
ESCROW TRUST AGREEMENT

by and between

TOWN OF PRESCOTT VALLEY, ARIZONA,

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Trustee

Dated as of _____ 1, 2010

ESCROW TRUST AGREEMENT

Funded: _____, 2010

THIS ESCROW TRUST AGREEMENT, dated as of _____ 1, 2010 (this "Agreement"), by and between the Town of Prescott Valley, Arizona (the "Town"), a municipal corporation incorporated and existing pursuant to the laws of the State of Arizona, for the benefit of the Town of Prescott Valley Municipal Property Corporation (the "Corporation"), and U.S. Bank National Association, a national banking association organized under the laws of the United States of America with the authority to exercise trust powers under the laws of the State of Arizona, as escrow trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, \$_____ has been deposited pursuant to the terms hereof to pay all of the amounts remaining due from the Town with respect to the Corporation's Municipal Facilities Revenue Bonds, Second Series 2003, dated as of September 1, 2003 (the "Bonds Being Refunded" or the "Refunded Bonds") as further described in Exhibit "A" hereto; and

WHEREAS, the Mayor and Common Council of the Town authorized this 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;

NOW, THEREFORE, in consideration of the mutual provisions and covenants, conditions and agreements contained, the Town and the Trustee agree as follows:

Section 1. On _____, 2010 (the "Delivery Date"), there was deposited (i) cash in the amount of \$0.____ (the "Initial Cash Deposit") and (ii) the securities described in Exhibit "B" hereto (the "Securities"), all of which are and shall be only obligations issued or guaranteed by the United States of America which are not callable (or additional funds which were 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 (2010) Trust Fund" (the "Trust Fund"). As determined in the report of Grant Thornton, LLP with respect to the refunding of the Refunded Bonds (the "Report"), the 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 Refunded Bonds as the same mature or are redeemed.

Section 2. (A) The Trustee shall, at all times, hold the Initial Cash Deposit and the Securities in the Trust Fund for the benefit of the Corporation and of the registered 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 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 Refunded Bonds as the same accrue and become due and payable from time to time and to pay the principal of and interest on the Refunded Bonds as the same shall become due and payable on the date the Bonds Being Refunded are to be paid or redeemed as set forth in Exhibits "A" and "C" hereto (collectively, the "Payment Schedules") which conform with similar schedules contained in the Report.

(B) The Trustee shall reinvest cash balances in excess of \$1,000.00 held in the Trust Fund on each January 1 and July 1 during the term hereof, to the extent not required for the payment of the principal of and redemption premium and interest on the Refunded Bonds 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 Refunded Bonds (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 Public Debt. Such rules and regulations currently require that a subscription for purchase of the investment be submitted at least seven (7) (or, for subscriptions of less than \$10,000,000, five (5)) but no more than sixty (60) days prior to the date of investment. If the Department of the Treasury (or the Bureau of Public Debt) of the United States suspends the sale of SLGs causing the Trustee to be unable to purchase SLGs, then the Trustee, at the direction of the Town, 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 ninety (90) days after the date of purchase (the "Alternate Investments"). The purchase price of the Alternate Investment 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. If the Alternate Investment matures more than twenty-nine (29) days prior to the next succeeding interest payment date on the Refunded Bonds on which such proceeds will be needed to pay principal of and premium, if any, and interest on the Refunded Bonds, 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 Manager of the Town to do so and receipt by the parties hereto and the Town (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 Bonds Being Refunded 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 Bonds Being Refunded and the principal and premiums on the Bonds Being Refunded 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 Bonds Being Refunded, as shown by such accountant's report, may be withdrawn from the Trust Fund at the direction of 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 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 Refunded Bonds 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 Securities, 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 Securities, 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.

Section 5. (A) The Trustee shall make timely payments from the Trust Fund to U.S. Bank National Association, as trustee with respect to the Bonds Being Refunded in the amounts and on the dates necessary to permit the payment when due of the principal and interest with respect to the Bonds Being Refunded as the same become due and payable as set forth in the Payment Schedules.

(B) Notice of the refunding of the Bonds Being Refunded, in the form as shown in Exhibit "D" hereto, shall be provided to The Depository Trust Company, New York, New York ("DTC"), and the Electronic Municipal Market Access system.

(C) Notice of the redemption of the Bonds Being Refunded, in the form as shown in Exhibit "E" hereto, shall be provided to DTC, with such additional information as is deemed appropriate.

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 Bonds Being Refunded as the same become due, 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 January 15 and July 15 during the term of this Agreement, the Trustee shall submit to the Town a report covering all moneys the Trustee has received and all payments the Trustee has made under the provisions hereof during the six-month period ending on the preceding January 1 or July 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. (A) The Trustee shall receive the sum of \$_____ upon the date of establishment of the Trust Fund and shall be further compensated pursuant to its fee schedule provided to the Town.

(B) The Trustee hereby waives and releases any claim which it otherwise would have, as a lien or otherwise, against the Trust Fund for any payment and shall seek such amounts from the Town only for the payment of fees of the Trustee for all other services in connection with services of the Trustee hereunder.

Section 9. When all amounts payable with respect to the Bonds Being Refunded have become due and the Trustee has on deposit all moneys necessary for the payment of such amounts, and in any event on the business day succeeding the date the last of the Bonds Being Refunded is paid, the Trustee shall transfer to the Town all moneys and investments credited to the Trust Fund in excess of the amounts payable on the Bonds Being Refunded.

Section 10. 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 Bonds Being Refunded. 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 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. (A) Except as otherwise provided herein, neither this Agreement nor 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.

(B) Notwithstanding the foregoing subsection, 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 Bonds Being Refunded 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. (A) As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, notice is hereby given that the Town may, within three years after its execution, cancel any contract, 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 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. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. No basis exists for the Town to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as amended, as of the date hereof.

(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 Agreement and may result in the termination of the services of the Trustee. 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 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 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.

(C) Pursuant to Sections 35-391.06 and 35-393.06, Arizona Revised Statutes, as amended, the Trustee does 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 Town determines that the Trustee submitted a false certification, the Town may impose remedies as provided by law including terminating the services of the Trustee.

Section 16. Notice shall be sufficient hereunder, if it is contained in a writing sent to the Town at c/o Town of Prescott Valley, Arizona, 1020 West Palomino Road, Prescott Valley, Arizona 86323, Attention: Town Manager, and to the Trustee at Suite 1600, 101 North First Avenue, 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.

Section 17. 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 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.

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

**THE TOWN OF PRESCOTT VALLEY, ARIZONA,
an Arizona municipal corporation**

By.....
Harvey Skoog, Mayor

ATTEST:

.....
Diane Russell, Town Clerk

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

By.....
Authorized Officer

ACKNOWLEDGED BY EACH OF:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee with respect to the
Bonds Being Refunded

By.....
Authorized Representative

TOWN OF PRESCOTT VALLEY, ARIZONA,
MUNICIPAL PROPERTY CORPORATION

By.....
Printed Name:.....
Title:.....

329515063.1-10/1/2010

EXHIBIT A

BONDS BEING REFUNDED

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Payments (1)</u>
01/01/11	\$ 285,000.00	\$62,613.75	\$ 347,613.75
07/01/11		57,483.75	57,483.75
01/01/12	295,000.00	57,483.75	352,483.75
07/01/12		51,952.50	51,952.50
01/01/13	\$2,455,000.00	51,952.50	2,506,952.50

(1) The Bonds Being Refunded are to be redeemed on January 1, 2013.

Maturity dates, interest rates and principal amounts are as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
01/01/11	3.600%	\$285,000.00
01/01/12	3.750	295,000.00
01/01/13	4.000	310,000.00
01/01/14	4.000	320,000.00
01/01/15	4.100	335,000.00
01/01/16	4.250	350,000.00
20/01/17	4.300	365,000.00
01/01/18	4.375	380,000.00
01/01/19	4.500	395,000.00

EXHIBIT B

TRUST FUND INVESTMENTS

<u>Type</u>	<u>Maturity Date</u>	<u>Cost/Par Amount</u>	<u>Coupon</u>
SLGs-Cert	01-01-11	\$	%
SLGs-Cert	07-01-11		
SLGs-Cert	01/01/12		
SLGs-Note	07-01-12		
SLGs Note	01-01-13		
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EXHIBIT C

SCHEDULE OF TOTAL ESCROW RECEIPTS AND PAYMENTS

<u>Debt Service Payment Date</u>	<u>Receipts</u>	<u>Trust Fund Requirements</u>	<u>Cash Balance</u>
___/___/10			\$
01/01/11	\$	\$ 347,613.75	
07/01/11		57,483.75	
01/01/12		352,483.75	
07/01/12		51,952.50	
01/01/13		2,506,952.50	

EXHIBIT D

NOTICE OF REFUNDING
of
TOWN OF PRESCOTT VALLEY
MUNICIPAL PROPERTY CORPORATION
MUNICIPAL FACILITIES REVENUE BONDS,
SECOND SERIES 2003
DATED AS OF SEPTEMBER 1, 2003
MATURING ON JANUARY 1, 2011, THROUGH AND
INCLUDING JANUARY 1, 2019,
ESCROW FUNDED: _____, 2010

Notice is hereby given that the above-described Bonds have been refunded in advance of their stated maturity dates by the establishment of an irrevocable trust with U.S. Bank National Association, as trustee. According to a report by Grant Thornton, LLP, certified public accountants, moneys and obligations issued or guaranteed by the United States of America, which have been deposited in the irrevocable trust, are scheduled to provide funds in amounts sufficient to pay all principal of and interest on the above-described Bonds as the same become due or are to be redeemed prior to their respective maturities.

All of the above-described Bonds maturing on and after January 1, 2014, will be paid on January 1, 2013, at a price equal to the principal amount thereof, plus interest accrued to the date of redemption.

Date: _____, 2010.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

EXHIBIT E

NOTICE OF REDEMPTION
of
TOWN OF PRESCOTT VALLEY
MUNICIPAL PROPERTY CORPORATION
MUNICIPAL FACILITIES REVENUE BONDS,
SECOND SERIES 2003
DATED AS OF SEPTEMBER 1, 2003
MATURING ON JANUARY 1, 2014, THROUGH AND
INCLUDING JANUARY 1, 2019,
ESCROW FUNDED: _____, 2010

Notice is hereby given that the above-described Bonds will be redeemed prior to their stated maturity date on January 1, 2013.

Registered owners of the above-described Bonds are notified to present the same at the office of U.S. Bank National Association, as trustee, on January 1, 2013, the date set for redemption. The above-described Bonds will be redeemed at a redemption price equal to the principal amount of each such Bond , plus interest accrued to the date of redemption. From and after January 1, 2013, no interest will be paid on the Bonds.

Dated:, 2013

U.S. BANK NATIONAL ASSOCIATION, as
Trustee