplement to secure that payment. Those revenues and other moneys include payments required to be made by the City under the Series 2010 City Lease, and the obligation of the City to make those payments is secured by a pledge of (a) revenues from the unrestricted transaction privilege (sales) tax, licenses, franchise fees, permits, fines, forfeitures and charges for services which the City imposes; except that such revenues shall not include revenues from the one percent (1%) tax approved at elections held in 1985, 1995 and 2000 which are to be expended for street improvements and open space acquisition and provided that the Council of the City may impose other transaction privilege taxes in the future, the uses of which will be restricted, at the discretion of such Council, and (b) revenues from any excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State of Arizona or any agency thereof and returned, allocated or apportioned to the City, except the City's share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes, subject to the limitations provided in the Series 2010 City Lease for the pledge of a portion of such revenues in both cases to certain other obligations of the City as described in the Series 2010 City Lease and on a parity of lien on such pledged sources with the obligation of the City pursuant to the Series 2004 City Lease and the Series 2007 City Lease. The Series 2010 Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation other than the specified taxes; the Series 2010 Bonds do not represent or constitute a debt or pledge of the general credit of the Corporation or the City and the Series 2010 City Lease, including the obligation of the City to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. (a) Subject to the assumption stated in the last sentence of this paragraph, interest on the Series 2010 Bonds is excludible from the gross income of the owners thereof for federal income tax purposes. Furthermore, interest on the Series 2010 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. (We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Series 2010 Bonds.) The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City and the Corporation must continue to meet after the issuance of the Series 2010 Bonds in order that interest on the Series 2010 Bonds not be included in gross income for federal income tax purposes. The failure of the City or the Corporation to meet these requirements may cause interest on the Series 2010 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The City and the Corporation have covenanted in the Series 2010 City Lease to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2010 Bonds. In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Series 2010 Bonds in order that interest on the Series 2010 Bonds not be included in gross income for federal tax purposes.

(b) Assuming such interest is so excludible for federal income tax purposes, interest on the Series 2010 Bonds is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the ownership of, receipt or accrual of interest on or the disposition of the Series 2010 Bonds.)

Respectfully submitted,

**SUMMARIES OF DEFINITIONS AND  
CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS**

**DEFINITIONS OF CERTAIN TERMS**

The following are certain terms used in this Official Statement and in the Indenture and not otherwise defined herein.

“*Act*” means Title 10, Chapter 24, Arizona Revised Statutes, as enacted and amended from time to time.

“*Additional Bonds*” means bonds in addition to the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds which may be issued under the provisions of the Indenture.

“*Board of Directors*” means the Board of Directors of the Corporation.

“*Bond Insurer*” means, as to the Series 2004 Bonds, the Series 2004 Insurer and as to Additional Bonds, the Person or Persons identified as the insurer of the Additional Bonds in the applicable Supplemental Indenture including with respect to the Series 2010 Bonds, the Series 2010 Insurer.

“*Bond Resolution*” means (a) when used with reference to the Series 2004 Bonds, the resolution providing for their issuance and the approving of the Series 2004 Ground Lease, the Series 2004 City Lease, the Indenture and related matters; and to the Series 2007 Bonds, the resolution providing for their issuance and approving the Series 2007 City Lease, the First Supplement and related matters; and to the Series 2010 bonds, the resolution providing for their issuance and approving of the Series 2010 City Lease, the Second Supplement and related matters; (b) when used with reference to an issue of Additional Bonds, the resolution providing for the issuance of the Additional Bonds, to the extent applicable, and the approving of any amendment or supplement to, among others, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease, any agreements in lieu thereof, any Supplemental Indenture and related matters; and (c) when used with reference to Bonds when Additional Bonds are outstanding, the resolution providing for the issuance of the refunding bonds and the resolution providing for the issuance of the then outstanding and the then to be issued Additional Bonds, in each case as amended or supplemented (including the Series 2010 Bonds) from time to time.

“*Bond Retirement Fund*” means the Bond Retirement Fund created in the Indenture.

“*Bonds*” means the Series 2004 Bonds, the Series 2007 Bonds and any Additional Bonds, including the Series 2010 Bonds.

“*City Representative*” means the City Manager or the Finance Director of the City, or such other person designated by the City Manager or the Finance Director of the City to act on behalf of the City by a certificate filed with the Trustee containing the specimen signature of such person signed by the City Manager or the Budget/Finance Director of the City.

“*Code*” means the Internal Revenue Code of 1986, as amended. References to the Code and Sections thereof include relevant applicable regulations and proposed regulations thereunder and any successor provisions to those sections, regulations or proposed regulations.

“*Debt Service Charges*” means, for any period or time, the principal of and interest and any premium due on the Bonds for that period or payable at that time, as the case may be.

“*Defeasance Obligations*” means, if applicable to the Series 2010 Bonds:

1. Cash (insured at all times by the Federal Deposit Insurance Corporation)
2. Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
  - a. U.S. treasury obligations
  - b. All direct or fully guaranteed obligations
  - c. Farmers Home Administration
  - d. General Services Administration
  - e. Guaranteed Title XI financing
  - f. Government National Mortgage Association (GNMA)
  - g. State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

*“Eligible Investments”* means:

1. Defeasance Obligations
2. Obligations of any of the following federal agencies which obligations represent the full faith credit of the United States of America, including:
  - a. Export-Import Bank
  - b. Rural Economic Community Development Administration
  - c. U.S. Maritime Administration
  - d. Small Business Administration
  - e. U.S. Department of Housing & Urban Development (PHAs)
  - f. Federal Housing Administration
  - g. Federal Financing Bank
3. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
  - a. Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
  - b. Obligations of the Resolution Funding Corporation (RECORP)
  - c. Senior debt obligations of the Federal Home Loan Bank System
  - d. Senior debt obligations of other Government Sponsored Agencies approved by Ambac

4. U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's Investors Services ("Moody's") and "A-1" or "A-1+" by Standard & Poor's Ratings Group ("S&P") and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

5. Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

6. Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

7. re-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

a. which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

b. (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

8. Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

9. Investment Agreements approved in writing by the Series 2007 Insurer (supported by appropriate opinions of counsel); and

10. Other forms of investments (including repurchase agreements) approved in writing by the Series 2007 Insurer. The value of the above investments shall be determined as follows:

a. For the purpose of determining the amount in any fund, all Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry Insurers. Accepted industry Insurers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

b. As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

c. As to any investment not specified above: the value thereof established by prior agreement among the Corporation, the Trustee, and the Series 2007 Insurer.

*"Event of Bankruptcy"* means the filing of a petition in bankruptcy by or against the specified Person under the United States Bankruptcy Code.

“*Extraordinary Services*” and “*Extraordinary Expenses*” mean all services rendered, and all reasonable expenses properly incurred, by the Trustee under the Indenture, other than Ordinary Services and Ordinary Expenses.

“*Fiscal Year*” means the twelve (12) month period beginning July 1 of each year and ending on June 30 of the next succeeding year.

“*Interest Fund*” means the Interest Fund created in the Indenture.

“*Interest Payment Date*” or “*Interest Payment Dates*” means, as to the Series 2010 Bonds, each January 1 and July 1, commencing on July 1, 2010, and as to Additional Bonds, each date or dates designated as an Interest Payment Date or Dates in the form of bond for which provision is made in the applicable Supplemental Indenture or Bond Resolution.

“*Moody’s*” means Moody’s Investors Service or any successor thereto.

“*Ordinary Services*” and “*Ordinary Expenses*” mean those services normally rendered, and those expenses normally incurred, by a trustee under instruments similar to the Indenture.

“*Outstanding Bonds*,” “*Bonds outstanding*” or “*outstanding*” as applied to the Bonds, mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except: (a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date; (b) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Owners of that notice satisfactory in form to the Trustee shall have been filed with the Trustee; (c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and (d) Bonds in lieu of which others have been authenticated under the provisions of the Indenture.

“*Owner*” or “*Bondowner*” or “*Owner of a Bond*” means the Person in whose name a bond is registered on the Register.

“*Paying Agent*” means any bank or trust company designated as a Paying Agent by or in accordance with the provisions of the Indenture.

“*Person*” or words importing persons means firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

“*Predecessor Bond*” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by the particular Bond. For the purposes of this definition, any Bond authenticated and delivered under the provisions of the Indenture in lieu of a lost, stolen or destroyed Bond shall, except as otherwise provided in the Indenture, be deemed to evidence the same debt as the lost, stolen or destroyed Bond.

“*President*” means the President of the Corporation.

“*Principal Payment Date*” means, as to the Series 2010 Bonds, July 1 in the years specified in on the inside front cover page hereof, for the stated amount of principal to be retired at maturity, or any other date on which the principal of the Series 2010 Bonds is payable as a result of redemption, optional or mandatory.

“*Register*” means the registration books for the Bonds maintained by the Registrar.

“*Registrar*” means, as to the Series 2010 Bonds, the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Indenture and as to the Series 2004 Bonds, the Series 2007 Bonds or any series of Additional Bonds, the bank, trust company or other Person designated as such by or pursuant to the Indenture or applicable Bond Resolution or Supplemental Indenture.

“*Regular Record Date*” means, with respect to any Bond, the 15th day of the calendar month next preceding an Interest Payment Date applicable to that Bond.

“*Revenue Fund*” means the Revenue Fund created in the Indenture.

“*Revenues*” means (a) the rental payments due under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, (b) all other moneys received or to be received by the Corporation or the Trustee in respect of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, including without limitation, moneys and investments in the Bond Retirement Fund, and (c) all income and profit from the investment of the foregoing moneys.

“*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies or any successor thereto.

“*Secretary*” means the Secretary of the Corporation.

“*Series 2010 Acquisition and Construction Fund*” means the Series 2010 Acquisition and Construction Fund created in the First Supplement.

“*Series 2004 Bond Retirement Account*” means the Series 2004 Bond Retirement Account of the Bond Retirement Fund created in the Indenture.

“*Series 2007 Bond Retirement Account*” means the Series 2007 Bond Retirement Account of the Bond Retirement Fund created in the First Supplement.

“*Series 2010 Bond Retirement Account*” means the Series 2010 Bond Retirement Account of the Bond Retirement Fund created in the First Supplement.

“*Series 2010 Bonds*” means the bonds which are the subject of this Official Statement.

“*Series 2010 Costs of Acquisition and Construction*” means all items of expense directly or indirectly relating to the cost of designing, acquiring, constructing and equipping the Project, including, but not limited to, the following: (a) costs incurred by the City in connection with the designing, acquiring, constructing and equipping of the Project; (b) expenses incurred by the City for labor, services, materials and supplies used or furnished in the designing, acquisition, constructing and equipping of the Project; (c) fees paid by the City for legal, design, architectural, engineering, construction management, consulting and supervisory services with respect to the Project, including, without limitation, the cost of preparing or obtaining plans and specifications, working drawings, bids, appraisals, approvals, permits and inspections; (d) expenses incurred by the City in seeking to enforce any remedy against any contractor, subcontractor, materialman, vendor, supplier or surety in respect of any default under a contract relating to constructing and equipping the Project; and (e) any sums required to reimburse the City for advances made by it for any of the above items.

“*Series 2010 Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the Corporation or the City relating to the execution, sale and delivery of the First Supplement, the Series 2010 Ground Lease, the Series 2010 City Lease or the Series 2010 Bonds, including but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, the Registrar, the Paying Agents, financing discounts, legal fees and charges, insurance fees and charges, including insurance fees and charges for bond and reserve fund insurance, and financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Series 2004 Bonds and charges and fees in connection with the foregoing.

“*Series 2004 Ground Lease*” means, collectively, the Series 2004 Ground Lease, dated as of December 1, 2004, and the Water Site Master Ground Lease, each dated as of December 1, 2004, between the City, as lessor, and the Corporation, as lessee.

“*Series 2007 Ground Lease*” means, the Series 2007 Ground Lease, dated as of May 1, 2007, between the City, as lessor, and the Corporation, as lessee.

“*Series 2010 Insurer*” means \_\_\_\_\_.

“*Series 2004 Interest Account*” means the Series 2004 Interest Account of the Interest Fund created in the Indenture.

“*Series 2007 Interest Account*” means the Series 2007 Interest Account of the Interest Fund created in the First Supplement.

“*Series 2010 Interest Account*” means the Series 2010 Interest Account of the Interest Fund created in the Second Supplement.

“*Series 2004 Revenue Account*” means the Series 2004 Revenue Account of the Revenue Fund created in the Indenture.

“*Series 2007 Revenue Account*” means the Series 2007 Revenue Account of the Revenue Fund created in the First Supplement.

“*Series 2010 Revenue Account*” means the Series 2007 Revenue Account of the Revenue Fund created in the Second Supplement.

“*Special Record Date*” means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on that Bond pursuant to the provisions of the Indenture.

“*Supplemental Indenture*” means any indenture supplemental to the Indenture entered into between the Corporation and the Trustee in accordance with the provisions of the Indenture.

“*Unassigned Corporation’s Rights*” means all of the rights of the Corporation to receive or to benefit from additional payments under the provisions of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, to be held harmless and indemnified under the provisions thereof, to be reimbursed for attorneys’ fees and expenses under the provisions of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, to receive notice thereunder and to give or withhold consent to amendments, changes, modifications and alterations of the Series 2004 City Lease and the Series 2007 City Lease and its right to enforce such rights.

## **SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2010 GROUND LEASE**

The following is a summary of certain provisions of the Series 2010 Ground Lease, to which reference is hereby made for a more complete description of their terms.

### **General**

The Series 2010 Ground Lease in between the City, as lessor, and the Corporation, as lessee, and provides for the extension of the lease of the Leased Property. The term of the Series 2007 Ground Lease continues until July 2, 2029\*, or such later date as of which all of the Series 2010 Bonds are deemed paid and discharged the Indenture. The City has the right to terminate the Series 2010 Ground Lease only after payment of, or provision for payment of, all of the Series 2010 Bonds is made.

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\*Preliminary, subject to change.

## **Assignment**

The Corporation, in connection with the issuance of the Series 2010 Bonds, will assign to the Trustee all of its rights and benefits under the Series 2010 Ground Lease and will grant to the Trustee a lien on its leasehold interests under the Series 2010 Ground Lease.

## **SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2010 CITY LEASE**

The following is a summary of certain provisions of the Series 2010 City Lease, to which reference is hereby made for a more complete description of its terms. See also "THE SERIES 2010 BONDS –Security for and Source of Payment of the Bonds" herein.

### **General**

The Series 2010 City Lease is between the Corporation, as lessor, and the City, as lessee, and provides for the lease to the City of the Leased Property for a term commencing May 1, 2007, and continuing until July 2, 2029\* or such later date as of which the Series 2010 Bonds are deemed paid and discharged under the Indenture. The City has the right to terminate the Series 2010 City Lease when payment of, or provision for payment and discharge of, all of the Series 2010 Bonds is made.

### **Rent**

The City agrees to pay, as rent payments to the Corporation, its successors or assigns, on each June 25 and December 26, commencing on June 25, 2010, an amount which, when added to the amount then on deposit in the Series 2010 Interest Account of the Interest Fund, shall be equal to the interest due on the Series 2010 Bonds on the next Interest Payment Date, and on each June 25, commencing on June 25, 2008, an amount which, when added to the amount then on deposit in the Series 2010 Bond Retirement Account of the Bond Retirement Fund, shall be equal to the principal due on the Series 2010 Bonds on the next Principal Payment Date.

The rental payments payable under the Series 2010 City Lease are to be paid for and in consideration of the use and occupancy of the Leased Property which the City receives and in consideration of the continued quiet use and enjoyment thereof as provided in the Series 2010 City Lease. The City's rent payments under the provisions of the Series 2010 City Lease will be paid directly to the Trustee for and on behalf of the Corporation. The City's obligation for rent payments under the Series 2010 City Lease are coextensive with the Corporation's debt service and other payment obligations under the Indenture, and when the Series 2010 Bonds and other obligations under the Indenture have been fully paid or payment provided for, the City will, except for the City's obligation to make payments to the Trustee pursuant to the provision of the Indenture and the arbitrage rebate payments to be made pursuant to the Code, have no further obligation to make rental payments thereunder.

### **Additional Rental Payments**

The City shall pay as additional rental payments (a) all other amounts required to be paid by the City or the Corporation to the Trustee under the Indenture including indemnifications owed under the Indenture, (b) all fees and expenses of the Trustee, the Registrar and the Paying Agents as well as the Series 2010 Insurer under the Indenture to the extent, if any, that such fees, expenses and payments are not met by the regular rental payments, (c) the reasonable expenses of the Corporation approved by the City and not otherwise required to be paid by the City under the terms of the Series 2010 City Lease, (d) losses on investments made by the Trustee at the direction of the City under the terms of the Indenture, but only to the extent necessary to meet the debt service on the Series 2010 Bonds, (e) fees for maintaining the Corporation's corporate existence, and all costs, expenses, losses or damages, including reasonable attorneys' fees, pertaining to any claim or legal action brought against the Trustee or the Corporation with respect to the legality of any defect in the Series 2010 Ground Lease, the Series 2010 City Lease, the Indenture or the Series 2010 Bonds, or questioning the legality of any action taken or to be taken pursuant thereto, (f) all other expenses of the Corporation incurred at the written request of the City or the Trustee in accordance with the

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\*Preliminary, subject to change.

provisions of the Series 2010 City Lease or the Indenture, and (g) all amounts required to pay any arbitrage rebate payments pursuant to the provisions of the Code.

Any rent payment accruing under the Series 2010 City Lease which shall not be paid within five days after its due date shall bear interest at the highest rate permitted by law, but not exceeding 10% per annum, from the date when the same is due under the Series 2010 City Lease until the same shall be paid. All rental payments for debt service on the Series 2010 Bonds and other items required to be paid by the Indenture, as well as additional rental payments payable to the Trustee under the provisions of the Series 2010 City Lease, shall be paid at the designated corporate trust office of the Trustee. The Corporation shall cause the Trustee to apply the rental payments made by the City in the manner and for the purposes expressed in the Indenture.

Unless otherwise requested by the City pursuant to the provisions of the Series 2010 City Lease, any money in the Series 2010 Revenue Account of the Revenue Fund which, in the opinion of the Trustee, exceeds the amounts necessary for the current debt service on the Series 2010 Bonds then outstanding (including administrative costs and expenses) shall, at least annually, so long as the City is not in default under the Series 2010 City Lease, constitute a credit to the City on the next succeeding rent payment or payments due or coming due under the Series 2010 City Lease.

#### **Taxes, Liens, Utilities, Insurance and Other Charges**

The City agrees that the rent payments payable under the Series 2010 City Lease shall be an absolute net return to the Corporation, free from any expenses and charges with respect to the Leased Property or the income therefrom.

The City shall pay or cause to be paid, punctually when due and payable, all property taxes, income taxes, gross receipts taxes, business and occupation taxes, occupational license taxes, water charges, sewer charges, assessments (including, but not limited to, assessments for public improvements or benefits), and all other governmental exactions of every kind and nature which at any time prior to the expiration or termination of the Series 2010 City Lease shall be or become due and payable by the Corporation or the City, and which shall be levied, charged, assessed or imposed: (a) upon or with respect to the Corporation, or which shall be or become liens upon the Leased Property or any interest of the Corporation or the City therein or under the Series 2010 City Lease; (b) upon or with respect to the possession, operation, management, maintenance, alteration, repair, rebuilding, use or occupancy of by the City of the Leased Property, or any portion thereof; or (c) upon this transaction or any document to which the City is a party creating or transferring an interest or an estate in or to the Leased Property. The City shall furnish to the Corporation promptly, upon request, proof of the payment of any such tax, assessment or other governmental exaction which is payable by the City as described above. It shall not be a breach of the Series 2010 City Lease if the City fails to pay any such tax, charge, assessment or exaction during any period or periods in which the City, in good faith, or the Corporation, shall be contesting the amount or validity of such tax, charge, assessment or exaction. The Corporation will, if requested by the City, contest the amount or validity of any such tax, charge, assessment or exaction, and the City agrees to pay the Corporation's costs therefor.

The City also agrees to pay, when due, all sums of money that may become due for or purporting to be for, any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for the City in, upon or about the Leased Property and which may be secured by any mechanics', materialmen's or other lien against the Leased Property or the Corporation's interest therein and will cause each such lien to be fully discharged and released at the time of performance of any obligation secured by any such lien matures or becomes due, provided, however, that if the City desires to contest any such lien it may do so, but notwithstanding any such contest, if any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, then and in any such event the City shall forthwith pay and discharge said judgment.

The City shall further pay or cause to be paid, all charges for gas, water, steam, electricity, light, heat, power, telephone or other utility service furnished to or used in connection with the Leased Property. The Corporation shall not be required to furnish to the City or any other occupant of the Leased Property any gas, water, sewer, electricity, light, heat, power, telephone or other utility service of any kind, nor shall the Corporation be required to pay for any such charges or services.

The City shall, at its own cost and expense, during the term of the Series 2010 City Lease, keep the Leased Property in good repair and condition, ordinary wear and tear excepted, and shall repair, renew or replace any portion of such improvements that shall have lost its usefulness due to damage, destruction, deterioration, or obsolescence. In exchange for the rent payments in the Series 2010 City Lease provided, the Corporation agrees to provide nothing more than the Leased Property. Failure of the City to faithfully observe this covenant shall constitute a breach of the Series 2010 City Lease, and the Corporation shall have reasonable rights of inspection for the purpose of determining the City's performance of its obligations under the Series 2010 City Lease.

The City shall cause the Leased Property to be insured against loss or damage by fire, explosion and other hazards customarily insured under extended coverage, in an amount not less than the full insurable value of such property, and shall maintain other insurance on its properties with respect to loss, damage, liability and other claims of the kind customarily insured against by similarly situated municipal corporations. All such insurance to be of such types and in such amounts and with such deductible provisions as are customarily carried under similar circumstances by such other municipal corporations. All such insurance shall be carried with financially sound and reputable insurance companies authorized to issue such policy or insure such risk in the State. Each policy shall contain provisions, if available, that written notice of cancellation or substantial modification thereof shall be given to the Corporation and the Trustee at least 30 days, or the greatest available period shorter than 30 days prior to such cancellation or modification. The City may obtain blanket policies covering one or more risks if the minimum coverages required herein are met and all buildings located on the Leased Property are covered to their full insurable value.

#### **Quiet Enjoyment; Expiration or Termination of Lease; Surrender of Premises**

The Corporation and the City mutually covenant and agree that the City, by keeping and performing the covenants and agreements contained in the Series 2010 City Lease, shall at all times during the term thereof, peaceably and quietly, have, hold and enjoy the Leased Property, without suit, trouble or hindrance from the Corporation.

In consideration of the timely payment of all rent payments provided in the Series 2010 City Lease, and provided that (a) the City has performed all the covenants and agreements required of it to be performed and (b) the Series 2010 Bonds as to principal, interest and any premium, together with any remaining administrative expenses have been paid or provided for, the Corporation shall cause the Trustee to release the Leased Property from the lien of the Indenture. The City may then exercise its, rights of termination under the provisions of the Series 2010 City Lease. Upon such termination, all rights of the Corporation or any other person or entity, except the City, in and to the demised premises shall cease and the Corporation shall, by appropriate instruments of conveyance, and without further consideration, convey the Leased Property to the City.

#### **Remedies Upon Default, No Abatement of Rentals**

Upon the nonpayment of the whole or any part of the rent payments when the same are to be paid as provided in the Series 2010 City Lease or violation by the City of any other covenant or provision of the Series 2010 City Lease and if such default has not been cured (a) in the case of nonpayment of rental payments, within five days, and (b) in the case of the breach of any other covenant or provision thereof, within 30 days after notice in writing from the Corporation specifying such default, the Corporation may bring an action for the recovery of any of the rent payments due (but not for rent payments accruing), or for damages for breach of the Series 2010 City Lease, and the Corporation may pursue any other remedy which the law affords, except that the remedy of specific performance shall also be available.

The Corporation, upon the bringing of a suit to collect the rent payments in default, may request enforcement of the pledges and foreclosure of the liens set forth in the Series 2010 City Lease, in which event the Corporation, as a matter of right, without notice and without giving any bond or surety to the City or anyone claiming under the City, may have a receiver appointed of all the revenues from the Excise Taxes and the State Shared Revenues with such powers as the court making such appointment shall confer. In any suit to enforce the terms of the Series 2010 City Lease, the Corporation shall recover its costs therein, as well as reasonable attorneys' fees, as such court shall approve.

The Corporation shall in no event be in default in the performance of any of its obligations under the Series 2010 City Lease unless the Corporation shall have failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the City to the Corporation and to the Trustee properly specifying wherein the Corporation has failed to perform any such obligation. So long as any of the Series 2010 Bonds are outstanding, the City shall have no right to abate or offset the payments of rent payments to be made by the City under the provisions of the Series 2010 City Lease as a result of a default by the Corporation. In the event of default by the Corporation, the Corporation agrees that specific performance may be had and that the City shall not be limited to a remedy for damages.

Except as in the Series 2010 City Lease expressly provided, the Series 2010 City Lease shall not terminate or be affected in any manner by reason of the condemnation, destruction or damage, in whole or in part, or by reason of the unusability of, the Leased Property, and, except as in the Series 2010 City Lease expressly provided, the rent payments, as well as all other amounts payable under the provisions of the Series 2010 City Lease, shall be paid by the City in accordance with the terms, covenants and conditions of the Series 2010 City Lease without abatement, diminution or reduction.

Each right, power and remedy of the Corporation or the City provided for in the Series 2010 City Lease shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for therein, or, unless prohibited by the terms thereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by the Corporation or the City of any one or more of the rights, powers or remedies provided for therein or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies.

The failure to insist upon strict performance of any of the covenants or agreements in the Series 2010 City Lease set forth shall not be considered or taken as a waiver or relinquishment for the future of the Corporation's or the City's rights to insist upon a strict compliance by the City or the Corporation with all the covenants and conditions thereof.

### **Refinancing; Refunding; Redemptions; Purchase of Series 2010 Bonds**

Upon notice to the Corporation, the City may request the Corporation to refinance its bonded indebtedness and other obligations by refunding or redeeming, as the case may be, all or any portion of the Series 2010 Bonds then outstanding, subject to the provisions of the Indenture. The Corporation agrees to use its best efforts to so refinance the Series 2010 Bonds. Prior to the issuance of obligations for the purpose of refinancing the Series 2010 Bonds, the Corporation and the City shall enter into a written supplement to the Series 2010 City Lease increasing or decreasing, as the case may be, the rental payments to be paid under the provisions of the Series 2010 City Lease by an amount at least sufficient to enable the Corporation to fully pay the principal and interest, when due, on such new obligations and all other usual and ordinary costs and expenses relating thereto, and such supplement to the Series 2010 City Lease or such separate lease shall be recorded in the Office of the County Recorder of Yavapai County, Arizona.

The City shall have the right to pay installment rent payments in advance and may specify that they be placed in the Bond Retirement Fund. In addition, except as provided in the Series 2010 City Lease, if at any time the money in the Series 2010 Revenue Account of the Revenue Fund exceeds, in the opinion of the Trustee, the amounts necessary for the current debt service on the Series 2010 Bonds then outstanding and the fees, charges, expenses and other amounts the Trustee and the Registrars and the Paying Agents which are unpaid, such excess shall, at the request of the City, be transferred to and paid over into the Series 2010 Bond Retirement Account of the Bond Retirement Fund.

At the City's request, the Corporation shall cause the amount of money contained in the Series 2010 Bond Retirement Account of the Bond Retirement Fund from time to time to be used on any redemption date authorized in the Indenture to retire all or any portion of the outstanding Series 2010 Bonds pursuant to the provisions of the Indenture, or if, before Series 2010 Bonds are callable, they may be obtained in the open market at a cost equal to or below par, or, after the Series 2010 Bonds are callable, they may be so obtained at a price below the cost of

redemption, then, upon the City's request, the Corporation shall cause money contained in the Series 2010 Bond Retirement Account of the Bond Retirement Fund to be used to purchase Series 2010 Bonds in the open market for the purpose of cancellation. At such time or times as Series 2010 Bonds are redeemed or purchased pursuant hereto, the rental payments to be paid by the City under the provisions of the Series 2010 City Lease shall be adjusted in such manner as to provide for the debt service on the remaining Series 2010 Bonds.

Upon retirement of all the Series 2010 Bonds by means of redemption or purchase pursuant to the provisions of the Series 2010 City Lease, and upon payment of any remaining administrative costs and expenses or other amounts due under the Series 2010 City Lease or the Indenture, the Corporation shall cause the Trustee to release the Leased Property from the lien of the Indenture, and the City may then exercise its right to terminate the Series 2010 City Lease, except for the City's obligation to make arbitrage rebate payments pursuant to the Code.

### **Additional Bonds and Other Obligations**

One or more issues of Additional Bonds or other obligations (collectively "Additional Obligations") on a parity with the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds may be established, and such Additional Obligations, in such principal amount as may be determined by the Corporation, may be issued and delivered subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Obligations: (i) such Additional Obligations shall have been authorized to finance or refinance the cost of acquiring, constructing, reconstructing or improving buildings, equipment and other real and personal properties suitable for use by and for leasing to the City or its agencies or instrumentalities, or to refinance or refund any bonds or other obligations which have been issued for such purposes, and the issuance thereof shall have been determined and declared by the Corporation, by appropriate resolution, to be necessary for that purpose; (ii) the Corporation shall be in compliance with all covenants and undertakings set forth in the Series 2004 City Lease, the Series 2007 City Lease, the Series 2010 City Lease and the Indenture, as either or both of them may have been supplemented or amended; (iii) the resolution authorizing issuance of such Additional Obligations shall require that the proceeds of the sale of such Additional Obligations shall be applied solely for one or more of the purposes set forth in (i) above and expenses and costs incidental thereto, including costs and expenses incident to the issuance and sale of such Additional Obligations and the costs of any premium relating to insurance on the Additional Obligations and interest on said Additional Obligations during the actual period of any acquisition and construction of such facilities, and for a reasonable period of time thereafter; (iv) such Additional Obligations shall be equally and ratably secured with the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds, without preference or priority of any of the Series 2004 Bonds, the Series 2007 Bonds, Series 2010 Bonds or Additional Obligations over any Series 2004 Bonds, the Series 2007 Bonds, Series 2010 Bonds or Additional Obligations, except as expressly provided in the Indenture, as supplemented; (v) the Corporation shall have entered into a revised agreement with the City, or shall have amended the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, in and by which the City obligates itself in the manner therein provided to increase the rental payments or to make such payments to the Corporation at the times and in amounts sufficient to provide for the payment of principal and interest on such Additional Obligations as such principal and interest become due; and (vi) the conditions set forth in the Series 2010 City Lease described under the heading "THE SERIES 2010 BONDS -Issuance and Delivery of Additional Bonds By the Corporation; City's Right to Further Encumber the Revenues from the Excise Taxes and the State Shared Revenues" herein for the issuance of such Additional Obligations shall then be satisfied.

### **Access and Control of City**

The Corporation, incident to the issuance and sale of the Series 2010 Bonds, will assign all rights and benefits under the Series 2010 City Lease to the Trustee and will grant the Trustee a lien on its interest in the Series 2010 City Lease for the benefit of the Owners of the Series 2010 Bonds. The City consents to such assignment and grant of lien.

The Corporation agrees that the City, so long as no event of default by the City under the Series 2010 City Lease shall have occurred and be continuing, shall at all times have and retain such rights of access and control of the Leased Property. The rights and interests of the Corporation assigned, granted and set over to the Trustee under the Indenture shall, so long as no event of default by the City under the Series 2010 City Lease shall have occurred

and be continuing, be subject and subordinate to the rights of the City under the provisions of the Series 2010 City Lease.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain provisions in the Indenture to which reference is hereby made for a more complete description of its terms. See also "THE SERIES 2010 BONDS" herein.

### **Pledge and Assignment**

Under the Indenture, the Corporation will pledge and assign to the Trustee all its right, title and interest in and to the Series 2010 Ground Lease and the Series 2010 City Lease and all payments to be made thereunder except for the Unassigned Corporation's Rights. Such rights of the Corporation will be assigned to the Trustee to secure the payment of the debt service on the Series 2004 Bonds.

### **Provisions as to Funds and Payments**

The following are established under the Indenture as separate deposit accounts (except when invested as hereinafter set forth) in the custody of the Trustee: (i) Revenue Fund, including a Series 2004 Revenue Account, a Series 2007 Revenue Account and a Series 2010 Revenue Account; (ii) Interest Fund, including a Series 2004 Interest Account, a Series 2007 Interest Account and a Series 2010 Interest Account; (iii) Bond Retirement Fund, including a Series 2004 Bond Retirement Account, a Series 2007 Bond Retirement Account and a Series 2010 Bond Retirement Account; and (iv) Series 2010 Acquisition and Construction Fund.

*Disbursements From Series 2010 Acquisition and Construction Fund.* The Trustee shall hold the mounds in the Series 2010 Acquisition and Construction Fund for the benefit of the Corporation to be used to pay the Series 2010 Delivery Costs and to pay the Series 2010 Costs of Acquisition and Construction, upon written order executed and delivered to the Trustee directing such disbursements as follows: (1) in the case of payment of Series 2010 Delivery Costs, the Trustee shall disburse amounts in the Series 2010 Acquisition and Construction Fund only upon a requisition signed by a City Representative setting forth the amounts to be disbursed for payment or reimbursement of Series 2010 Delivery Costs and the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Series 2010 Delivery Costs properly chargeable to the Series 2010 Acquisition and Construction Fund; and (2) in the case of payment of Series 2010 Costs of Acquisition and Construction, the Trustee shall disburse amounts in the Series 2010 Acquisition and Construction Fund only upon a requisition signed by a City Representative supported by appropriate descriptions and cost breakdowns for each requested disbursement and stating that (i) not more than 5% of the amount of the requested disbursement are or were used for any private business use within the meaning of the Code, and (ii) the mounds to be disbursed are Series 2010 Costs of Acquisition and Construction properly chargeable to the Series 2010 Acquisition and Construction Fund.

The Trustee shall be responsible for the safekeeping of the amounts held in the Series 2010 Acquisition and Construction Fund, the payment thereof in accordance with the provisions of the Indenture and the application of amounts paid pursuant to such requisitions. Upon the filing with the Trustee of a certificate of a City Representative stating that all of the Series 2010 Delivery Costs and the Series 2010 Costs of Acquisition and Construction have been paid, the Trustee shall transfer to the Series 2010 Bond Retirement Account of the Bond Retirement Fund, the balance of mounds remaining in the Series 2010 Acquisition and Construction Fund to be applied as directed by the City Representative.

*Receipt of Revenues.* The installments of rents to be paid by the City pursuant to the terms of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease have been assigned by the Corporation to the Trustee so that such amounts shall be paid by the City directly to the Trustee, and the Trustee shall credit such amounts to the Revenue Fund. The installments of rents to be paid by the City pursuant to the terms of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease shall be deposited in the Series 2004 Revenue Account of the Revenue Fund, the Series 2007 Revenue Account of the Revenue Fund and the Series 2010

Revenue Account of the Revenue Fund, as provided in the Indenture. If at any time the amount in the Series 2010 Revenue Account of the Revenue Fund exceeds, in the sole opinion of the Trustee, the amount necessary for the current debt service on all the Series 2010 Bonds then outstanding, including administration costs and expenses, and the City is not then in default under the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease, such excess shall constitute a credit to the City on the next succeeding installments of rent due or to become due under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, in such manner as the City may direct; provided, however, that the City may exercise its rights under the provisions of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease relating to the redemption or purchase of Bonds, in which event such excess funds shall be transferred to and paid over into the Series 2004 Bond Retirement Account of the Bond Retirement Fund, the Series 2007 Bond Retirement Account of the Bond Retirement Fund and the Series 2010 Bond Retirement Account of the Bond Retirement Fund to be applied as directed by the City Representative.

*Flow of Funds - Interest Fund/Bond Retirement Fund.* The Trustee shall transfer from the Series 2004 Revenue Account of the Revenue Fund the following amounts at the time and in the manner hereinafter provided for, to wit:

(1) *Series 2004 Interest Account of the Interest Fund:* One business day prior to each Interest Payment Date, the Trustee shall deposit in the Series 2004 Interest Account of the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Series 2004 Bonds on the next Interest Payment Date, and each such deposit shall be made so that adequate amounts for the payment of interest will be available in such fund on each date that interest payments are to be made hereunder. Amounts in the Series 2004 Interest Account of the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2004 Bonds as it shall become due and payable; and

(2) *Series 2004 Bond Retirement Account of the Bond Retirement Fund:* One business day prior to each Principal Payment Date, the Trustee shall deposit in the Series 2004 Bond Retirement Account of the Bond Retirement Fund solely for the purpose of paying the principal of the Series 2004 Bonds as each amount shall become due and payable on or before the applicable dates, the applicable principal amounts.

The Trustee shall transfer from the Series 2007 Revenue Account of the Revenue Fund the following amounts at the time and in the manner hereinafter provided for to wit:

(1) *Series 2007 Interest Account of the Interest Fund:* One business day prior to each Interest Payment Date, the Trustee shall deposit in the Series 2007 Interest Account of the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Series 2007 Bonds on the next Interest Payment Date, and each such deposit shall be made so that adequate amounts for the payment of interest will be available in such fund on each date that interest payments are to be made hereunder. Amounts in the Series 2007 Interest Account of the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2007 Bonds as it shall become due and payable; and

(2) *Series 2007 Bond Retirement Account of the Bond Retirement Fund:* One business day prior to each Principal Payment Date, the Trustee shall deposit in the Series 2007 Bond Retirement Account of the Bond Retirement Fund solely for the purpose of paying the principal of the Series 2007 Bonds as each amount shall become due and payable on or before the applicable dates, the applicable principal amounts.

The Trustee shall transfer from the Series 2010 Revenue Account of the Revenue Fund the following amounts at the time and in the manner hereinafter provided for, to wit:

(1) *Series 2010 Interest Account of the Interest Fund:* One business day prior to each Interest Payment Date, the Trustee shall deposit in the Series 2010 Interest Account of the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Series 2010 Bonds on the next Interest Payment Date, and each such deposit shall be made so that adequate amounts for the payment of interest will be available in such fund on each date that interest payments are to be made hereunder. Amounts in the Series 2010 Interest Account of the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2010 Bonds as it shall become due and payable; and

(2) *Series 2010 Bond Retirement Account of the Bond Retirement Fund:* One business day prior to each Principal Payment Date, the Trustee shall deposit in the Series 2010 Bond Retirement Account of the Bond Retirement Fund solely for the purpose of paying the principal of the Series 2010 Bonds as each amount shall become due and payable on or before the applicable dates, the applicable principal amounts.

*Investment of Funds.* Substantially all amounts in any of the funds and accounts to be established by the Trustee pursuant to the provisions of the Indenture shall, at the direction of the City, so long as the City is not in default under the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease, be invested and reinvested by the Trustee in Eligible Investments, or if the City fails to so direct or instruct the Trustee, the Trustee may invest and reinvest such amounts in Eligible Investments described in clause (6) of the definition of Eligible Investments. Such investments shall mature or be redeemable at the option of the Trustee at the times and in the amounts necessary to provide moneys to pay Debt Service Charges as they become due at stated maturity, by redemption or pursuant to any mandatory redemption requirements. Except as otherwise provided in the Indenture, any interest, profit or loss on investments made pursuant to the provisions of the Indenture shall be credited or charged to the fund or account to which such interest, profit or loss relates. It is understood, pursuant to the provisions of the Series 2004 City Lease, the Series 2007 and the Series 2010 City Lease, that any losses on such investments are to be made up by the City to the extent necessary to meet the Debt Service Charges, and to pay the Trustee's, the Registrar's and Paying Agents' fees and expenses under the Indenture, and any money paid to the Trustee by the City for such purpose shall be deposited in the fund or account with respect to which, and to the extent that, such losses were incurred. At any time that the City is in default under the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease, substantially all amounts in any of the funds and accounts to be established by the Trustee pursuant to the provisions of the Indenture shall be invested and reinvested by the Trustee at the direction of the Corporation in Eligible Investments. An investment shall be valued by the Trustee as frequently as deemed necessary by the Bond Insurers not then in default, but not less often than annually, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Any investment of amounts in any fund or account established under the Indenture may be purchased from or through, or sold to, the Trustee or any affiliate of the Trustee, and any such investment made through the purchase of shares in a fund described in clause (6) of the definition of Eligible Investments may be in a fund which is advised or administered by the trustee or any affiliate of the Trustee (for which services the Trustee or such affiliate, as the case may be, may receive a fee).

*Moneys to be Held in Trust.* Except where amounts have been deposited with or paid to the Trustee pursuant to an instrument restricting their application to particular Bonds, all amounts required or permitted to be deposited with or paid to the Trustee or any Paying Agent under any provision of the Indenture or the Series 2004 City Lease and any investments thereof, shall be held by the Trustee or that Paying Agent in trust. Except for (i) amounts deposited with or paid to that Trustee or any Paying Agent for the redemption of Series 2004 Bonds, the Series 2007 Bonds or the Series 2010 Bonds, notice of the redemption of which shall have been duly given, and (ii) amounts held by the Trustee pursuant to the provisions of the Indenture relating to nonpresentment of Series 2004 Bonds, the Series 2007 Bonds or the Series 2010 Bonds, all amounts described in the preceding sentence held by the Trustee or any Paying Agent shall be subject to the lien of the Indenture while so held.

*Nonpresentment of Bonds.* In the event that any Bond shall not be presented for payment when the principal thereof becomes due in whole or in part, either at stated maturity, by redemption or pursuant to any mandatory redemption requirements, or a check or draft for interest is uncashed, if moneys sufficient to pay the principal then due of that Bond or of such check or draft shall have been made available to the Trustee for the benefit of its Owner, all liability of the Corporation to that Owner for such payment of the principal then due of the Bond or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold those amounts, without liability for interest thereon, in a separate account in the Bond Retirement Fund for the exclusive benefit of the Owner, who shall be restricted thereafter exclusively to those amounts for any claim of whatever nature on its part under the Indenture or on, or with respect to, the principal then due of that Bond or of such check or draft. Any of those amounts which shall be so held by the Trustee, and which remain unclaimed by the Owner of a Bond not presented for payment or check or draft not cashed for a period of four years after the due date thereof, shall be paid to the Corporation free of any trust or lien, upon a request in writing by the Corporation. Thereafter, the Owner of that Bond shall look only to the Corporation for payment and then only the amounts so

received by the Corporation without any interest thereon, and the Trustee shall not have any responsibility with respect to those moneys.

### **Issuance and Delivery of Additional Bonds**

The Corporation may issue Additional Bonds from time to time for any purpose permitted in (a) below. Additional Bonds shall be on a parity with the Series 2004 Bonds, the Series 2007 Bonds, the Series 2010 Bonds, and any Additional Bonds hereafter issued and outstanding as to the assignment to the Trustee of the Corporation's right, title and interest in the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease and amounts in the accounts and the funds created by the Indenture; provided, that nothing in the Indenture shall prevent payment of Debt Service Charges on any series of Additional Bonds from (i) being otherwise secured and protected from sources or by property or instruments not applicable to the Bonds and any one or more series of Additional Bonds or (ii) not being secured or protected from sources or by property or instruments applicable to the Bonds or one or more series of Additional Bonds.

The issuance of such Additional Bonds is subject to the following specific conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) such Additional Bonds shall have been authorized to finance or refinance the cost of acquiring, constructing, reconstructing or improving buildings, equipment and other real and personal properties suitable for use by and for leasing to the City or its agencies or instrumentalities, or for refinancing or advance refunding of Bonds and the issuance thereof as shall have been determined and declared by the Corporation, by appropriate resolution, to be necessary for that purpose;

(b) the Corporation shall be in compliance with all covenants and undertakings set forth in the Series 2004 City Lease, the Series 2007 City Lease, the Series 2010 City Lease and in the Indenture, as either or both may have been supplemented;

(c) the Bond Resolution shall require that the proceeds of the sale thereof shall be applied solely for one or more of the purposes set forth in (a) above and expenses and costs incidental thereto, including, but not limited to, the costs and expenses incident to the issuance and sale of such Additional Bonds, the costs of any insurance premium relating to insurance on such Additional Bonds and interest on such Additional Bonds during the actual period of any acquisition and construction of such facilities, and for a reasonable period of time not thereafter;

(d) the conditions set forth in the Series 2010 City Lease with respect to the issuance of such Additional Bonds shall then be satisfied; and

(e) before the Trustee shall authenticate and deliver any Additional Bonds, the following items shall have been received by the Trustee: (1) original executed counterparts of any amendments or supplements to the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease of any agreement in lieu thereof and the Indenture entered into in connection with the issuance of the Additional Bonds, which are necessary or advisable, in the opinion of nationally recognized bond counsel, to provide that the Additional Bonds will be issued in compliance with the provisions of the Indenture; (2) a copy of the Bond Resolution, certified by the President or the Secretary; (3) a request and authorization to the Trustee on behalf of the Corporation, signed by the President, Vice President or Secretary-Treasurer, to authenticate and deliver the Additional Bonds to, or on the order of, the original purchaser thereof upon payment to the Trustee of the amount specified therein which amount shall be deposited as provided in the applicable Bond Resolution or Supplemental Indenture; (4) the written opinion of counsel, who may be counsel for the Corporation, reasonably satisfactory to the Trustee, to the effect that: (i) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of the Indenture; (ii) the issuance of the Additional Bonds has been duly authorized; and (iii) all conditions precedent to the delivery of the Additional Bonds have been fulfilled; and (5) a written opinion of nationally recognized bond counsel (who also may be the counsel to which reference is made in paragraph 4 above), to the effect that: (i) when executed for and in the name and on behalf of the Corporation and when authenticated and delivered by the Trustee, such Additional Bonds will be valid and legal special obligations of the Corporation in accordance with their terms and will be secured under the Indenture equally and, except as otherwise provided in the Indenture and in the Supplemental Indenture authorizing such Additional Bonds, on a parity with all other Bonds of any series at the time

outstanding under the Indenture as to the assignment to the Trustee of the Corporation's right, title and interest in the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease and amounts in the accounts and the funds created by the Indenture (except as otherwise provided in the Indenture) and the amounts therein to provide for payment of Debt Service Charges on the Bonds and (ii) the issuance of such Additional Bonds will not result in the interest on the Bonds outstanding immediately prior to that issuance becoming subject to federal income taxation.

### **Enforcement of Revenue Pledge and Exclusive Pledge**

*Enforcement of Revenue Pledge.* The Trustee shall have the right of specific performance of the City's covenants as to Revenues provided by the Series 2010 City Lease by appropriate court action in the name of the Trustee on behalf of the Owners of the Bonds, in the name of the Corporation or in the names of both. Nothing contained in the Indenture or in the Series 2010 City Lease shall be deemed to create a lien of any kind upon the Leased Property or upon any other assets or facilities of the City.

*Exclusive Pledge.* As further provided in the Series 2010 City Lease, the pledge of Revenues referred to in the Indenture shall be for the benefit of the Owners of the Bonds, and no other creditor of the Corporation shall have any claim thereto.

### **The Trustee, Registrar and Paying Agents**

*Trustee's Acceptance and Responsibilities.* The Trustee, by execution of the Indenture, accepts the trusts imposed upon it by the Indenture and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in the Indenture, to all of which the parties to the Indenture and the Owners agree.

(a) Prior to the occurrence of a default or an "Event of Default" of which the Trustee has been notified, as provided in paragraph (f) of "Certain Rights and Obligations of the Trustee" below, or of which by that paragraph the Trustee is deemed to have notice, and after the cure or waiver of all defaults or Events of Default which may have occurred, (i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in the Indenture, and no duties or obligations shall be implied to the Trustee and (ii) in the absence of bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed in the Indenture, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provision of the Indenture are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture.

(b) In case a default or an Event of Default has occurred and is continuing under the Indenture (of which the Trustee has been notified, or is deemed to have notice as described in the subheading "Certain Rights and Obligations of the Trustee"), the Trustee shall exercise those rights and powers vested in it by the Indenture and shall use the same degree of care and skill in its exercise as a corporate trustee would exercise or use under the circumstances in the conduct of its trust business.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own gross negligent action, its own gross negligent failure to act, or its own willful misconduct, except that, (i) this paragraph (c) shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subparagraph (a)(i) above or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subparagraph (a)(ii) above; (ii) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts; (iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in principal amount of a series of the Bonds then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture; and (iv) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whether or not in the Indenture expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions set forth above.

*Certain Rights and Obligations of the Trustee.* Except as otherwise provided in “Trustee’s Acceptance and Responsibilities” above:

(a) The Trustee (i) may execute any of the trusts or powers contained in the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees (but shall be answerable therefor only in accordance with the standard specified above), (ii) shall be entitled to the advice of counsel concerning all matters of trusts contained in the Indenture and duties under the Indenture, and (iii) may pay reasonable compensation in all cases to all of those attorneys, agents, receivers and employees reasonably employed by it in connection with the trusts contained in the Indenture. The Trustee may act upon the opinion or advice of an attorney (who may be the attorney or attorneys for the Corporation or the City) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon that opinion or advice.

(b) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for: (i) any recital in the Indenture or in the Bonds, (ii) the validity, priority, recording, rerecording, filing or refiling of the Indenture or any Supplemental Indenture, the Series 2004 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease, (iii) any instrument or document of further assurance or collateral assignment, (iv) any financing statements, amendments thereto or continuation statements, (v) insurance of the property subject to the Series 2010 Ground Lease or the Series 2010 City Lease or collection of insurance moneys, (vi) the validity of the execution by the Corporation of the Indenture, any Supplemental Indenture or instruments or documents of further assurance, (vii) the sufficiency of the security for the Bonds issued under the provisions of the Indenture or intended to be secured by the Indenture, (viii) the value of or title to the interest in the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease, or (xi) the maintenance of the security under the provisions of the Indenture, except that, in the event that the Trustee enters into possession or a part or all of the property subject to the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease (pursuant to any provision of the Series 2004 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease, the Series 2010 City Lease or any other instrument or document collateral thereto), the Trustee shall use due diligence in preserving that property. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, agreements or obligations on the part of the Corporation under the Series 2004 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease or the Series 2010 City Lease except as set forth hereinafter, but the Trustee may require of the Corporation full information and advice as to the observance or performance of those covenants, agreements and obligations. Except as otherwise provided in the Indenture, the Trustee shall have no obligation to observe or perform any of the duties of the Corporation under the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease.

(c) The Trustee shall not be accountable for the application by the Corporation or any other Person of the proceeds of any Bonds authenticated or delivered under the provisions of the Indenture.

(d) The Trustee shall be protected, in the absence of bad faith on its part, in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any Person who is the Owner of any Bonds at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact for which the Corporation may be responsible or as to the sufficiency or validity of any instrument, document, report, paper or proceeding, the Trustee, in the absence of bad faith on its part, shall be entitled to rely upon a certificate signed on behalf of the Corporation by the President

or the Secretary as sufficient evidence of the facts recited therein. Prior to the occurrence of a default or Event of Default under the Indenture of which the Trustee has been notified, as provided in paragraph (f) below, or of which by that paragraph the Trustee is deemed to have notice, the Trustee may accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient; provided, that the Trustee in its discretion may require and obtain any further evidence which it deems to be necessary or advisable; and, provided further, that the Trustee shall not be bound to secure any further evidence. The Trustee may accept a certificate of the officer, or an assistant thereto, having charge of the appropriate records, to the effect that legislation has been enacted by the Corporation in the form recited in that certificate, as conclusive evidence that the legislation has been duly adopted and is in full force and effect.

(f) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default under the Indenture, except Events of Default described in paragraphs (a) and (b) of “Default Provisions and Remedies of Trustee and Owners-Defaults; Event of Default” below, unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the Corporation or by the Owners of at least 10% of the aggregate principal amount of Bonds then outstanding. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default, except as noted above.

(g) At any reasonable time, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives (i) may inspect and copy fully all books, papers and records of the Corporation pertaining to the property subject to the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease and the Bonds and (ii) may make any memoranda from and in regard thereto as the Trustee may desire.

(h) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers or otherwise in respect of the premises.

(i) Notwithstanding anything contained elsewhere in the Indenture, the Trustee may demand any showings, certificates, reports, opinions, appraisals and other information, and any corporate action and evidence thereof, in addition to that required by the terms of the Indenture, as a condition to the authentication of any Bonds or the taking of any action whatsoever within the purview of the Indenture, if the Trustee deems it to be desirable for the purpose of establishing the right of the Corporation to the authentication of any Bonds or the right of any Person to the taking of any other action by the Trustee; provided, that the Trustee shall not be required to make that demand.

(j) Before taking action under the provisions of the Indenture, the Trustee may require that a satisfactory indemnity bond or other assurances be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity or assurances, and in that case, the Corporation shall reimburse the Trustee for all of the Trustee's expenses pursuant to the provisions of the Indenture.

(k) Unless otherwise provided in the Indenture, all moneys received by the Trustee under the Indenture shall be held in trust for the purposes for which those moneys were received, until those moneys are used, applied or invested as provided in the Indenture; provided, that those moneys need not be segregated from other moneys, except to the extent required by the Indenture or by law. The Trustee shall not have any liability for interest on any moneys received under the provisions of the Indenture, except to the extent expressly provided therein.

(l) Any resolution by the Corporation, and any opinions, certificates and other instruments and documents for which provision is made in the Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions taken under the provisions of the Indenture.

*Fees, Charges and Expenses of Trustee, Registrar and Paying Agents.* The Trustee, the Registrar and any Paying Agents shall be entitled to payment or reimbursement by the Corporation, for reasonable fees for its Ordinary Services rendered under the provisions of the Indenture and for all advances, counsel fees and other

Ordinary Expenses reasonably and necessarily paid or incurred by them in connection with the provision of Ordinary Services. For purposes of the Indenture, fees for Ordinary Services provided for by their respective standard fee schedule shall be considered reasonable. In the event that it should become necessary for any of them to perform Extraordinary Services, they shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable and necessary Extraordinary Expenses incurred in connection therewith.

Without creating a default or an Event of Default under the Indenture, however, the Corporation may contest in good faith the necessity for any Extraordinary Service and Extraordinary Expense and the reasonableness of any fee, charge or expense.

The Trustee, the Registrar and any Paying Agents shall not be entitled to compensation or reimbursement for Extraordinary Services or Extraordinary Expenses occasioned by their gross negligence or willful misconduct. The reasonable fees for their respective Ordinary Services and charges of the foregoing shall be entitled to payment and reimbursement only from (i) the Revenue Fund or (ii) from other moneys available therefor. Any amounts payable to the Trustee, the Registrar or any Paying Agent pursuant to the provisions of the Indenture shall be payable upon demand and shall bear interest beginning 20 days from the date of receipt of the invoice therefor at a rate not to exceed 10% per annum. The initial or acceptance fees of the Trustee and the fees, charges and expenses of the Trustee, the Registrar or any Paying Agents to which reference is made above, may be paid by the Trustee from the Revenue Fund as and when those fees, charges and expenses become due to the extent that those fees, charges and expenses become due.

*Intervention by Trustee.* The Trustee may intervene on behalf of the Owners, and shall intervene if requested to do so in writing by the Owners of at least 25% of the aggregate principal amount of the Bonds then outstanding, in any judicial proceeding to which the Corporation or the City is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Bonds. The rights and obligations of the Trustee under the Indenture are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond or other assurances be provided to it in accordance with the provisions of the Indenture before it takes action thereunder.

*Successor Trustee.* Anything in the Indenture to the contrary notwithstanding, (a) any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee or any successor to it may be consolidated, or (iii) to which it may sell or transfer its assets and trust business as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer, ipso facto, shall be and become successor Trustee under the provisions of the Indenture and shall be vested with all of the title to the whole property or trust estate under the Indenture and (b) that corporation or association shall be vested further, as was its predecessor, with each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by, vested in or conveyed to the Trustee, without the execution or filing of any instrument or document or any further act on the part of any of the parties hereto.

Any successor Trustee, however, (i) shall be a trust company or a bank having the powers of a trust company, (ii) shall be in good standing within the State, (iii) shall be duly authorized to exercise trust powers within the State and subject to examination by federal or State authority, (iv) shall have a reported capital and surplus of not less than \$75,000,000 and (v) shall be acceptable to any Bond Insurers not then in default of each series of the Bonds then outstanding, if any.

*Resignation by the Trustee.* The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the Corporation, the City, the Registrar, any Bond Insurers not then in default of each series of the Bonds then outstanding, if any, any Paying Agents and the original purchaser of each series of Bonds then outstanding, by mailing written notice of the resignation to such parties and to the Owners as their names and addresses appear on the Register at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

*Removal of the Trustee.* The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the Corporation (except when the Corporation is removing the Trustee), the City, the Registrar, any Paying Agents and

any Bond Insurers not then in default for each series of the Bonds then outstanding, if any, and signed by or on behalf of the Corporation (if there has not then occurred or is continuing an event of default under the Indenture) or by the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any Bond Insurer not in default of any series of the Bonds then outstanding, if any, the court of competent jurisdiction upon the application of the Corporation or the Owners of not less than 20% in aggregate principal amount of the Bonds then outstanding under the Indenture. The Trustee also may be removed at any time, at the request of any of the Bond Insurers not then in default for each series of the Bonds then outstanding may, if any, for any breach of trust set forth in the Indenture.

*Appointment of Successor Trustee.* If (i) the Trustee shall resign, shall be removed, shall be dissolved, or shall become otherwise incapable of acting under the Indenture, (ii) the Trustee shall be taken under control of any public officer or officers, or (iii) a receiver shall be appointed for the Trustee by a court, then a successor Trustee shall be appointed by the Corporation; provided, that if a successor Trustee is not so appointed within 10 days after (a) a notice of resignation or an instrument or document of removal is received by the Corporation, as provided in the Indenture, or (b) the Trustee is dissolved, taken under control, becomes otherwise incapable of acting or a receiver is appointed, in each case, as provided above, then, so long as the Corporation shall not have appointed a successor Trustee, the Owners of a majority in aggregate principal amount of each series of Bonds then outstanding may designate a successor Trustee by an instrument or document or concurrent instruments or documents in writing signed by or on behalf of those Owners. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions, the Owner of any Bond outstanding under the Indenture or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Every successor Trustee appointed pursuant to the provisions of the Indenture (i) shall be a trust company or a bank having the powers of a trust company (ii) shall be in good standing within the State (iii) shall be duly authorized to exercise trust powers within the State and subject to examination by federal or State authority, (iv) shall have a reported capital and surplus of not less than \$75,000,000, (v) shall be willing to accept the trusteeship under the terms and conditions of the Indenture and (vi) shall be acceptable to any Bond Insurers not then in default for each series of the Bonds then outstanding, if any.

Every successor Trustee appointed under the Indenture shall execute and acknowledge, and shall deliver to its predecessor and the Corporation, an instrument in writing accepting the appointment. Thereupon, without any further act, the successor shall become vested with all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of its predecessor. Upon the written request of its successor or the Corporation, the predecessor Trustee (i) shall execute and deliver an instrument or document transferring to its successor all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, cause of action, immunities, estates, titles, interests and liens of the predecessor Trustee under the Indenture, and (ii) shall take any other action necessary to duly assign, transfer and deliver to its successor all property (including without limitation, all securities and moneys) held by it as Trustee. Notwithstanding the foregoing, the predecessor Trustee shall not be required to transfer to its successor any rights of indemnity to the predecessor Trustee for acts during the time the predecessor Trustee was acting as Trustee under the Indenture. Should any instrument or document in writing from the Corporation be requested by any successor Trustee for vesting and conveying more fully and certainly in and to that successor the trusts, properties, remedies, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens vested or conveyed or intended to be vested or conveyed by the Indenture in or to the predecessor Trustee, the Corporation shall execute, acknowledge and deliver that instrument or document.

In the event of a change in the Trustee, the predecessor Trustee shall cease to be custodian of any moneys which it may hold pursuant to the Indenture and shall cease to be Registrar and Paying Agent for any of the Bonds, to the extent it served in any of those capacities, the successor Trustee shall become custodian and, if applicable, Registrar and Paying Agent.

*Dealing in Bonds.* The Trustee, a Registrar and a Paying Agent, their affiliates, and any directors, officers, employees or agents thereof may become the owners of Bonds secured by the Indenture with the same rights which it or they would have under the Indenture if the Trustee, the Registrar or Paying Agents did not serve in those capacities.

### **Default Provisions and Remedies of Trustee and Owners**

*Defaults; Events of Default.* The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

(a) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;

(b) Payment of the principal of or any premium on any Bond shall not be made when and as that principal or premium shall become due and payable, whether at stated maturity, by redemption, or otherwise;

(c) Failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of 30 days after written notice of such failure, by registered or certified mail, shall have been given to the Corporation and the City, requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of any Bond Insurers not than in default of such series of the Bonds then outstanding, if any or the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding;

(d) The occurrence and continuance of any default as defined in the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease; and

(e) The occurrence of an Event of Bankruptcy as to the City or the Corporation or the City or the Corporation shall: (i) commence a proceeding under any federal or state insolvency, reorganization or similar law, or have such a proceeding commenced against them and either have an order of insolvency or reorganization entered against them or have the proceeding remain undismissed and unstayed for 90 days; or (ii) have a receiver, conservator, liquidator or trustee appointed for them or for the whole or any substantial part of their property. The declaration of an Event of Default under this subsection and the exercise of remedies upon any such declaration shall be subject to any applicable limitations of federal or State law affecting or precluding such declaration or exercise during the pendency of or immediately following any liquidation or reorganization proceedings.

The term “default” or “failure” as used in the Indenture means a default or failure by the Corporation in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in the Bonds, exclusive of any period of grace or notice required to constitute a default or failure an Event Default, as provided above.

*Notice of Default.* If an Event of Default shall occur, the Trustee shall give written notice of the Event of Default, by registered or certified mail, to the Corporation, the City, the Registrar or any Paying Agent, any Bond Insurers if not then in default for each series of the Bonds then outstanding, if any, affected thereby and the original purchaser of each series of Bonds then outstanding, within five days after the Trustee has notice of the Event of Default. If an Event of Default occurs of which the Trustee has notice pursuant to the Indenture the Trustee shall give written notice thereof, promptly after the Trustee’s receipt of notice of its occurrence, to the Owners of all Bonds then outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice; provided that, except in the case of a default in the payment of the principal of or any premium or interest on any Bond or the occurrence of an Event of Bankruptcy as to the Corporation, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of notice to the Owners is in the interests of the Owners.

*Remedies; Rights of Owners.* Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of Debt Service Charges or the observance and performance of

any other covenant, agreement or obligation under the Indenture, the Series 2004 City Lease, the Series 2007 City Lease, the Series 2010 City Lease or any other instrument providing security, directly or indirectly, for the Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by any Bond Insurers if not then in default for each series of the Bonds then outstanding, if any, affected thereby or the Owners of at least 25% in aggregate principal amount of the Bonds outstanding, the Trustee (subject to the provisions of the Indenture), shall exercise any fights and powers conferred by the provisions of the Indenture

No remedy conferred upon or reserved to the Trustee (or to any Bond Insurer or the Owners) by the Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given under the provisions of the Indenture or otherwise to the Trustee, any Bond Insurer or to the Owners or now or hereafter existing. No delay in exercising or omission to exercise any remedy, fight or power accruing upon any default or Event of Default shall impair that remedy, fight or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient. No waiver of any default or Event of Default under the Indenture, whether by the Trustee, any Bond Insurer or by the Owners, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Corporation in and to the Series 2010 Ground Lease and the Series 2010 City Lease (except for the Unassigned Corporation's Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Corporation under the Series 2010 Ground Lease and the Series 2010 City Lease. In exercising any remedy, right or power thereunder or under the provisions of the Indenture, the Trustee shall take any action which would best serve the interests of the Owners in the judgment of the Trustee, applying the standards described in the Indenture.

*Right of Owners to Direct Proceedings.* Subject to the provisions of the Indenture, the Owners of a majority in aggregate principal amount of the Bonds then outstanding shall have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the provisions of the Indenture; provided, that (i) any direction shall not be other than in accordance with the provisions of law and of the Indenture, (ii) the Trustee shall be indemnified or provided other assurances as provided in the Indenture, and (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction.

*Application of Moneys.* After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys pursuant to any right given or action taken under the provisions of the Indenture or the provisions of the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the provisions of the Indenture), all moneys received by the Trustee for deposit into the Revenue Fund shall be applied as follows, subject to the provisions of the Indenture:

First -- to the payment to the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second -- To the payment to the Owners entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), whether at stated maturity, by redemption or pursuant to any mandatory redemption requirements, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Owners

entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied pursuant to the provisions of the Indenture, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of the Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of and any premium on a Bond to the Owner thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

*Remedies Vested in Trustee.* All rights of action (including without limitation, the right to file proof of claims) under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Owners as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Owners of the outstanding Bonds, subject to the provisions of the Indenture.

Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee or Paying Agent shall, if the Series 2010 Insurer is not then in default thereunder, consider the effect on the Owners as if there were no Series 2010 Municipal Bond Insurance Policy.

*Rights and Remedies of Owners.* An Owner shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust under the Indenture, or for the exercise of any other remedy under the provisions of the Indenture, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in paragraph (f) of “The Trustee, Registrar and Paying Agents – Trustee’s Acceptance and Responsibilities” above, or of which it is deemed to have notice under that paragraph;

(b) the Owners of at least 25% in aggregate principal amount of the Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name, and shall have offered indemnity or other assurances to the Trustee as provided in “The Trustee, Registrar and Paying Agents –Trustee’s Acceptance and Responsibilities - Certain Rights and Obligations of the Trustee” above; and

(c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity or other assurances are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Owners of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided in the Indenture, any remedy, right or power under the provisions of the Indenture. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Owners of all Bonds then outstanding. Nothing in the Indenture shall affect or impair, however, the right of any Owner to enforce the payment of the Debt Service Charges on any Bond owned by that Owner at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

*Termination of Proceedings.* In case the Trustee shall have proceeded to enforce any remedy, right or power under the Indenture in any suit, action or proceedings, and the suit, action or proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Corporation, the Trustee and the Owners shall be restored to their former positions and rights under the provisions of the Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as if no suit, action or proceedings had been taken.

*Waivers of Events of Default.* Except as hereinafter provided, at any time, in its discretion, the Trustee may waive any Event of Default under the provisions of the Indenture and its consequences and the Trustee shall do so upon the written request of the Owners of: (a) at least a majority in aggregate principal amount of all Bonds then outstanding in respect of which an Event of Default in the payment of Debt Service Charges exists; or (b) at least 25% in aggregate principal amount of the Bonds then outstanding, in the case of any other Event of Default.

There shall not be so waived, however, any Event of Default described in (a), (b) or (e) of “Default Provisions and Remedies of Trustee and Owners-Defaults; Events of Default” above. In the case of the waiver or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Corporation, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively. No waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

### **Supplemental Indentures**

*Supplemental Indentures Generally.* The Corporation and the Trustee may enter into indentures supplemental to the Indenture, as provided in the Indenture and pursuant to the other provisions therefor in the Indenture.

*Supplemental Indentures Not Requiring Consent of Owners.* Without the consent of, or notice to, any of the Owners, the Corporation and the Trustee may, with the consent of any Bond Insurers not then in default affected thereby, enter into indentures supplemental to the Indenture which shall not, in the opinion of the Corporation and the Trustee, be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture; (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Owners or the Trustee; (c) to assign additional revenues under the Indenture; (d) to accept additional security and instruments and documents of further assurance with respect to the Bonds and to release all or any portion of any leased property and the lien of the Indenture in accordance with the provisions of the Series 2010 City Lease and the Series 2007 City Lease and; (e) to add to the covenants, agreements and obligations of the Corporation under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Owners, or to surrender or limit any right, power or authority reserved to or conferred upon the Corporation in the Indenture, including without limitation, the limitation of rights of redemption so that in certain instances Bonds of different series will be redeemed in some prescribed relationship to one another for the protection of the Owners of a particular series of Bonds; (f) to evidence any succession to the Corporation and the assumption by its successor of the covenants, agreements and obligations of the Corporation under the Indenture the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease, the Series 2010 City Lease and the Bonds; (g) to make necessary or advisable amendments or additions in connection with the issuance of Additional Bonds in accordance with the provisions of the Indenture; (h) to permit the use of a book entry system to identify the owner of an interest in an obligation issued by the Corporation under the Indenture, whether that obligation was formerly, or could be, evidenced by a tangible security; (i) to permit the Trustee to comply with any obligations imposed upon it by law; (j) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Paying Agents; (k) to achieve compliance of the Indenture with any applicable federal securities or tax law; and (l) to permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners. The provisions of subsections (i) and (k) above shall not be deemed to constitute a waiver by the Trustee, the Registrar, the Corporation or any Owner of any right which it may have in the absence of those provisions to contest the application of any change in law to the Indenture or the Bonds.

*Supplemental Indentures Requiring Consent of Owners.* Exclusive of Supplemental Indentures to which reference is made in “Supplemental Indentures Not Requiring Consent of Owners” above and subject to the terms, provisions and limitations contained in the Indenture, and not otherwise, with the consent of any Bond Insurer not then in default affected thereby and the Owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in the Indenture, the Corporation and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Indenture or any Supplemental Indenture or restricting in any manner the rights of the Owners. Nothing in the Indenture shall permit, however, or be construed as permitting: (a) without the consent of any Bond Insurers not then in default affected thereby and the Owner of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest or premium thereon, or (iii) a reduction in the amount or extension of the time of payment of any mandatory redemption requirements, or (b) without the consent of any Bond Insurers not then in default affected thereby and the Owners of all Bonds then outstanding, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Corporation shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes of the Indenture, upon being satisfactorily indemnified with respect to its expenses in connection therewith, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first class mail, postage prepaid, to any Bond Insurers not then in default affected thereby and to all Owners of Bonds then outstanding at their addresses as they appear on the Register at the close of business on the 15th day preceding that mailing.

The Trustee shall not be subject to any liability to any Owner by reason of the Trustee’s failure to mail, or the failure of any Owner to receive, the notice required by the provisions of the Indenture. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in the Indenture. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners.

If the Trustee shall receive, within a period prescribed by the Corporation, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Owner, regardless of whether that Owner shall have consented thereto.

Any consent shall be binding upon the Owner of the Bond giving the consent and, anything in the Indenture to the contrary notwithstanding, upon any subsequent Owner of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Owner has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Owner who gave the consent or by a subsequent Owner of the Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture. At any time after the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Corporation a written statement that the Owners of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the required Bond Insurers and the Owners of the required percentage in aggregate principal amount of Bonds outstanding shall have consented to the Supplemental Indenture, as provided in the Indenture, no Owner shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Corporation from that execution or delivery or from taking any action pursuant to the provisions thereof.

*Authorization to Trustee; Effect of Supplement.* The Trustee is authorized to join with the Corporation in the execution and delivery of any Supplemental Indenture in accordance with the provisions of the Indenture and to make the further agreements and stipulations which may be contained therein. Thereafter, (a) that Supplemental Indenture shall form a part of the Indenture; (b) all terms and conditions contained in that Supplemental Indenture as to any provision authorized to be contained therein shall be deemed to be a part of the terms and conditions of the Indenture for any and all purposes; (c) the Indenture shall be deemed to be modified and amended in accordance with the Supplemental Indenture; and (d) the respective rights, duties and obligations under the Indenture of the Corporation, the Trustee, the Registrar, the Paying Agents, any Bond Insurers not then in default for each series of the Bonds then outstanding, if any, and all Owners of Bonds then outstanding shall be determined, exercised and enforced under the provisions of the Indenture in a manner which is subject in all respects to those modifications and amendments made by the Supplemental Indenture.

Express reference to any executed and delivered Supplemental Indenture may be made in the text of any Bonds issued thereafter, if that reference is deemed necessary or desirable by the Trustee or the Corporation. A copy of any Supplemental Indenture for which provision is made pursuant to the provisions of the Indenture, except a Supplemental Indenture described in clause (g) of "Supplemental Indentures Not Requiring Consent of Owners" above, shall be mailed by the Trustee to the Registrar, each Paying Agent, any Bond Insurers not then in default affected thereby, the original purchaser of each series of Bonds affected thereby. The Trustee shall not be required to execute any supplemental indenture containing provisions adverse to the Trustee.

*Opinion of Counsel.* The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (i) proposed Supplemental Indenture complies with the provisions of the Indenture, and (ii) it is proper for the Trustee to join in the execution of that Supplemental Indenture under the provisions of the Indenture. That counsel may be counsel for the Corporation or the City.

*Modification by Unanimous Consent.* Notwithstanding anything contained elsewhere in the Indenture, the rights and obligations of the Corporation and of the Owners, and the terms and provisions of the Bonds and the Indenture or any Supplemental Indenture, may be modified or altered in any respect with the written consent of (i) the Corporation, (ii) any Bond Insurers not then in default affected thereby, (iii) the Owners of all of the Bonds then outstanding and (iv) the Trustee.

## **Defeasance**

*Release of Indenture.* If (i) the Corporation shall pay all of the outstanding Bonds or shall cause them to be paid and discharged or if there otherwise shall be paid to the Owners of the outstanding Bonds all Debt Service Charges due or to become due thereon and (ii) provision also shall be made for the payment of all other sums payable under the Indenture or under the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, then the Indenture shall cease, determine and become null and void (except for those provisions surviving as described under "Survival of Certain Provisions" below in the event the Bonds are deemed paid and discharged as described under "Payment and Discharge Bonds" below), and the covenants, agreements and obligations of the Corporation under the Indenture shall be released, discharged and satisfied.

*Payment and Discharge of Bonds.* All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Indenture, if: (a) the Trustee as paying agent and any Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or (b) the Trustee shall have received, in trust for and irrevocably committed thereto, Defeasance Obligations which are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided in the Indenture), for the payment of all Debt Service Charges on those Bonds, at their maturity or redemption dates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all Debt Service Charges thereon to the date of the tender of payment; provided, that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice.

Any moneys held by the Trustee in accordance with the foregoing provisions may be invested by the Trustee only in Defeasance Obligations having maturity dates, or having redemption dates which, at the option of the owner of those obligations, shall not be later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under the provisions of the Indenture is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of the Indenture, that income, interest or increment shall be transferred at the time of that determination in the manner described in "Provisions as to Funds and Accounts Receipt of Revenues" above for transfers of amounts remaining in the Revenue Fund.

If any Bonds shall be deemed paid and discharged pursuant to foregoing provisions, then within 15 days after such Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Owner as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all Bonds of a particular series are deemed paid and discharged, set forth a description of the obligations held pursuant to subparagraph (b) of the first paragraph "Payment and Discharge of Bonds" above and specify any date or dates on which any of the Bonds are to be called for redemption pursuant to notice of redemption given or irrevocable provisions made for such notice pursuant to the first paragraph of "Payment and Discharge of Bonds" above.

*Survival of Certain Provisions.* Notwithstanding the foregoing, any provisions of the Bond Resolution and the Indenture which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, the holding of moneys in trust and the duties of the Trustee, the Registrar and the Paying Agents, the payment or reimbursement for fees, charges and advances owed to, Trustee, the Registrar and the Paying Agents in connection with all the foregoing, and indemnities to the Trustee, the Registrar and the Paying Agents shall remain in effect and be binding upon the Trustee, the Registrar, the Paying Agents and the Owners notwithstanding the release and discharge of the Indenture. The foregoing provisions shall survive the release, discharge and satisfaction of the Indenture.

### **Covenants of the Corporation**

*Prompt Payment.* The Corporation covenants that it will promptly pay or cause to be paid the principal of and the interest on every Bond issued under the provisions of the Indenture at the place, on the dates and in the manner provided in the Indenture and in said Bonds.

*No Extension of Time for Interest Payment.* In order to prevent any accumulation of interest payments after maturity, the Corporation covenants that it will not, directly or indirectly, extend or assent to the extension of the time for the payment of any claim for interest in any of the Bonds, and will not, directly or indirectly, be a party to or approve of any such arrangement.

*Maintenance of Offices for Payment.* The Corporation covenants that so long as the Bonds or any of them shall be outstanding it will cause offices or agencies where the Bonds may be presented for payment to be maintained in the City of Phoenix, Arizona or at the office of the Trustee as provided in the form of the Bond.

*Sufficient Revenues.* The Corporation covenants that, while any Bonds are outstanding under the provisions of the Indenture, money received by it as rents under the Series 2004 City Lease and the Series 2010 City Lease will, in the aggregate, produce revenues which will be sufficient to make all payments which the Trustee is obligated to set aside in the various funds established under the provisions of the Indenture.

*Records and Accounts.* The Corporation covenants and agrees to keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the revenues accruing to the trust and the amounts thereof forwarded to the Trustee, and such books shall be available for inspection by the Owner of any of the Bonds at reasonable hours and under reasonable conditions.

*Financial Statements.* Not later than three months after the close of each fiscal year of the Corporation, the Corporation agrees to furnish to each Owner of any of the Bonds, who may so request, a complete financial

statement covering receipts, disbursements, allocation and application of revenues for such fiscal year accruing to the trust and the dates and amounts thereof forwarded to the Trustee for such fiscal year, certified by an officer of the Corporation, or, if so requested in writing by the Owners of not less than 40% of the Bonds then outstanding, certified by an independent public or municipal accountant of their selection. Such financial statement shall be filed with the Trustee. Notwithstanding the foregoing, as long as the Series 2004 City Lease, the Series 2007 City Lease, or the Series 2010 City Lease is in effect, the Trustee (a) shall keep the financial records of the Corporation pertaining to the Series 2004 City Lease, the Series 2004 Bonds, the Series 2007 City Lease, the Series 2007 Bonds, the Series 2010 City Lease and the Series 2010 Bonds; (b) shall make such records available for inspection by the Owners of any of the Series 2010 Bonds at reasonable hours and under reasonable conditions; (c) shall prepare an annual financial statement covering receipts, disbursements, allocations and application of revenues for such fiscal year accruing to the trust; and (d) shall furnish a copy of each such statement to each Owner of any of the Series 2004 Bonds, the Series 2007 Bonds or the Series 2010 Bonds who may so request at the expense of the Corporation.

*Payments of Trustee, Registrar, Paying Agent Fees.* The Corporation covenants that, except as otherwise provided for in the Indenture, all charges made by the Trustee, the Registrar and any Paying Agents for services rendered and for payment of principal of and interest on the Bonds (not paid by the City), will be paid by the Corporation from revenues of the trust estate and will not be required to be paid by the Owners of the Bonds.

*Authority of Corporation.* The Corporation covenants that it is, at the date of the execution and delivery of the Indenture, or will be, possessed of the trust estate, that the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease is, at the date of the delivery of the Indenture, a valid and subsisting agreement for the leasing to the City of the property which it purports to lease, that the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease were lawfully made by the City and the Corporation, that the covenants contained in the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease are binding, that the Corporation has good right, full power and lawful authority to grant, bargain and assign, and to transfer in part, convey and pledge the trust estate in the manner and form in the Indenture provided, and that the Corporation forever will warrant and defend the title to the same to the Trustee against the claims of all persons whomsoever, subject to rights of the City referred to hereinabove.

The Corporation further covenants that it will not, without the written consent of the Trustee, alter, modify or cancel, or agree or consent to alter, modify or cancel the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease, the Series 2010 City Lease or any other agreements heretofore or hereafter entered into by the Corporation which relate to or affect the security of the Bonds issued under the Indenture. With the written consent of the Trustee, the Corporation may consent to alterations and modifications thereof, provided that no such alterations or modifications will decrease the amounts available for payment of the Bonds or will render the income of the Corporation or the interest on the Bonds taxable to the recipient, and provided further that prior to giving its consent with respect to an alteration or modification of the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease, the Series 2010 City Lease or any other agreements heretofore or hereinafter entered into the Trustee shall obtain an opinion of counsel or financial consultant selected by the Trustee that the proposed alteration or modification will not be materially adverse to the interests of the owners of the Bonds, will not decrease the amounts available for payment of the Bonds and will not render the income of the Corporation or the interest on the Bonds taxable under the income tax laws of the United States of America. Additional Bonds or other obligations secured by Revenues within the limitations of the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease shall not be deemed to have decreased the amounts available for payment of the Series 2004 Bonds, the Series 2007 Bonds and the Series 2010 Bonds, nor shall agreements supplemental to or independent of the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, or the Series 2010 City Lease, under which such Additional Bonds or obligations are to be issued, be deemed alterations or modifications of the Series 2004 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease or the Series 2010 City Lease so as to require consent of the Trustee. The Corporation further covenants that it will comply with all the terms and provisions of said documents, and that it will not engage in any activities or take any action which might result in the income of the Corporation becoming taxable to it, or any interest payment on the Bonds becoming taxable to the recipient thereof, under the income tax laws of the United States.

*Good Faith Compliance.* The Corporation covenants that it will in all respects promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease to be kept, performed and complied with by it. The Corporation further covenants that it will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for declaring such leases in default; that upon request of the Trustee, the Corporation will promptly deposit with the Trustee (to be held by the Trustee until title and rights of the Trustee under the Indenture shall be released and/or reconveyed) any and all documentary evidence received by it showing compliance with the provisions of such leases to be performed by it; that the Corporation, immediately upon its receiving or giving any notice, communication, or other document in any way relating to or affecting such leases, thereby created, will deliver the same, or a copy thereof, to the Trustee; that the Corporation will pay (or cause the City to pay) all taxes, assessments and other charges, if any, that may be levied, assessed or charged upon the trust estate, or any part thereof, promptly as and when the same shall become due and payable, but it shall not be a breach of this covenant if the Corporation fails to pay any such tax, assessment or charge during any period in which the Corporation or the City, in good faith, shall be contesting the amount of validity of such tax, assessment or charge; that the Corporation will, upon request of the Trustee, from time to time, keep the Trustee advised of such payments, and deliver such evidence thereof as the Trustee may reasonably require; and that the Corporation will not suffer said trust estate hereby conveyed and transferred in trust, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor, nor do or permit to be done, in, upon or about said trust estate, or any part thereof, anything that might in any way weaken, diminish, or impair the security intended to be given by or under the Indenture, nor suffer any portion of the trust estate to be sold under any mechanics' or materialmen's lien or other proceedings.

*Maintenance of Leased Property, Good Title and Corporate Existence.* The Corporation further covenants and agrees as follows:

*First:* To cause the Leased Property to be maintained in good repair and condition, ordinary wear and tear excepted, and not to commit or allow any waste.

*Second:* Whenever and so often as requested so to do by the Trustee or any Bondowner, to promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and to promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture.

*Third:* To promptly, upon the request of the Trustee or any Bondowner, from time to time take such actions as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the trust estate or any part thereof, whether now existing or hereafter developing, and to prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and to indemnify and save the Trustee and every such Bondowner harmless for, from and against all loss, cost, damage and expense, including attorneys' fees, which they or either of them may incur by reason of any such defect, cloud, suit, action or proceedings.

*Fourth:* To maintain its existence as a nonprofit corporation organized and existing under the laws of the State.

*Fifth:* That it will not be or become a party to any merger or consolidation.

*Rights and Enforcement of the Series 2010 City Lease.* The Trustee may enforce, in its name or in the name of the Corporation, all rights of the Corporation for and on behalf of the Owners, except for Unassigned Corporation's Rights, and may enforce all covenants, agreements and obligations of the Corporation under and pursuant to the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease, regardless of whether the Corporation is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The Corporation, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City

Lease and the Series 2010 City Lease, and will take all actions within its authority to keep the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2010 Ground Lease, the Series 2004 City Lease, the Series 2007 City Lease and the Series 2010 City Lease in effect in accordance with the terms thereof.

*Good Title.* The Corporation covenants that it has or will acquire and, so long as any Bonds are outstanding under the Indenture, will retain good title to the trust estate.

*Possession.* The Corporation covenants that there shall be no default under the Indenture, but until default shall be made by the Corporation, as provided for in the Indenture the Corporation shall, subject to the Series 2010 Ground Lease and the Series 2010 City Lease, be entitled to possess, manage, operate, use and enjoy the property in the Indenture encumbered.

*Suspension of Mail.* If because of the suspension of delivery of first class mail or, for any other reason, the Trustee shall be unable to mail by the required class of mail any notice required to be mailed by the provisions of the Indenture, the Trustee shall give such notice in such other manner as in the judgment of the Trustee shall most effectively approximate mailing thereof, and the giving of that notice in that manner for all purposes of the Indenture shall be deemed to be in compliance with the requirement for the mailing thereof. Except as otherwise provided in the Indenture, the mailing of any notice shall be deemed complete upon deposit of that notice in the mail and the giving of any notice by any other means of delivery shall be deemed complete upon receipt of the notice by the delivery service.

*Payments Due on Saturdays, Sundays and Holidays.* If any Interest Payment Date, date of maturity of the principal of any Bonds, or date fixed for redemption of any Bonds is a Saturday, Sunday or a day on which (i) the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed or the Federal Reserve is closed for business, then payment of interest, principal and any redemption premium need not be made by the Trustee or any Paying Agent on that date, but that payment may be made on the next succeeding business day on which the Trustee and the Paying Agent are open for business with the same force and effect as if that payment were made on the Interest Payment Date, date of maturity or date fixed for redemption, and no interest shall accrue for the period after that date, or (ii) a Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest, principal and any redemption premium need not be made by that Paying Agent on that date, but that payment may be made on the next succeeding business day on which that Paying Agent is open for business with the same force and effect as if that payment were made on the Interest Payment Date, date of maturity or date fixed for redemption and no interest shall accrue for the period after that date; provided, that if the Trustee is open for business on the applicable Interest Payment Date, date of maturity or date fixed for redemption, it shall make any payment required under the provisions of the Indenture with respect to payment of interest on outstanding Bonds and payment of principal of and premium on Bonds presented to it for payment, regardless of whether any Paying Agent shall be open for business or closed on the applicable Interest Payment Date, date of maturity or date fixed for redemption.

*Instruments of Owners.* Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under the Indenture to be executed by any Owner may be in any number of concurrent writings of similar tenor and may be executed by that Owner in person or by an agent or attorney appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any agent or attorney, and (iii) the ownership of Bonds, shall be sufficient for any of the purposes of the Indenture, if made in the following manner, and if so made, shall be conclusive in favor of the Trustee with regard to any action taken thereunder, namely: (a) the fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and (b) the fact of ownership of Bonds shall be proved by the Register maintained by the Registrar.

Nothing contained in the Indenture shall be construed to limit the Trustee to the foregoing proof, and the Trustee may accept any other evidence of the matters stated therein which it deems to be sufficient. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, of the Owner of any Bond shall bind every future Owner of the same Bond, with respect to anything done or suffered to be done by the Corporation, the Trustee, the Registrar or any Paying Agent pursuant to that writing.

*Priority of the Indenture.* The Indenture shall be superior to any liens which may be placed upon the Revenues or any other funds created pursuant to the Indenture.

*Extent of Covenants; No Personal Liability.* All covenants, stipulations, obligations and agreements of the Corporation contained in the Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Corporation to the full extent authorized by the Act and permitted by the Constitution and laws of the State. No covenant, stipulation, obligation or agreement of the Corporation contained in the Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Corporation or the Board of Directors in other than that person's official capacity. Neither the members of the Board of Directors nor any official executing the Bonds, the Indenture, the Series 2010 City Lease or any amendment or supplement hereto or thereto shall be liable personally on the Bonds or be subject to any personal, liability or accountability by reason of the issuance or execution thereof.

#### **Provisions Relating to the Series 2010 Insurer**

The Series 2010 Insurer, acting alone, will have the right to direct all remedies in the case of an event of default. The Series 2010 Insurer will be recognized as the registered owner of each Series 2010 Bond which it insures for the purposes of exercising all rights and privileges available to the Owners including the right to consent to certain activities. For Series 2010 Bonds which it insures, the Series 2010 Insurer shall have the right to institute any suit, action, or proceeding at law or in equity under the same terms as an Owner in accordance with applicable provisions of the Indenture and the Series 2010 City Lease. The Indenture grants to the Series 2010 Insurer additional rights more fully described therein. Notwithstanding anything in the Indenture to the contrary, the provisions described under this subheading will be applicable so long as the Series 2010 Municipal Bond Insurance Policy is in effect and the Series 2010 Insurer is not in default thereunder.

FORM OF CONTINUING DISCLOSURE AGREEMENT

DRAFT

SERIES 2010 CONTINUING DISCLOSURE AGREEMENT  
(MUNICIPAL PROPERTY CORPORATION BONDS)

\$18,245,000\*  
CITY OF PRESCOTT  
MUNICIPAL PROPERTY CORPORATION  
REVENUE BONDS, SERIES 2010

(CUSIP BASE NUMBER 74073R)

This Series 2010 Continuing Disclosure Agreement (Municipal Property Corporation Bonds) (this "Disclosure Agreement") is executed and delivered by the City of Prescott, Arizona (the "Obligor"), and U.S. Bank National Association, as trustee (the "Trustee"), in connection with the issuance of the City of Prescott Municipal Property Corporation Revenue Bonds, Series 2010 (the "Bonds"). The Bonds are issued pursuant to a Trust Indenture, dated as of December 1, 2004, as supplemented by a Second Supplement to Trust Indenture, dated as of February 1, 2010\*, from City of Prescott Municipal Property Corporation (the "Issuer") to the Trustee (as so supplemented, the "Indenture"). The Obligor and the Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Obligor and the Trustee to provide information required in Section 10.3 of the Series 2010 City Lease, dated as of February 1, 2010\* (the "Lease"), by and between the Issuer, as lessor, and the Obligor, as lessee, in order to comply with the requirements of Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934 (the "Rule"), and is for the benefit of the Beneficial Owners (as such term is hereinafter defined).

**SECTION 2. Definitions.** In addition to the definitions set forth hereinabove and in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Obligor or other Obligated Person pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Budget/Finance Director of the Obligor or his or her designee, or such other officer or employee as the Obligor shall designate in writing to the Trustee from time to time.

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\* Preliminary, subject to change.

"Dissemination Agent" shall mean the Obligor, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Obligor and which has filed with the Obligor and the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB. As of the date of this Disclosure Undertaking, information regarding submissions to EMMA is available at <http://emma.msrb.org/submission>.

"Fiscal Year" shall mean the period commencing on July 1 and ending on June 30 of the next succeeding year, or such other period of time provided by applicable law.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean Municipal Securities Rulemaking Board.

"Obligated Person(s)" shall mean, with respect to the Bonds, those person(s), other than the Series 2010 Insurer, who either generally or through an enterprise fund or account of such persons are committed by contract or other arrangement to support payment of all or a part of the obligations of the Bonds, which person(s) shall include the Obligor, and who are identified as such herein.

"Official Statement" shall mean the final Official Statement, dated September \_\_, 2009, relating to the Bonds, and any amendments or supplements thereto, as filed with the MSRB.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"SEC" shall mean the federal Securities and Exchange Commission.

"Tax-exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

### SECTION 3. Provision of Obligor's Annual Reports.

(a) Subject to annual appropriation to cover the costs of preparation and mailing thereof, the Obligor shall, or shall cause the Dissemination Agent to, not later than the first business day in February of each year commencing the first business day of February, 2011, provide through EMMA, with an Annual Report which satisfies the requirements of Section 4 of this Disclosure Agreement. The Obligor shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) no later than two hundred ten (210) days after the close of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2010. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Obligor may be submitted separately from the balance of the Annual Report.

(b) If by the 210th day after the close of the Fiscal Year the Trustee has not received a copy of the Annual Report, the Trustee shall notify the Obligor and the Dissemination Agent in writing that the Obligor has not complied with its obligations under subsection (a) above.

(c) If the Trustee is unable to verify in writing from the Obligor that the Obligor has filed or caused the Dissemination Agent to file an Annual Report by the date required in subsection (a) above, the Trustee shall cause the Obligor to send a notice through EMMA in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, promptly upon fulfilling its obligations under subsection (a) above, file a report with the Disclosure Representative and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided.

SECTION 4. Contents of Annual Reports. The Obligor's Annual Report shall contain or incorporate by reference the following:

(i) the audited financial statements of the Obligor for the immediately preceding Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to operations of the Obligor, as same may be modified from time to time by statutory requirements of the State of Arizona and the governmental accounting standards promulgated by the Government Accounting Standards Board; and

(ii) an update, as of the end of the immediately preceding Fiscal Year for which audited financial statements are available or, to the extent applicable, as reflected in the Obligor's then-current budget, of the financial information and operating data contained in the Official Statement in TABLE 3A.

The Obligor is not committing to update any other information in the Official Statement. The Obligor reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Obligor; provided, however, that the Obligor agrees that any such modification will be accomplished in a manner consistent with the Rule. Any or all of the foregoing items may be incorporated by specific reference to other documents, including offering statements of debt issues or audited financial statements of the Obligor or related public entities, which have previously been submitted to the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligor shall clearly identify each such other document so incorporated by reference.

SECTION 5. The Obligor's Obligation to Report Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events ("Listed Event"):

1. Delinquency in payment when due of any principal or interest on the Bonds.
2. Occurrence of any event of default under and as defined in the Indenture or the Lease (other than as described in clause (1) above).
3. Amendment to or supplement of the Indenture, the Lease or this Disclosure Agreement modifying the rights of the owners of the Bonds.
4. Optional or unscheduled extraordinary mandatory redemption of any Bonds.
5. Defeasance of the Bonds or any portion thereof.
6. Any change in any rating of the Bonds.

7. (A) Receipt of an opinion of nationally recognized bond counsel to the effect that interest on the Bonds is not Tax-exempt; or  
(B) Any event adversely affecting the Tax-exempt status of the Bonds, including but not limited to:
  - (i) Any non-random audit, investigation or other challenge of the Tax-exempt status of the Bonds by the Internal Revenue Service or in any administrative or judicial proceeding; or
  - (ii) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official tax authority or by any court adversely affecting the Tax-exempt status of the Bonds or bonds of the same type as the Bonds or financing structures of the same type as financed by the Bonds.
8. Any unscheduled draw on a reserve fund reflecting financial difficulties.
9. Any unscheduled draw on credit enhancements reflecting financial difficulties.
10. The release, substitution or sale of property not securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).
11. The substitution of credit or liquidity providers.
12. Notice of any failure on the part of the Obligor to meet the requirements of Section 3 hereof, including any event of non-appropriation to cover applicable costs.

(b) Whenever the Obligor obtains knowledge of the occurrence of a Listed Event, the Obligor shall, as soon as possible, determine if such event would be material under applicable federal securities laws.

(c) If the Obligor has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws but subject to annual appropriation to cover the costs of preparing and mailing thereof, the Obligor shall promptly report the occurrence pursuant to subsection (d) below.

(d) If the Obligor determines that the Listed Event would be material under applicable federal securities laws, the Obligor shall file a notice of such occurrence through EMMA. Each such notice shall be captioned "Material Event Notice" and shall prominently state the date, title and CUSIP numbers of the Bonds to which it relates. Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in clauses (4.) or (5.) of subsection (a) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligations. The obligations of the Obligor and the Trustee hereunder shall terminate upon the legal defeasance, prior prepayment or payment in full of all Outstanding

Bonds or upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action. If such termination occurs prior to the final maturity of the Bonds, the Obligor shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) above.

SECTION 7. Identity of Obligated Persons. The Obligor represents and warrants that no person (other than the Obligor), whether generally or through an enterprise fund or account of such person, is committed by contract or other arrangement to support payment of all or part of the obligations on the Bonds.

SECTION 8. Dissemination Agent. The Obligor may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Obligor shall be the Dissemination Agent. The initial Dissemination Agent shall be the Obligor.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision hereof, the Obligor and the Trustee may amend the provisions of this Disclosure Agreement without consent of the Owners of the Bonds, and any provision of this Disclosure Agreement may be waived provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be 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 an obligated person with respect to the Bonds, or the type of business conducted; and

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Obligor shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Obligor. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligor from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligor chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Obligor shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Obligor or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any holder or beneficial owner of a Bond, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligor or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement

shall not be deemed an event of default under the Indenture or the Lease, and the sole remedy under this Disclosure Agreement in the event of any failure of the Obligor or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee) and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Obligor, the Trustee, the Dissemination Agent, the Participating Underwriters and Beneficial Owners of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Cancellation. For all purposes of Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are hereby incorporated by this reference, the Obligor may, within three (3) years after its execution, cancel this Disclosure Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Disclosure Agreement on behalf of the Obligor is, at any time while this Disclosure Agreement is in effect, an employee or agent of the Trustee in any capacity or a consultant to any other party of this Disclosure Agreement with respect to the subject matter of this Disclosure Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Disclosure Agreement on behalf of the Obligor arising as the result of this Disclosure Agreement. The Trustee has not taken and shall not knowingly take any action which would cause any person described in the preceding sentence to be an employee or agent of the Trustee in any capacity or a consultant to any party to this Disclosure Agreement and within the time period described in the preceding sentence with respect to the subject matter of this Disclosure Agreement.

Date: [Closing Date]

CITY OF PRESCOTT, ARIZONA

By.....  
Marlin Kuykendall, Mayor

ATTEST:

.....  
Elizabeth Burke, Clerk

U.S. BANK NATIONAL ASSOCIATION

By.....  
Mary J. Ambriz-Reyes, Assistant  
Vice President

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: City of Prescott, Arizona  
Name of Issue: City of Prescott, Arizona Municipal Property Corporation Revenue Bonds,  
Series 2010  
Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Agreement, dated [Closing Date], of the Obligor. The Obligor anticipates that the Annual Report will be filed by .....

Dated: .....

CITY OF PRESCOTT, ARIZONA

By.....  
.....

cc: U.S. Bank National Association, as trustee

### BOOK-ENTRY-ONLY SYSTEM

THE INFORMATION PROVIDED IN THIS APPENDIX HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE CORPORATION, THE CITY, BOND COUNSEL, THE UNDERWRITER OR THE UNDERWRITER'S COUNSEL AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

DTC will act as securities depository for the Series 2010 Bonds. The Series 2010 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 Series 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds, totaling in the aggregate the principal amount of the Series 2010 Bonds, and will be deposited with DTC. The owners of book-entry interest will not receive or have the right to receive physical delivery of the Series 2010 Bonds.

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 Securities 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" and, together with the Direct Participants, "Participants"). DTC has Standard & Poor's highest rating: AAA. 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) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 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 beneficial ownership interests in the Series 2010 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 interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 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 Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 Series 2010 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2010 Bonds such as redemptions (if any), defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 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 Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2010 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, and interest payments represented by the Series 2010 Bonds will be made by the Trustee 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 Corporation or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Trustee or the Corporation. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010 Bonds are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bonds will be printed and delivered.

**NONE OF THE CITY, THE CORPORATION OR THE TRUSTEE WILL HAVE RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2010 BONDS UNDER THE INDENTURE; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2010 BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE SERIES 2010 BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2010 BONDS; OR (6) ANY OTHER MATTERS.**

So long as Cede & Co. is the registered Owner of the Series 2010 Bonds, as nominee for DTC, references in this Official Statement to "Owner" or registered owners of the Series 2010 Bonds (other than under the caption

“TAX MATTERS”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Series 2010 Bonds.

When reference is made in this Official Statement to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Corporation or the Trustee to DTC only.

In the event that the Book-Entry-Only System is discontinued, the following provisions will apply: principal of the Series 2010 Bonds and redemption premium, if any, thereon, when due, will be payable in lawful money of the United States of America at the designated corporate trust office of the Trustee. The transfer of the Series 2010 Bonds will be registrable and the Series 2010 Bonds may be exchanged at the designated corporate trust office of the Trustee upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.

**AUDITED FINANCIAL STATEMENTS  
OF THE  
CITY OF PRESCOTT, ARIZONA  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2009**