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**ESCROW TRUST AGREEMENT**

by and between

**THE TOWN OF PRESCOTT VALLEY, ARIZONA,**

and

**U.S. BANK NATIONAL ASSOCIATION,**  
as Escrow Trustee

Dated as of October 1, 2015

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ESCROW TRUST AGREEMENT

THIS ESCROW TRUST AGREEMENT, dated as of October 1, 2015 (this “Agreement”), by and between the TOWN OF PRESCOTT VALLEY, ARIZONA, a municipal corporation under the laws of the State of Arizona (the “Town”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association authorized to exercise trust powers under the laws of the State of Arizona, as escrow trustee (the “Trustee”),

WHEREAS, the following Certificates of Participation, Series 2007, evidencing undivided proportionate interests of the owners thereof in lease payments to be made by Town as lessee of certain property pursuant to a Lease-Purchase Agreement, dated as of December 1, 2007 (the “Lease Purchase Agreement”), have been executed and delivered and are outstanding and being prepaid on the dates and in the amounts indicated (the “Certificates Being Refunded” or the “Prepaid Certificates”):

| <u>Maturity Dates of<br/>Certificates Being Prepaid<br/>(July 1)</u> | <u>Principal<br/>Amounts<br/>Outstanding</u> | <u>Principal<br/>Amounts to Be<br/>Prepaid</u> | <u>Dates Of<br/>Redemption<br/>(January 1)</u> |
|--|--|--|--|
| 2020   | \$ 880,000                                   | \$ 880,000                                     | 2017   |
| 2021   | 920,000                                      | 920,000  | 2017   |
| 2022   | 955,000                                      | 955,000  | 2017   |
| 2023   | 995,000                                      | 995,000  | 2017   |
| 2024   | 1,040,000                                    | 1,040,000                                      | 2017   |
| 2025   | 1,085,000                                    | 1,085,000                                      | 2017   |
| 2026   | 1,130,000                                    | 1,130,000                                      | 2017   |
| 2027   | 1,185,000                                    | 1,185,000                                      | 2017   |

; and

WHEREAS, pursuant to the Lease Purchase Agreement, the Town may prepay the lease payments with respect to the Certificates Being Refunded, in part, at any time and if such certificates are not subject to prepayment at the time of such deposit, such prepayments shall be applied pursuant to the Trust Agreement, dated as of December 1, 2007 (the “2007 Trust Agreement”), with respect to such certificates by making an irrevocable deposit, in trust, of Defeasance Obligations (as such term is defined in the 2007 Trust Agreement), together with money, if required, in such amount as will, in the opinion of independent certified public accountants, together with the interest to accrue thereon, but without reinvestment thereof, together with the interest to accrue thereon, be fully sufficient to pay and discharge the Certificates Being Prepaid; and

WHEREAS, the Mayor and Common Council of the Town, by resolution adopted on October 8, 2015 (the “Resolution”), has authorized the execution and delivery of a certain Pledged Revenue Refunding Obligations, Series 2015, (the “Refunding Obligations”), a portion of which is being issued to provide funds to be used to prepay the Certificates Being Prepaid; and

WHEREAS, the Trustee agrees to accept and administer the trust created hereby which is to be irrevocable with respect to the safekeeping and handling of the moneys and securities to be held in trust for the payment of the Certificates Being Prepaid;

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

Section 1. On \_\_\_\_\_, 2015 (the "Delivery Date"), there was deposited (i) cash in the amount of \$\_\_\_\_\_ (the "Initial Cash Deposit") and (ii) the securities described in the Exhibit attached hereto (the "Securities"), all of which are and shall be only Defeasance Obligations (or additional funds which are either proceeds of the sale of the Refunding Obligations or funds of the Town sufficient to permit the Trustee to purchase the Securities on the Delivery Date), to be held by the Trustee in a special and separate trust fund, designated as the "Town of Prescott Valley, Arizona Certificates Prepayment (2015) Trust Fund" (the "Trust Fund"). The Initial Cash Deposit and the Securities shall be deposited in the Trust Fund immediately upon receipt thereof by the Trustee from the Town. As determined in the report of \_\_\_\_\_, independent certified public accountants regarding the Refunding Obligations (the "Special Report"), the maturing principal amount of the Securities, together with the scheduled interest thereon and the Initial Cash Deposit are sufficient to assure that the amounts available in the Trust Fund will be sufficient to pay when due the interest on and the principal of the Prepaid Certificates as the same mature or are prepaid.

Section 2. (A) The Trustee shall, at all times, hold the Initial Cash Deposit and the Securities in the Trust Fund for the account of the Town and for the benefit of the registered owners of the Prepaid Certificates, and shall maintain the Trust Fund wholly segregated from other funds and securities on deposit with the Trustee, shall never commingle the Initial Cash Deposit and the Securities 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 shall be available to pay the interest requirements of the Prepaid Certificates as the same accrue and become due and payable from time to time and to pay the principal of the Prepaid Certificates as the same shall become due and payable on the dates the Certificates Being Prepaid are to be paid or redeemed as set forth in the Special Report (collectively, the "Payment Schedules").

(B) The Trustee shall reinvest cash balances held in the Trust Fund, to the extent not required for the payment of the principal of and interest on the Prepaid Certificates on such date, in United States Treasury Certificates of Indebtedness, State and Local Government Series ("SLGS"), at a zero percent (0.0%) interest rate, maturing on the next succeeding semiannual debt service payment date for the Prepaid Certificates (the "Restricted Reinvestment Obligations"), provided that amounts which may not be so invested shall be held in cash and shall not be invested. (The Initial Cash Deposit shall be held in the Trust Fund in cash and shall not be invested.) Such investments shall be made only to the extent permitted by, and shall be made in accordance with, the applicable statutes, rules and regulations governing such investments issued by the Bureau of the Fiscal Service. Such rules and regulations currently require that a subscription for purchase of the investment be submitted at least 15 (or, for subscriptions of less than \$10,000,000, five) but no more than 60 days prior to the date of

investment. If the Department of the Treasury (or the Bureau of the Fiscal Service) of the United States suspends the sale of SLGS causing the Trustee to be unable to purchase SLGS, then the Trustee will take the following actions: On the date the Trustee would have purchased SLGS had the Trustee been able to do so, the Trustee shall purchase non-callable and non-prepayable obligations issued or guaranteed as to full and timely payment by the United States of America maturing no more than 90 days after the date of purchase (the "Alternate Investments"). The purchase price of the Alternate Investments shall be as close as possible to the principal amount of the SLGS that would have been purchased on such date if they had been available for purchase and shall in no event be more than the amount payable at such maturity on such investment. The Trustee shall purchase each Alternate Investment at a price no higher than the fair market value of the Alternate Investment and shall maintain records demonstrating compliance with this requirement. On the maturity of each Alternate Investment, the Trustee shall pay the difference between the total of the receipts on the Alternate Investment and the purchase price of the Alternate Investment to the Town with a notice to the Town that such amount must be paid to the Internal Revenue Service pursuant to Internal Revenue Service Revenue Procedure 95-47. The Town agrees that, promptly upon the Town's receipt of notice from the Trustee, the Town will contact nationally recognized bond counsel to review the purchase of Alternate Investments and to prepare the necessary forms to be filed relating to such payment. If the Alternate Investments mature more than 29 days prior to the next succeeding interest payment date on the Prepaid Certificates on which such proceeds will be needed to pay principal of and premium, if any, and interest on the Prepaid Certificates, the Trustee shall treat such amounts as an invested balance available for reinvestment and shall take all reasonable steps to invest such amounts in SLGS (or additional Alternate Investments as provided in this Section). The Trustee shall hold balances not so invested in accordance with Section 4 hereof.

(C) The Trustee may sell or redeem the Securities in advance of their maturity dates and invest the proceeds of such sale or redemption or other moneys credited to the Trust Fund in connection with such sale or redemption in other non-callable obligations issued or guaranteed by the United States of America (the "Substitute Securities") only upon receipt of written instructions from the Management Services Director of the Town to do so and receipt by the parties hereto and the Town of (1) an opinion in form and substance satisfactory to them from a nationally recognized bond counsel to the effect that such action will not affect adversely the status of the interest on the Certificates Being Prepaid or the Refunding Obligations for federal income tax purposes and will not affect adversely the right of the Town to issue obligations the interest on which is excludable from gross income for federal income tax purposes and (2) a report from a nationally recognized accountant or firm of accountants verifying the accuracy of the arithmetic computations of the adequacy of the proceeds from the liquidation together with any other moneys and the maturing principal of and interest on the Substitute Securities to be credited to the Trust Fund, to pay when due the interest on the Certificates Being Prepaid and the principal of the Certificates Being Prepaid as they become due at maturity or upon prior redemption. Upon any such sale or redemption of investments and reinvestment, any amounts not needed in the Trust Fund to provide for payments on the Certificates Being Prepaid, as shown by such accountant's report, may be withdrawn from the Trust Fund at the direction of the Town, returned to the Town and applied for the benefit of the Town in accordance with applicable law.

(D) If on the Delivery Date the Trustee did not receive any of the Securities (the “Failed Escrow Securities”), the Trustee may have accepted, as temporary substitutes, cash or, at the same purchase price, other obligations issued or guaranteed by the United States (the “Temporary Escrow Securities”) the payments on which are scheduled to provide, as determined by an independent certified public accountant, along with such cash, at least the same amounts of moneys on or before the same dates as the Failed Escrow Securities for which they were substituted. (The Trustee relied upon a report of a firm of independent certified public accountants that the condition in the preceding sentence was satisfied.) If the Temporary Escrow Securities were delivered, thereafter, upon delivery to the Trustee of the Failed Escrow Securities together with any amounts paid thereon subsequent to the Delivery Date, the Trustee shall return an amount of such cash and the Temporary Escrow Securities, and any amount paid, thereon subsequent to the Delivery Date, corresponding to the Failed Escrow Securities which the Temporary Escrow Securities replaced.

Section 3. The debt service on the Prepaid Certificates shall be paid from the following sources in the order listed below:

- (1) The Initial Cash Deposit.
- (2) Cash receipts from the Securities, the Restricted Reinvestment Obligations, the Alternate Investments, the Substitute Securities or the Temporary Escrow Securities.

Amounts available from such sources shall be applied consistently with the Payment Schedules.

Section 4. Any moneys credited to the Trust Fund which are not invested in the Securities, the Restricted Reinvestment Obligations, the Alternate Investments, the Substitute Securities or the Temporary Escrow Securities as provided herein shall be held as a demand deposit and shall be secured in the same manner as deposits of public moneys or invested in direct general obligations of the United States of America.

Section 5. (A) The Trustee shall make timely payments from the Trust Fund to (i) U.S. Bank National Association, as the trustee for the Certificates Being Prepaid (the “2007 Trustee”), in the amounts and on the dates necessary to permit the payment when due as set forth in the Payment Schedules of the principal of and interest on the Certificates Being Prepaid as the same become due and payable or when the Certificates Being Prepaid are to be redeemed.

(B) The Town hereby irrevocably instructs the Trustee to, and the Trustee shall, as soon as possible, cause notice of the prepayment of the Certificates Being Prepaid to be provided in the form and by the means required by the 2007 Trust Agreement.

(C) The Town further hereby irrevocably instructs the 2007 Trustee, for and on behalf of the Town, to cause notice of prepayment of the Certificates Being Prepaid to be provided in the form and by the means required by the 2007 Trust Agreement.

(D) Any costs incurred in mailing the notices described in (B) and (C) hereinabove may be billed to the Town.

Section 6. If, at any time or times, there are insufficient funds on hand in the Trust Fund for the payment of the principal of and interest on the Certificates Being Prepaid as the same become due, or for the payment of the fees and expenses of the Trustee, the Trustee shall promptly notify the Town of such deficiency by telephone and by registered first class mail, postage prepaid.

Section 7. On or before each February 15 and August 15 during the term of this Agreement, the Trustee shall submit to the Town a report covering all moneys it has received and all payments it has made under the provisions hereof during the six-month period ending on the preceding July 1 or January 1. Each such report also shall list all investments and moneys on deposit with the Trustee as of the date of the report.

Section 8. For its services hereunder, the Trustee shall receive the sum of \$\_\_\_\_\_ upon the date of delivery of the Refunding Obligations. The Trustee shall not make claim upon or expect payment from any amounts held hereunder for payment of any other amounts due or claimed to be due to the Trustee.

Section 9. When all amounts payable on the Certificates Being Prepaid have become due and the 2007 Trustee has on deposit all moneys necessary for the payment of such amounts, the Trustee shall on the business day next succeeding the date the last of the Certificates Being Prepaid is prepaid, transfer all moneys and investments credited to the Trust Fund in excess of the amounts needed to pay the amounts payable on the Certificates Being Prepaid to the Town to be applied for the benefit of the Town in accordance with applicable law.

Section 10. The registered owners of the Certificates Being Prepaid have a beneficial interest in the Trust Fund. It is therefore expressly recited, understood and agreed by the parties hereto that this Agreement shall not be revoked and shall not be amended in any manner which may adversely affect the rights herein sought to be protected until the provisions of this 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 nonperformance by the Town of any of its obligations or to protect any of the rights of the Town under any of the proceedings with respect to the Certificates Being Prepaid or the Refunding Obligations. 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 Agreement. The Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions hereof.

Section 12. The Auditor General of the State of Arizona and the Town shall have the right to audit the books, records and accounts of the Trustee insofar as they pertain to the Trust Fund.

Section 13. Except as otherwise provided herein, neither this Agreement or the Trust Fund may be assigned by the Trustee without the prior written consent of the Town unless

the Trustee is required by law to divest itself of its interest in its corporate trust department or unless the Trustee sells or otherwise assigns all or substantially all of its corporate trust business, in which event the Trust Fund shall be continued by the successor in interest of the Trustee. Any trust company or national banking association into which the Trustee or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business as a whole shall be the successor of the Trustee with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 14. 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 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 either valid or invalid, the valid construction shall be adopted. In construing this Agreement, it should be noted that the Refunding Obligations and the Certificates Being Prepaid are intended to be obligations the interest on which is excludable from gross income under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the provisions hereof should be construed to permit that result.

Section 15. Notice shall be sufficient hereunder, if it is contained in a writing to the Town at 7501 East Civic Circle, Prescott Valley, Arizona 86314, Attention: Management Services Director or to the Trustee at 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003 Attention: Corporate Trust Services, or any other address which may be designated from time to time by any party in writing delivered to the Town or the Trustee, as applicable, or is provided by facsimile means in a form acceptable to the recipient.

Section 16. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This 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 Agreement.

Section 17. (A) To the extent applicable by provision of law, the Trustee acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that the Town may within three years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by the Town if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Town is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

(B) To the extent applicable under Section 41-4401, Arizona Revised Statutes, 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. The breach by the Trustee of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Trustee by the Town. The Town retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the foregoing. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Town. The Trustee shall cooperate with the random inspections by the Town including granting the Town entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

Section 18. This Agreement may be executed in several counterparts, each of which shall be an original, all of which together shall constitute but one instrument.

Section 19. The transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

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

TOWN OF PRESCOTT VALLEY, ARIZONA, a municipal corporation under the laws of the State of Arizona, as purchaser

By.....  
Harvey Skoog, Mayor

ATTEST:

.....  
Diane Russell, Town Clerk

U.S. BANK NATIONAL ASSOCIATION, as the Trustee

By.....  
Authorized Representative

ACKNOWLEDGED BY U.S. BANK NATIONAL ASSOCIATION, AS THE 2007 TRUSTEE

By.....  
Authorized Representative

EXHIBIT

| <u>Type</u> | Maturity<br><u>Date</u> | Par<br><u>Amount</u> | <u>Rate</u> |
|-------------|-------------------------|----------------------|-------------|
|-------------|-------------------------|----------------------|-------------|