

RESOLUTION NO. 12-01

RESOLUTION OF THE BOARD OF DIRECTORS OF TOWN OF PRESCOTT VALLEY MUNICIPAL PROPERTY CORPORATION AUTHORIZING THE ISSUANCE OF CERTAIN OF ITS NOT TO EXCEED \$19,500,000 MUNICIPAL FACILITIES REVENUE REFUNDING BONDS, SERIES 2012, IN ONE OR MORE SERIES, FOR THE PURPOSE OF REFINANCING PROJECTS FOR THE TOWN OF PRESCOTT VALLEY, ARIZONA; DELEGATING TO THE MANAGER AND THE MANAGEMENT SERVICES DIRECTOR OF THE TOWN OF PRESCOTT VALLEY, ARIZONA, THE AUTHORITY TO DETERMINE VARIOUS TERMS WITH RESPECT TO SUCH BONDS AND CERTAIN MATTERS RELATING TO CERTAIN BONDS TO BE REFUNDED WITH THE PROCEEDS OF THE SALE THEREOF; PROVIDING FOR THE APPLICATION OF THE PROCEEDS FROM THE SALE OF SUCH BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY BY THE CORPORATION OF A SUPPLEMENTAL TRUST INDENTURE APPROPRIATE FOR THE PROTECTION AND DISPOSITION OF REVENUES AND FURTHER SECURING THE PAYMENT OF SUCH BONDS AND AN AMENDMENT TO GROUND LEASE, A GROUND LEASE, A TOWN LEASE, A BOND PURCHASE CONTRACT, AN ESCROW TRUST AGREEMENT AND CERTAIN OTHER DOCUMENTS AND APPROVING AN OFFICIAL STATEMENT RELATING TO SUCH BONDS

WHEREAS, the Town of Prescott Valley Municipal Property Corporation (the "Corporation") was formed to transact any or all lawful business for which nonprofit corporations may be incorporated under the laws of the State of Arizona, including, without limiting the generality of the foregoing, any civic or charitable purpose such as financing the cost of acquiring, constructing and equipping of facilities for use by and for leasing to the Town of Prescott Valley, Arizona (the "Town"); and

WHEREAS, the Mayor and Common Council of the Town heretofore determined that it would be beneficial to the citizens of the Town to provide for the acquisition, construction and equipping of (i) an expansion to a wastewater treatment plant (the "Treatment Plant Project"), (ii) a police operations building (the "Police Operations Project") and (iii) a town hall building and library (the "Town Hall Project"); and

WHEREAS, the Corporation, at the request of the Mayor and Common Council of the Town, heretofore issued (i) to finance the Treatment Plant, its \$4,140,000 aggregate principal amount of Municipal Facilities Revenue Bonds, Series 1995, dated as of January 1, 1995, pursuant to a Trust Indenture, dated as of January 1, 1995 (the

"Indenture"), from the Corporation to U.S. Bank National Association, as successor to First Trust of Arizona, National Association (formerly Bank of America Arizona), as trustee (the "Trustee"), none of which remain outstanding and (ii) to finance the Police Operations Project, its \$1,775,000 aggregate principal amount of Municipal Facilities Revenue Bonds, Series 1995-B, dated as of June 1, 1995 (the "Series 1995-B Bonds"), pursuant to a Series 1995-B Supplemental Trust Indenture, dated as of June 1, 1995 (the "Series 1995-B Supplemental Indenture"), from the Corporation to the Trustee, none of which remain outstanding; and

WHEREAS, the Corporation, at the request of the Mayor and Common Council of the Town to finance the Town Hall Project, also heretofore issued its \$7,825,000 aggregate principal amount of Municipal Facilities Revenue Bonds, Series 1997, dated as of October 1, 1997 (the "Series 1997 Bonds"), pursuant to a Series 1997 Supplemental Trust Indenture, dated as of October 1, 1997 (the "Series 1997 Supplemental Indenture"), from the Corporation to the Trustee, none of which remain outstanding; and

WHEREAS, the Mayor and Common Council of the Town further determined that it would be beneficial to the citizens of the Town to provide for certain road and related improvements (the "Roads Project"); and

WHEREAS, the Corporation, at the request of the Mayor and Common Council of the Town to finance the Roads Project, issued its \$17,895,000 aggregate principal amount of Municipal Facilities Revenue Bonds, Series 2003, dated as of January 1, 2003 (the "First Series 2003 Bonds"), pursuant to a Series 2003 Supplemental Trust Indenture, dated as of January 1, 2003, from the Corporation to the Trustee, none of which remain outstanding; and

WHEREAS, the Mayor and Common Council of the Town then determined that it would be beneficial to its citizens to provide for certain water system improvements (the "First Water System Project"); and

WHEREAS, the Corporation, at the request of the Mayor and Common Council of the Town to finance the First Water Systems Project, issued its \$4,580,000 aggregate principal amount of Municipal Facilities Revenue Bonds, Second Series 2003, dated as of September 1, 2003 (the "Second Series 2003 Bonds"), pursuant to a Second Series 2003 Supplemental Indenture, dated as of September 1, 2003, from the Corporation to the Trustee, none of which remain outstanding; and

WHEREAS, the Mayor and Common Council of the Town then determined that it would be beneficial to its citizens to refinance certain portions of the Series 1995-B Bonds and of the Series 1997 Bonds (the "2004 Refunding"); and

WHEREAS, the Corporation, at the request of the Mayor and Common Council of the Town to finance the costs of the 2004 Refunding,

issued its \$6,420,000 aggregate principal amount of Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2004, dated as of March 1, 2004 (the "First Series 2004 Bonds"), pursuant to a Series 2004 Supplemental Trust Indenture, dated as of March 1, 2004, from the Corporation to the Trustee, of which \$4,075,000 principal amount remain outstanding; and

WHEREAS, the Mayor and Common Council of the Town then determined that it would be beneficial to its citizens to provide for the acquisition of certain contractual rights to water pursuant to an intergovernmental agreement between the Town and the City of Prescott, Arizona (the "Second Water System Project"); and

WHEREAS, the Corporation, at the request of the Mayor and Common Council of the Town to finance the Second Water System Project, issued its \$14,300,000 aggregate principal amount of Municipal Facilities Revenue Bonds, Second Series 2004, dated as of December 1, 2004 (the "Second Series 2004 Bonds"), pursuant to a Second Series 2004 Supplemental Indenture, dated as of December 1, 2004, from the Corporation to the Trustee, of which \$10,440,000 principal amount remain outstanding; and

WHEREAS, the Mayor and Common Council of the Town then determined that it would be beneficial to its citizens to refinance certain portions of the First Series 2003 Bonds (the "2011 Refunding"); and

WHEREAS, the Corporation, at the request of the Mayor and Common Council of the Town to finance the costs of the 2011 Refunding, issued its \$14,365,000 aggregate principal amount of Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2011, dated August 25, 2011 (the "Series 2011 Bonds"), pursuant to a Series 2011 Supplemental Trust Indenture, dated as of August 1, 2011, from the Corporation to the Trustee, of which \$14,270,000 principal amount remain outstanding; and

WHEREAS, to refinance the costs of certain improvements to the Town's sewer system, the Mayor and Common Council of the Town heretofore determined to issue \$10,545,000 principal amount of Town of Prescott Valley, Arizona Sewer Revenue Refunding Bonds, Series 2003, dated as of April 1, 2003 (the "Series 2003 Sewer Bonds"), of which \$6,760,000 principal amount remain outstanding; and

WHEREAS, the Mayor and Common Council of the Town have now determined that, under certain specific circumstances described herein, it will be beneficial to the citizens of the Town to refinance all or any portion of the Second Series 2004 Bonds and the Series 2003 Sewer Bonds remaining outstanding (the "Refunding"); and

WHEREAS, the Board of Directors of the Corporation desires to assist the Town in financing the Refunding; and

WHEREAS, in order to finance the costs of the Refunding, the Board of Directors of the Corporation and the Mayor and Common Council of the Town deem it necessary and desirable for the Corporation to issue certain of its Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2012 (the "Bonds"); and

WHEREAS, in connection with the issuance of the Bonds, the Corporation and the Town must enter into (i) a First Amendment to Second Series 2004 Ground Lease, to be dated as of the first day of the month of the dated date of the Bonds (the "Ground Lease Amendment"), pursuant to which the Town, with respect to the Second Series 2004 Ground Lease, dated as of December 1, 2004 (the "Second Series 2004 Ground Lease"), by and between the Town and the Corporation, encumbers the "Demised Premises" described therein (the "2004 Demised Premises"), (ii) a Ground Lease, to be designated as the series town lease of the calendar year in which it is delivered and dated as of the first day of the month of the dated date of the Bonds (the "Ground Lease"), by and between the Town and the Corporation, pursuant to which the Town encumbers the "Demised Premises" described therein (the "2012 Demised Premises" and, together with the 2004 Demised Premises, the "Demised Premises"), and (iii) a Town Lease, to be designated as the series town lease of the calendar year in which it is delivered and dated as of the first day of the month of the dated date of the Bonds (the "Town Lease"), pursuant to which (A) the Corporation accepts the encumbrance of the Demised Premises and (B) the Town, as agent for the Corporation, agrees to provide for the Refunding; and

WHEREAS, in connection with the issuance of the First Series 2004 Bonds, the Corporation and the Town entered into a Series 2004 Town Lease, dated as of March 1, 2004 (the "First Series 2004 Town Lease"); and

WHEREAS, the First Series 2004 Bonds remaining outstanding after the Refunding will be payable solely from the revenues received by the Corporation from the Town pursuant to the First Series 2004 Town Lease; and

WHEREAS, in connection with the issuance of the Second Series 2004 Bonds, the Corporation and the Town entered into a Second Series 2004 Town Lease, dated as of December 1, 2004 (the "Second Series 2004 Town Lease"); and

WHEREAS, the Second Series 2004 Bonds remaining outstanding after the Refunding will be payable solely from the revenues received by the Corporation from the Town pursuant to the Second Series 2004 Town Lease; and

WHEREAS, in connection with the issuance of the Series 2011 Bonds, the Corporation and the Town entered into a Series 2011 Town Lease, dated as of August 1, 2011 (the "Series 2011 Town Lease"); and

WHEREAS the Series 2011 Bonds remaining outstanding after the Refunding will be payable solely from the revenues received by the Corporation from the Town pursuant to the Series 2011 Town Lease; and

WHEREAS, the Bonds shall be secured by the Indenture, as further supplemented by a Supplemental Trust Indenture, to be designated as the series supplemental indenture of the calendar year in which it is delivered and dated as of the first day of the month of the dated date of the Bonds (the "Supplemental Indenture"), from the Corporation to the Trustee; and

WHEREAS, the Bonds shall be secured by the Town Lease pursuant to which the Town shall pledge certain excise and franchise taxes as security for the payment of rental payments coming due thereunder and, on a parity therewith, under the First Series 2004 Town Lease, the Second Series 2004 Town Lease and the Series 2011 Town Lease; 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 Town in financing the Refunding, 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 Town; and

WHEREAS, the Corporation is authorized and empowered, among other things (1) to issue its special obligations for the purposes of assisting the Town in acquiring, constructing and equipping municipal improvements and otherwise incurring expenses to improve the use of municipal facilities, or the refinancing thereof, (2) to enter into leases and other necessary documents and to provide for rental payments sufficient to pay the principal of and premium, if any, and interest on such obligations, (3) to secure such obligations as provided for herein, and (4) to adopt this Resolution and enter into the Ground Lease Amendment, the Ground Lease, the Town Lease and the Supplemental Indenture, upon the terms and conditions provided herein and therein; and

WHEREAS, there have been placed on file with the Secretary of the Corporation and presented at the meeting at which this Resolution was adopted (1) the proposed form of the Supplemental Indenture, (2) the proposed form of the Ground Lease Amendment, (3) the proposed form of the Ground Lease, (4) the proposed form of the Town Lease, (5) the proposed form of an Escrow Trust Agreement, to be dated as of the first day of the month of the dated date of the Bonds (the "Escrow Trust Agreement"), by and between the Corporation and U.S. Bank National Association, as escrow trustee (the "Escrow Trustee"), to provide for the disposition of amounts to be applied to accomplish the Refunding, (6) the proposed form of the Bond Purchase Agreement, to be dated the date of sale of the Bonds (the "Purchase Contract" and with the Supplemental Indenture, the Ground Lease Amendment, the Ground Lease, the Town Lease and the Escrow Trust Agreement, collectively the "Basic Documents"), by and among the Town, the Corporation and Stifel

Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Purchaser"), to provide for the terms of the purchase of the Bonds and (7) the proposed form of the Preliminary Official Statement, to be dated the date of the mailing thereof (the "Preliminary Official Statement"), relating to the Bonds, and which, with certain additions thereto, shall constitute the Official Statement, to be dated the date of the sale of the Bonds (the "Official Statement"), relating to the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TOWN OF PRESCOTT VALLEY MUNICIPAL PROPERTY CORPORATION THAT:

Section 1. 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 Bonds are hereby approved and ratified.

Section 2. It is hereby determined that (i) the Corporation was formed to assist the Town in financing its capital improvement projects at no profit to the Corporation; (ii) the Town desires to finance the costs of the Refunding (or any part thereof) by the issuance of the Bonds; (iii) the Corporation shall continue or commence, as applicable, the lease of the Demised Premises (or the applicable portions thereof) from the Town pursuant the Ground Lease Amendment and the Ground Lease, as applicable; (iv) the Town shall continue or commence, as applicable, to lease the Demised Premises (or applicable portions thereof) from the Corporation pursuant to the Town Lease; (v) the Corporation has not and shall not make any profit by reason of the assistance it renders the Town in connection with the issuance of the Bonds and (vi) the Corporation is authorized by law and deems it necessary to borrow money for purposes of carrying out its obligations pursuant to the Town Lease by issuing the Bonds and to secure the payment of the principal of and premium, if any, and interest on the Bonds and the performance of the covenants and conditions contained in the Basic Documents.

Section 3. The Bonds are hereby authorized to be issued in one or more series as special obligation bonds to be designated "Town of Prescott Valley Municipal Property Corporation Municipal Facilities Revenue Refunding Bonds, Series 2012." If the Bonds are to be issued in more than one series, each series shall bear an appropriate letter designation to distinguish each such series from each other series. The Bonds shall be issued in fully registered form only and shall bear interest from their date and shall mature and be payable as provided in the Supplemental Indenture. The Bonds shall be sold in accordance with the terms of the Purchase Contract. The Manager and the Management Services Director of the Town are hereby authorized to determine on behalf of the Corporation the date the Bonds are to be offered for sale but only if on such date the same shall result in a present value debt service savings, net of all costs associated with the issuance of the Bonds of not less than two percent (2.0%) of the principal amount of the bonds being refunded pursuant to the Refunding, as well as the sale price and other sales terms of the

Bonds; the total aggregate principal amount of the Bonds which are to be sold (but not to exceed \$19,500,000); the date the Bonds are to be dated; the interest rates to be borne by the Bonds and dates on which interest on the Bonds is to be payable (provided, however, that the yield on the Bonds calculated for federal income tax purposes shall not exceed three and three-quarters percent (3.75%) per annum); the dates the Bonds are to mature (but only in the years 2013 through 2025), the principal amounts to mature on such dates and the provisions for the redemption of the Bonds in advance of such dates; the maturity dates and principal amounts for bonds being refunded pursuant to the Refunding and the determinations of exercise of redemption provisions with respect to such bonds and the provisions pursuant to which the Bonds are to be credit enhanced (including determinations with respect to bond insurance and required reserve funds). It is hereby further authorized that all necessary actions to accommodate the Refunding, including providing for the making of all necessary changes to all related documents, be taken.

Section 4. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption and number shall be as set forth in the Supplemental Indenture 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 Bonds, and each is hereby authorized to deliver them. The signatures of the President and Secretary of the Corporation on the Bonds may be by facsimile.

Section 5. The forms, terms and provisions of the Basic Documents 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 officers authorized to execute such documents including as a result of determinations about whether and to what extent the Refunding is to be undertaken as hereinafter described (which approval will be conclusively demonstrated by their execution thereof), and the President and Secretary of the Corporation or either of such officers are hereby authorized to execute the Basic Documents as well as any and all other documents necessary in connection therewith to provide for the issuance of the Bonds including any financial guaranty or related agreement necessary with respect to credit enhancement for the Bonds and any standard form of agreement with a securities depository to provide for a book-entry system for the Bonds.

Section 6. The Bonds are hereby sold to the Purchaser in accordance with the terms of the Purchase Contract as finally completed and at the price to be specified therein, determined as provided herein.

Section 7. The President or Secretary of the Corporation is authorized to execute and deliver to the Trustee the written order of the Corporation for the authentication and delivery of the Bonds by the Trustee.

Section 8. Upon the delivery of the Bonds, the proceeds thereof shall be deposited as provided in the Supplemental Indenture.

Section 9. The officers of the Corporation shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated thereby, 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 Bonds.

Section 10. The Preliminary Official Statement, and the distribution and use thereof in connection with the sale of the Bonds, in substantially the form presented at the meeting at which this Resolution was adopted, with such changes as are approved by the Manager and the Management Services Director of the Town, is hereby approved. The preparation of the Official Statement is hereby approved; the President of the Corporation is authorized and directed to approve, on behalf of the Corporation, the Official Statement which is, by his execution thereof, approved for use in connection with the offering and sale of the Bonds and the execution of the Official Statement by the President of the Corporation is hereby authorized and approved and shall be conclusively deemed to evidence the approval of the status, form and contents thereof.

Section 11. The Bonds shall be special obligations of the Corporation payable solely from rental payments to be made by the Town pursuant to the Town Lease. Nothing contained in this Resolution, the Basic Documents or any other instrument shall be construed as obligating the Town except to the extent provided in such documents or instruments or as incurring a charge upon the general credit of the Town nor shall the breach of any agreement contained in this Resolution, the Basic Documents or any other documents or instruments executed in connection therewith impose any charge upon the general credit of the Town.

Section 12. U.S. Bank National Association, is hereby confirmed as the Trustee as well as the Registrar and the Paying Agent (as such terms are defined in the Supplemental Indenture) and as the Escrow Trustee pursuant to and for purposes of the Supplemental Indenture and the Escrow Trust Agreement, respectively.

Section 13. After any of the Bonds are delivered by the Trustee to the Purchaser upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Bonds and the interest thereon shall have been fully paid, cancelled and discharged.

Section 14. 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.

Section 15. 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.

Section 16. 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 of Arizona and the Corporation.

Section 17. This Resolution shall be effective immediately.

ADOPTED AND APPROVED this 4th day of June, 2012.

By.....
President, Town of Prescott Valley
Municipal Property Corporation

ATTEST:

.....
Secretary-Treasurer, Town of
Prescott Valley Municipal
Property Corporation